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INDEPENDENT ALLIANCE BANKS ANNOUNCES SECOND QUARTER FINANCIAL

PERFORMANCE

FORT WAYNE, IN, July 20, 2010 – Independent Alliance Banks, Inc. announced strong financial performance as of June 30, 2010. Net income for the second quarter of 2010 was up 44 percent at \$2.40 million compared to \$1.66 million in 2009. For the first six months of 2010, net income was \$4.48 million compared to \$3.55 million from the same period last year, a 26 percent increase. Earnings per share for the six month period of 2010 was \$3.23 versus \$2.55 last year. Earnings have improved from last year's performance as margins have improved, the wealth management division has experienced solid, growth and expenses have been reduced particularly FDIC premium expenses that were imposed on all banks as a special assessment in 2009.

Total assets as of June 30, 2010 were \$906,334,000 compared to \$891,262,000 at December 31, 2009. Mid-year 2010 deposits increased to \$659,170,000 from \$655,684,000 at year-end 2009. Loan growth was down slightly with total loans at \$638,629,000 as of June 30, 2010 and \$639,517,000 at year-end 2009.

“Our consistent financial performance is encouraging despite slow growth, economic issues, and the ongoing regulatory burdens imposed on the financial services industry,” stated Michael C. Marhenke, President and Chief Executive Officer of IAB. “We continue to manage our loan and investment portfolios well and remain focused on providing quality products and services every day to meet our customers saving, borrowing and financing needs.” For the first six months of 2010, return on average equity was 10.19 percent and return on average assets was 1.02 percent. This consistency in performance is the reason why IAB was recently recognized in the top 200 community banks and thrifts in the US Banker's annual ranking.* I am extremely proud of our team who continue to work diligently to manage our business and service our customers every day.”

Independent Alliance Banks, Inc, established in 2005, is a two-bank holding company that includes MarkleBank and Grabill Bank. IAB employs approximately 255 people in our local communities which include Markle, Bluffton, Van Buren, Warren, Huntington, Fort Wayne, New Haven, Leo, Grabill, Harlan,. *based on a 3 year average return on equity as of December 31, 2009.

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

At June 30, 2010 and December 31, 2009

(unaudited)

June 30, 2010			December 31, 2009
ASSETS			
Cash & due from banks			
Noninterest bearing	\$ 42,778,793	\$	30,412,474
Interest-bearing	16,592,312		14,813,689
Total cash and cash equivalents	59,371,105		45,226,163
Available-for-sale investment securities	150,022,444		147,136,312
Loans held for sale	2,550,087		2,276,414
Loans	638,628,935		639,517,297
Allowance for loan losses	(8,827,533)		(8,507,170)
Loans, net	629,801,402		631,010,127
Buildings and equipment (net)	11,402,367		11,518,311
Federal Home Loan Bank stock	7,740,000		7,740,000
Insurance contracts	18,585,240		18,153,240
Goodwill	15,174,859		15,321,961
Other assets	11,686,527		12,879,644
Total assets	\$ 906,334,031	\$	891,262,172
LIABILITIES			
Noninterest bearing	\$ 101,414,344	\$	101,039,617
Interest bearing	557,755,176		554,644,520
Total deposits	659,169,520		655,684,137
Short-term borrowings	25,831,346		20,108,206
FHLB advances	112,500,000		110,500,000
Junior subordinated debt	10,310,000		10,310,000
Other liabilities	7,835,581		7,942,380
Total liabilities	815,646,447		804,544,723
STOCKHOLDERS' EQUITY			
Common stock and surplus	35,619,709		35,619,709

Independent Alliance Banks, Inc. Consolidated**Statements of Operations**

For the three months and six months ended June 30, 2010 and 2009

(unaudited)

Three Months Ended		Six Months Ended			
June 30,		June 30,			
2010	2009	2010	2009	2009	
Interest Income:					
Loans	\$ 9,437,061	\$ 9,469,650	\$ 18,746,832	\$ 18,942,940	
Investment securities:					
Taxable	964,921	1,147,203	1,958,905	2,370,794	
Tax exempt	448,372	415,474	1,050,682	798,784	
Dividend income and other	101,443	66,175	156,458	181,808	
Total interest income	10,951,797	11,098,502	21,912,877	22,294,326	
Interest Expense:					
Deposits	2,461,573	2,986,207	4,971,502	6,089,963	
Short-term borrowings	26,232	33,927	56,173	84,261	
FHLB advances	959,963	1,171,841	1,934,925	2,455,992	
Junior subordinated debt	74,700	97,000	146,600	210,500	
Total interest expense	3,522,468	4,288,975	7,109,200	8,840,716	
Net interest income	7,429,329	6,809,527	14,803,677	13,453,610	
Provision for Loan Losses	609,980	1,088,000	1,323,300	1,653,000	
Net Interest Income after Provision for Loan Losses	6,819,349	5,721,527	13,480,377	11,800,610	
Other Income:					
Service charges on deposit accounts	604,488	629,586	1,173,838	1,191,570	
Service charges on loans	104,084	99,074	181,246	181,783	
Income from sale of loans	367,735	676,259	654,226	1,175,882	
Fiduciary and other nontraditional activities	202,358	119,906	368,709	232,766	
Net realized gains (losses) on sale of assets	76	234,661	37,608	254,419	
Income from life insurance contracts	207,000	182,487	432,000	372,606	
Other	351,926	307,144	679,134	596,302	
Total other income	1,837,667	2,249,117	3,526,761	4,005,328	
Other Expenses:					
Salaries and employee benefits	2,842,155	2,938,800	5,757,097	5,848,917	
Net occupancy and equipment	657,833	689,206	1,415,447	1,444,549	
Printing and office supplies	196,464	200,712	354,443	397,931	
Legal, professional and other fees	536,950	362,380	1,324,766	741,565	
Marketing	142,365	181,517	276,929	274,100	
Business development	136,867	143,449	282,213	285,195	
FDIC insurance	241,519	678,614	490,460	974,852	
Other	535,094	548,846	982,188	1,076,103	

Independent Alliance Banks, Inc.
Consolidated Financial Highlights

Second Quarter 2010

(unaudited)

	Quarterly Trends							Year-To-Date				
	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	2010	2009	2009	2009	2009		
<i>(\$ in thousands except for share data)</i>												
\$\$\$ EARNINGS Net interest income Provision for loan loss Other income Other expense	7,374	713	1,689	5,594	7,684	875	1,956	5,259	7,068	435	1,897	5,146
	6,810	1,088	2,249	5,744	7,429	610	1,838	5,289				
\$ \$ Pretax income Taxes	2,756	678	3,506	1,039	3,384	972	2,227	563	3,368	967		
\$Net income	2,078	2,467	2,412	1,664	2,401							
\$Earnings per share	1.50	1.78	1.74	1.20	1.73							
PERFORMANCE RATIOS												
Return on average assets *	0.96%	1.10%	1.09%	0.76%	1.08%							
Return on average equity *	9.61%	11.30%	11.37%	8.00%	10.76%							
Net interest margin (fully-tax equivalent) *	3.89%	3.88%	3.58%	3.45%	3.79%							
Free income as % of total revenue	18.6%	20.3%	21.2%	24.8%	19.8%							
Efficiency ratio	61.72%	54.55%	57.40%	63.41%	57.07%							
CAPITAL												
Tier 1 leverage capital ratio	9.4%	9.1%	9.1%	8.8%	9.4%							
Tier 1 risk-based capital ratio	12.1%	12.0%	11.6%	11.2%	12.3%							
Total risk-based capital ratio	13.4%	13.2%	12.9%	12.4%	13.7%							
\$Book value per share	63.69	62.62	62.10	59.56	65.49							
\$Tangible book value per share	52.68	51.56	51.17	48.57	54.53							
\$Dividends paid per share	0.55	0.55	0.55	0.55	0.55							
Outstanding shares	1,384,792	1,384,792	1,385,454	1,388,102	1,384,792							
Average outstanding shares	1,384,792	1,385,230	1,386,935	1,389,670	1,384,792							
ASSET QUALITY												
\$Net charge-offs (recoveries)	607	820	284	399	395							
Net charge-offs to average loans *	0.38%	0.51%	0.18%	0.25%	0.25%							
\$Allowance for loan losses	8,613	8,507	8,452	8,301	8,828							
Allowance for loan losses to total loans	1.36%	1.33%	1.32%	1.30%	1.38%							
\$Nonperforming loans	7,747	8,827	11,504	13,026	7,189							
\$Other real estate owned	663	762	585	486	648							
Nonperforming loans to total loans	1.22%	1.38%	1.80%	2.05%	1.13%							
Nonperforming assets to total assets	0.96%	1.08%	1.38%	1.52%	0.86%							
END OF PERIOD BALANCES												
\$Assets	876,821	891,262	878,824	887,185	906,334							
\$Total S/T and L/T Investments	173,154	171,966	170,854	186,581	176,905							
\$Total Loans	633,596	639,517	639,004	636,426	636,426							
\$Deposits	636,019	655,684	618,014	627,482	659,170							
\$Borrowings	144,750	140,918	166,927	168,462	148,641							
\$Shareholders' equity	88,196	86,717	86,042	82,682	90,688							
AVERAGE BALANCES												
\$Assets	880,499	890,428	874,385	881,496	889,791							
\$Total S/T and L/T Investments	171,133	172,645	172,304	183,235	174,792							
\$Total Loans	633,553	639,033	637,033	637,659	638,412							
\$Deposits	642,020	639,505	622,529	626,582	647,889							
\$Borrowings	142,801	155,974	159,079	163,067	146,515							
\$Shareholders' equity	87,713	86,582	84,129	83,462	89,537							