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FOR IMMEDIATE RELEASE

INDEPENDENT ALLIANCE BANKS ANNOUNCES FOURTH QUARTER 2008 FINANCIAL PERFORMANCE

FORT WAYNE, IND., January 20, 2009 – Independent Alliance Banks, Inc. (IAB), a multi-bank holding company for Grabill Bank and MarkleBank, announced fourth quarter financial performance as of December 31, 2008. In light of the current economic environment, we are pleased to report that IAB was able to maintain the same earnings levels for 2008 as we did in 2007.

Net income for the 2008 fourth quarter was \$1.82 million compared to \$1.96 million for the same quarter in 2007. Earnings per share for the quarter were \$1.30 vs. \$1.39 for the fourth quarter in 2007. Net income for the year 2008 was \$7.40 million compared to \$7.65 million for 2007, a slight decline of \$250,000 or 3 percent. Earnings per share were \$5.29 at year-end 2008 compared to \$5.39 for 2007, a 2 percent decrease. While only a slight decline from last year, 2008 annual performance improvements in net interest income were offset by added loan provisions, a write-down of Freddie Mac preferred stock, and higher FDIC insurance costs – all the result of the troubled economy.

At year-end 2008, total assets were \$903 million compared to \$847 million in 2007, an increase of 7 percent. Deposits totaled \$637 million in 2008, up 6 percent from \$592 million in 2007, and total loans were up \$12 million or 2 percent at \$649 million in 2008 from \$637 million in 2007.

Total capital at December 31, 2008 was \$81.1 million, an increase of 5 percent over last year. Book value and tangible book value were \$58.23 and \$46.55 per share respectively and rose 7 and 9 percent over a year ago. Capital ratios based on average assets and risk-rated assets were all up approximately 2 percent from year-end 2007, while annual dividends paid increased 7 percent. “The banks of IAB have a long history of conservative management practices, strong capital position and no risky investments, which is the reason why we did not participate in the TARP (Troubled Assets Relief Program),” stated Michael C. Marhenke, President and CEO. “We still focus on building relationships with our customers and communities.”

“In the midst of the worldwide economic crises and the impact on our local market conditions, our company fared well with relatively consistent performance and continued to focus on strategic efforts to manage our changing marketplace,” stated Marhenke. “Every financial institution in the country is facing tough challenges to better manage their business due to narrowing margins, declining credit quality and increased FDIC insurance costs. We feel this economic crisis will continue well into 2009 and will take our country some time from which to recover. As a result, we will focus our 2009 efforts on tighter credit controls, new products and services for our customers, and expense management in order to provide value to our shareholders and the communities in which we serve.”

Independent Alliance Banks, Inc, established in 2005, is a two-bank holding company that includes Grabill Bank and MarkleBank. IAB employs approximately 265 people in our local communities which include Fort Wayne, New Haven, Leo, Grabill, Harlan, Markle, Bluffton, Van Buren, Warren and Huntington.

Independent Alliance Banks, Inc.**Consolidated Balance Sheets**

At December 31, 2008 and December 31, 2007

(unaudited)

	December 31, 2008	December 31, 2007
ASSETS		
Cash & due from banks		
Noninterest bearing	\$ 10,090,247	\$ 11,978,871
Interest-bearing	44,459,767	10,141,267
Total cash and cash equivalents	54,550,014	22,120,138
Available-for-sale investment securities	143,011,729	132,955,615
Loans held for sale	2,271,400	1,524,995
Loans	648,933,626	637,444,139
Allowance for loan losses	(7,657,875)	(7,045,997)
Loans, net	641,275,751	630,398,142
Buildings and equipment (net)	11,926,454	11,223,835
Federal Home Loan Bank stock	7,740,000	6,840,000
Freddie Mac preferred stock	-	518,000
Insurance contracts	17,297,086	12,999,579
Goodwill	16,265,152	16,716,928
Other assets	8,747,099	11,385,174
Total assets	<u>\$ 903,084,685</u>	<u>\$ 846,682,406</u>
LIABILITIES		
Noninterest bearing	\$ 92,744,171	\$ 95,145,729
Interest bearing	544,648,887	497,285,813
Total deposits	637,393,058	592,431,542
Short-term borrowings	29,967,698	38,155,062
FHLB advances	136,500,000	120,624,491
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	7,836,219	8,467,738
Total liabilities	822,006,975	769,988,833
STOCKHOLDERS' EQUITY		
Common stock and surplus	35,619,709	35,613,539
Retained earnings	49,644,909	45,373,554
Treasury stock	(5,762,880)	(4,700,980)
Accumulated other comprehensive income, net of tax	1,575,972	407,460
Total stockholders' equity	81,077,710	76,693,573
Total liabilities and stockholders' equity	<u>\$ 903,084,685</u>	<u>\$ 846,682,406</u>

Independent Alliance Banks, Inc.

Consolidated Statements of Operations

For the three and nine months ended December 31, 2008 and 2007

(unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Interest Income:				
Loans	\$ 9,874,416	\$ 11,294,031	\$ 40,730,871	\$ 45,961,643
Investment securities:				
Taxable	1,232,633	1,168,581	4,988,581	4,494,282
Tax exempt	378,228	360,054	1,493,035	1,406,034
Dividend income and other	137,994	329,957	848,431	1,217,243
Total interest income	11,623,271	13,152,623	48,060,918	53,079,202
Interest Expense:				
Deposits	3,456,942	5,132,799	15,159,381	21,487,052
Short-term borrowings	121,952	247,165	658,960	1,012,777
FHLB advances	1,365,088	1,339,789	5,676,838	4,952,900
Junior subordinated debt	151,500	216,105	630,530	828,508
Total interest expense	5,095,482	6,935,858	22,125,709	28,281,237
Net interest income	6,527,789	6,216,765	25,935,209	24,797,965
Provision for Loan Losses	545,000	145,000	1,390,000	645,000
Net Interest Income after Provision for Loan Losses	5,982,789	6,071,765	24,545,209	24,152,965
Other Income:				
Service charges on deposit accounts	713,998	631,701	2,615,111	2,373,126
Service charges on loans	34,773	34,142	143,690	124,052
Income from sale of loans	320,538	317,271	1,409,556	1,466,621
Fiduciary and other nontraditional activities	121,510	141,615	643,652	623,067
Net realized gains (losses) on sale of assets	66,548	35,442	155,978	159,368
Net writedown for other than temporary impairment	-	-	(518,000)	-
Income from life insurance contracts	241,199	103,682	649,819	461,367
Other	206,044	177,525	844,181	704,318
Total other income	1,704,610	1,441,378	5,943,987	5,911,919
Other Expenses:				
Salaries and employee benefits	2,759,700	2,654,659	11,239,374	11,007,179
Net occupancy and equipment	766,075	833,413	3,071,520	3,165,447
Printing and office supplies	215,121	189,224	858,792	823,319
Legal, professional and other fees	423,977	409,226	1,588,346	1,653,503
Marketing	219,970	142,877	621,817	646,729
Business development	93,942	120,774	573,506	581,072
FDIC insurance	273,688	30,408	625,515	89,244
Other	513,730	648,972	1,936,001	2,125,906
Total other expenses	5,266,203	5,029,553	20,514,871	20,092,399
Income Before Income Taxes	2,421,196	2,483,590	9,974,325	9,972,485
Income Taxes	603,660	527,807	2,571,597	2,319,980
Net Income	\$ 1,817,536	\$ 1,955,783	\$ 7,402,728	\$ 7,652,505
Basic Earnings Per Common Share	\$ 1.30	\$ 1.39	\$ 5.29	\$ 5.39
Average common shares outstanding	1,394,902	1,408,071	1,400,641	1,420,305

Consolidated Financial Highlights

Fourth Quarter 2008

(unaudited)

	Quarterly Trends					Year-To-Date	
	4th Qtr 2008	3rd Qtr 2008	2nd Qtr 2008	1st Qtr 2008	4th Qtr 2007	12 mo 2008	12 mo 2007
<i>(\$ in thousands except for share data)</i>							
\$ EARNINGS							
Net interest income	\$ 6,528	6,775	6,366	6,266	6,217	25,935	24,798
Provision for loan loss	\$ 545	175	430	240	145	1,390	645
Other income	\$ 1,705	1,115	1,595	1,529	1,441	5,944	5,912
Other expense	\$ 5,266	5,047	5,184	5,017	5,029	20,515	20,092
Pretax income	\$ 2,422	2,668	2,347	2,538	2,484	9,974	9,973
Taxes	\$ 604	735	588	644	528	2,571	2,320
Net income	\$ 1,818	1,933	1,759	1,894	1,956	7,403	7,653
Earnings per share	\$ 1.30	1.38	1.25	1.35	1.39	5.29	5.39
PERFORMANCE RATIOS							
Return on average assets *	0.82%	0.89%	0.82%	0.89%	0.91%	0.86%	0.90%
Return on average equity *	9.12%	9.89%	8.96%	9.82%	10.22%	9.44%	10.27%
Net interest margin (<i>fully-tax equivalent</i>) *	3.28%	3.47%	3.31%	3.28%	3.19%	3.32%	3.21%
Fee income as % of total revenue	20.7%	14.1%	20.0%	19.6%	18.8%	18.6%	19.3%
Efficiency ratio	63.96%	63.97%	65.12%	64.36%	65.67%	64.35%	65.42%
CAPITAL							
Tier 1 leverage capital ratio	0.0%	8.6%	8.5%	8.5%	8.4%	0.0%	8.4%
Tier 1 risk-based capital ratio	0.0%	10.7%	10.6%	10.8%	10.7%	0.0%	10.7%
Total risk-based capital ratio	0.0%	11.8%	11.7%	11.9%	11.7%	0.0%	11.7%
Book value per share	\$ 58.23	56.63	55.15	56.23	54.49	58.23	54.49
Dividends paid per share	\$ 0.55	0.55	0.55	0.55	0.55	2.20	2.05
Outstanding shares	1,392,270	1,397,174	1,403,100	1,404,148	1,407,482	1,392,270	1,407,482
Average outstanding shares	1,394,902	1,398,234	1,403,834	1,405,596	1,408,071	1,400,641	1,420,305
ASSET QUALITY							
Net charge-offs (recoveries)	\$ 271	94	396	17	488	778	1,843
Net charge-offs to average loans *	0.17%	0.06%	0.25%	0.01%	0.31%	0.12%	0.29%
Allowance for loan losses	\$ 7,658	7,384	7,303	7,269	7,046	7,658	7,046
Allowance for loan losses to total loans	1.18%	1.13%	1.14%	1.14%	1.11%	1.18%	1.11%
Nonperforming loans	\$ 12,913	11,774	7,532	10,177	6,455	12,913	6,455
Other real estate owned	\$ 555	535	624	626	1,950	555	1,950
Nonperforming loans to total loans	1.99%	1.80%	1.17%	1.60%	1.01%	1.99%	1.01%
Nonperforming assets to total assets	1.49%	1.40%	0.94%	1.24%	0.99%	1.49%	0.99%
END OF PERIOD BALANCES							
Assets	\$ 903,085	879,799	863,508	869,848	846,682	903,085	846,682
Total S/T and L/T Investments	\$ 197,483	159,631	163,925	177,318	151,980	197,483	151,980
Total Loans	\$ 648,934	654,405	642,286	635,720	637,444	648,934	637,444
Deposits	\$ 637,393	612,515	579,807	605,004	592,432	637,393	592,432
Borrowings	\$ 176,778	180,784	198,853	178,055	169,090	176,778	169,090
Shareholders' equity	\$ 81,078	79,119	77,378	78,959	76,694	81,078	76,694
AVERAGE BALANCES							
Assets	\$ 881,287	863,569	859,655	857,052	855,375	865,391	854,433
Total S/T and L/T Investments	\$ 169,548	158,181	168,638	160,577	159,171	164,559	151,972
Total Loans	\$ 649,991	646,703	635,074	638,435	635,519	642,551	643,781
Deposits	\$ 618,004	593,211	596,108	595,526	616,925	600,715	631,465
Borrowings	\$ 176,441	184,897	176,815	175,437	154,253	178,397	140,590
Shareholders' equity	\$ 79,298	77,776	78,971	77,574	75,902	78,411	74,518

* annualized with quarterly data