



Suite 103
118 East Ludwig Road
Fort Wayne, IN 46825

FOR IMMEDIATE RELEASE

INDEPENDENT ALLIANCE BANKS ANNOUNCES 2009 FINANCIAL PERFORMANCE

FORT WAYNE, IND., January 25, 2010 – Independent Alliance Banks, Inc. (IAB), a multi-bank holding company for Grabill Bank and MarkleBank, announced a 14% annual increase in earnings at December 31, 2009 compared to December 31, 2008.

Net income for the year 2009 was \$8.43 million compared to \$7.40 million for 2008. Earnings per share was \$6.07 at year-end 2009 compared to \$5.29 for 2008, a 15 percent increase. Net income for the 2009 fourth quarter was \$2.47 million compared to \$1.82 million for the same quarter in 2008. Earnings per share for the quarter was \$1.78 vs. \$1.30 for the fourth quarter in 2008. Despite the very difficult operating environment in 2009, IAB remained focused on the basics of community banking principles – providing quality products and services to customers, solid lending practices through relationship banking and maintaining efficiencies within their operations. The company watched expenses, worked closely with problem loan customers to minimize charge-offs and added appropriate loan provisions to address future issues as a result of the troubled economy.

At year-end 2009, total assets were \$891 million compared to \$903 million in 2008. Deposits totaled \$656 million in 2009, up from \$637 million in 2008, and total loans were \$640 million in 2009 compared to \$649 million in 2008.

“In the midst of the worldwide economic crisis and the impact on our local market conditions, our company fared well with consistent performance and continued focus on strategic efforts to manage our changing marketplace,” stated Michael C. Marhenke, President and CEO. “At a time when many financial institutions were assisted by taxpayer money and government guarantees, IAB never received any TARP funds, did not reduce the dividend paid to shareholders, and never made high risk sub prime mortgage loans to consumers. We continued to stay focused on our community banking mission of providing quality products and services to our customers and 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, 2009 and 2008
(unaudited)

	December 31, 2009	December 31, 2008
ASSETS		
Cash & due from banks		
Noninterest bearing	\$30,412,474	\$10,090,247
Interest-bearing	14,813,689	44,459,767
Total cash and cash equivalents	45,226,163	54,550,014
Available-for-sale investment securities	147,136,312	143,011,729
Loans held for sale	2,276,414	2,271,400
Loans	639,517,297	648,933,626
Allowance for loan losses	(8,507,170)	(7,657,875)
Loans, net	631,010,127	641,275,751
Buildings and equipment (net)	11,518,311	11,926,454
Federal Home Loan Bank stock	7,740,000	7,740,000
Insurance contracts	18,153,240	17,297,086
Goodwill	15,321,961	15,490,835
Other assets	12,879,644	9,521,416
Total assets	<u>\$891,262,172</u>	<u>\$903,084,685</u>
LIABILITIES		
Noninterest bearing	\$101,039,617	\$92,744,171
Interest bearing	554,644,520	544,648,887
Total deposits	655,684,137	637,393,058
Short-term borrowings	20,108,206	29,967,698
FHLB advances	110,500,000	136,500,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	7,942,380	7,836,219
Total liabilities	804,544,723	822,006,975
STOCKHOLDERS' EQUITY		
Common stock and surplus	35,619,709	35,619,709
Retained earnings	55,016,910	49,644,909
Treasury stock	(6,106,482)	(5,762,880)
Accumulated other comprehensive income, net of tax	2,187,312	1,575,972
Total stockholders' equity	86,717,449	81,077,710
Total liabilities and stockholders' equity	<u>\$891,262,172</u>	<u>\$903,084,685</u>

Independent Alliance Banks, Inc.**Consolidated Statements of Operations**For the three months and six months ended December 31, 2009 and 2008
(unaudited)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Interest Income:				
Loans	\$ 10,018,189	\$ 9,874,416	\$ 38,485,929	\$ 40,730,871
Investment securities:				
Taxable	1,051,324	1,232,633	4,488,825	4,988,581
Tax exempt	439,377	378,228	1,662,321	1,493,035
Dividend income and other	65,578	137,994	365,859	848,431
Total interest income	11,574,468	11,623,271	45,002,934	48,060,918
Interest Expense:				
Deposits	2,655,656	3,456,942	11,548,465	15,159,381
Short-term borrowings	32,807	121,952	148,513	658,960
FHLB advances	1,122,412	1,365,088	4,724,481	5,676,838
Junior subordinated debt	80,000	151,500	376,300	630,530
Total interest expense	3,890,875	5,095,482	16,797,759	22,125,709
Net interest income	7,683,593	6,527,789	28,205,175	25,935,209
Provision for Loan Losses	875,000	545,000	2,963,000	1,390,000
Net Interest Income after Provision for Loan Losses	6,808,593	5,982,789	25,242,175	24,545,209
Other Income:				
Service charges on deposit accounts	670,071	607,275	2,550,984	2,176,249
Service charges on loans	90,890	89,600	388,770	391,637
Income from sale of loans	420,364	292,278	1,947,911	1,283,777
Fiduciary and other nontraditional activities	162,014	121,510	542,501	643,652
Net realized gains (losses) on sale of assets	75,209	66,548	382,051	155,978
Net writedown for other than temporary impairment	-	-	-	(518,000)
Income from life insurance contracts	221,218	241,199	818,440	649,819
Other	316,470	286,200	1,228,160	1,160,875
Total other income	1,956,236	1,704,610	7,858,817	5,943,987
Other Expenses:				
Salaries and employee benefits	2,835,890	2,759,700	11,514,011	11,239,374
Net occupancy and equipment	811,320	766,075	2,963,565	3,071,520
Printing and office supplies	193,399	215,121	739,973	858,792
Legal, professional and other fees	597,179	423,977	1,885,510	1,588,346
Marketing	148,718	219,970	559,634	621,817
Business development	82,130	93,942	481,875	573,506
FDIC insurance	193,208	273,688	1,434,268	625,515
Other	396,835	513,730	1,869,242	1,936,001
Total other expenses	5,258,679	5,266,203	21,448,078	20,514,871
Income Before Income Taxes	3,506,150	2,421,196	11,652,914	9,974,325
Income Taxes	1,039,556	603,660	3,226,244	2,571,597
Net Income	\$ 2,466,594	\$ 1,817,536	\$ 8,426,670	\$ 7,402,728
Basic Earnings Per Common Share	\$ 1.78	\$ 1.30	\$ 6.07	\$ 5.29
Average common shares outstanding	1,385,230	1,394,902	1,388,347	1,400,641

Independent Alliance Banks, Inc.
Consolidated Financial Highlights

Fourth Quarter 2009
(unaudited)

(\$ in thousands except for share data)	Quarterly Trends					Year-To-Date	
	4th Qtr 2009	3rd Qtr 2009	2nd Qtr 2009	1st Qtr 2009	4th Qtr 2008	12 mo 2009	12 mo 2008
\$ EARNINGS							
Net interest income	\$ 7,684	7,068	6,810	6,644	6,528	28,205	25,935
Provision for loan loss	\$ 875	435	1,088	565	545	2,963	1,390
Other income	\$ 1,956	1,897	2,249	1,756	1,705	7,859	5,944
Other expense	\$ 5,259	5,146	5,744	5,300	5,266	21,448	20,515
Pretax income	\$ 3,506	3,384	2,227	2,535	2,422	11,653	9,974
Taxes	\$ 1,039	972	563	652	604	3,226	2,571
Net income	\$ 2,467	2,412	1,664	1,883	1,818	8,427	7,403
Earnings per share	\$ 1.78	1.74	1.20	1.35	1.30	6.07	5.29
PERFORMANCE RATIOS							
Return on average assets *	1.10%	1.09%	0.76%	0.87%	0.82%	0.96%	0.86%
Return on average equity *	11.30%	11.37%	8.00%	9.28%	9.12%	10.02%	9.44%
Net interest margin (fully-tax equivalent) *	3.88%	3.58%	3.45%	3.41%	3.28%	3.59%	3.32%
Fee income as % of total revenue	20.3%	21.2%	24.8%	20.9%	20.7%	21.8%	18.6%
Efficiency ratio	54.55%	57.40%	63.41%	63.10%	63.96%	59.47%	64.35%
CAPITAL							
Tier 1 leverage capital ratio	9.1%	9.1%	8.8%	8.8%	8.6%	9.1%	8.6%
Tier 1 risk-based capital ratio	12.0%	11.6%	11.2%	11.3%	10.8%	12.0%	10.8%
Total risk-based capital ratio	13.2%	12.9%	12.4%	12.4%	11.9%	13.2%	11.9%
Book value per share	\$ 62.62	62.10	59.56	59.47	58.23	62.62	58.23
Tangible book value per share	\$ 51.56	51.17	48.57	48.41	47.11	51.56	47.11
Dividends paid per share	\$ 0.55	0.55	0.55	0.55	0.55	2.20	2.20
Outstanding shares	1,384,792	1,385,454	1,388,102	1,390,236	1,392,270	1,384,792	1,392,270
Average outstanding shares	1,385,230	1,386,935	1,389,670	1,391,555	1,394,902	1,388,347	1,400,641
ASSET QUALITY							
Net charge-offs (recoveries)	\$ 820	284	399	611	271	2,114	778
Net charge-offs to average loans *	0.51%	0.18%	0.25%	0.38%	0.17%	0.33%	0.12%
Allowance for loan losses	\$ 8,507	8,452	8,301	7,612	7,658	8,507	7,658
Allowance for loan losses to total loans	1.33%	1.32%	1.30%	1.20%	1.18%	1.33%	1.18%
Nonperforming loans	\$ 8,827	11,504	13,026	13,355	12,913	8,827	12,913
Other real estate owned	\$ 762	585	486	1,341	555	762	555
Nonperforming loans to total loans	1.38%	1.80%	2.05%	2.10%	1.99%	1.38%	1.99%
Nonperforming assets to total assets	1.08%	1.38%	1.52%	1.69%	1.49%	1.08%	1.49%
END OF PERIOD BALANCES							
Assets	\$ 891,262	878,824	887,185	870,782	903,085	891,262	903,085
Total S/T and L/T Investments	\$ 171,966	170,854	186,581	184,169	197,483	171,966	197,483
Total Loans	\$ 639,517	639,004	636,426	636,083	648,934	639,517	648,934
Deposits	\$ 655,684	618,014	627,482	615,429	637,393	655,684	637,393
Borrowings	\$ 140,918	166,927	168,462	164,487	176,778	140,918	176,778
Shareholders' equity	\$ 86,717	86,042	82,682	82,676	81,078	86,717	81,078
AVERAGE BALANCES							
Assets	\$ 890,428	874,385	881,496	878,066	881,287	881,093	865,391
Total S/T and L/T Investments	\$ 172,645	172,304	183,235	175,591	169,548	175,110	164,559
Total Loans	\$ 639,033	637,033	637,659	641,337	649,991	638,754	642,551
Deposits	\$ 639,505	622,529	626,582	613,337	618,004	625,560	600,715
Borrowings	\$ 155,974	159,079	163,067	174,333	176,441	163,033	178,397
Shareholders' equity	\$ 86,582	84,129	83,462	82,322	79,298	84,129	78,411

* annualized with quarterly data