

May 6, 2008

Dear Shareholder:

We are pleased to report the results of our first quarter ended March 31, 2008. We continued to experience strong, quality loan and core deposit growth as we began 2008.

At March 31, 2008, total assets were \$122.9 million, increasing \$12.3 million, or 11%, from December 31, 2007, and \$31.8 million, or 35%, from March 31, 2007. Total gross loans outstanding were \$111.5 million, increasing \$12.6 million, or 13%, from December 31, 2007, and \$34.3 million, or 44%, from March 31, 2007. Total deposits as of March 31, 2008 were \$90.5 million, increasing \$8.3 million, or 10%, from December 31, 2007, and \$18.1 million, or 25%, from March 31, 2007. Growth in core deposits represented \$5.9 million of the total \$8.3 million growth for the quarter. At March 31, 2008, brokered deposits, included in total deposits, were \$37.6 million compared to \$35.2 million at December 31, 2007.


For the quarter ended March 31, 2008, operations resulted in a net loss of \$161,966 compared to a net loss of \$40,461 for the quarter ended March 31, 2007. The increase in net loss is primarily due to a decrease in net interest margin, discussed below, as well as an increase in non-interest expenses related to the addition of the Wade Hampton branch in October 2007. We recognized \$849,027 in net interest income for the quarter ended March 31, 2008, compared to \$792,719 for the quarter ended March 31, 2007, an increase of \$56,308, or 7%. Net interest margin, calculated as net interest income divided by average earning assets, decreased from 4.01% for the quarter ended March 31, 2007 to 2.99% for the quarter ended March 31, 2008. This decrease is primarily due to a decrease in yield on earning assets from 7.70% to 6.80% between periods as a result of significant rate decreases initiated by the Federal Reserve Board during the first quarter of 2008. This decrease was slightly offset by a small decrease in cost of funds from 4.88% to 4.62% between periods due to the timing of rate adjustments on liabilities. Our variable rate loans are adjusted immediately; however, our certificates of deposit renew at current market rates only on their maturity dates.

We remain focused on the fundamentals of community banking in spite of all the news surrounding the volatile economy and the toll the sub-prime debacle has had on community bank stock prices. We have a strong capital base and seek to maintain our high credit quality, which should keep us positioned for increasing long-term shareholder value.

Independence National Bank is a full service commercial bank, providing traditional loan and deposit services, as well as online banking, commercial cash management, remote deposit capture and other essential services for our clients. We strive to maintain a personal focus and are dedicated to meeting the needs of our clients. We value your support as a shareholder. Please do not hesitate to contact us with any questions.

Best Regards,

  
Lawrence R. Miller  
President & CEO

  
Charles D. Walters  
Chairman of the Board



**INDEPENDENCE**  
BANCSHARES, INC.

**Financial Highlights**  
*(unaudited)*

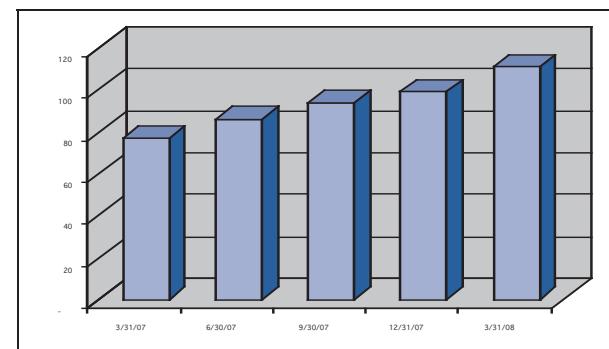
Balance Sheet Data	As of		
	3/31/2008	12/31/2007	03/31/2007
Total assets	\$122,850,597	\$110,511,245	\$91,074,605
Loans, gross	111,509,862	98,891,370	77,185,553
Allowance for loan losses	1,447,491	1,283,491	1,390,153
Deposits	90,471,597	82,133,117	72,378,826
Shareholders' equity	18,911,695	18,989,433	18,473,488

Income Statement Data	For the Quarter Ended	For the Year Ended	For the Quarter Ended
	3/31/2008	12/31/2007	03/31/2007
Net interest income	\$849,027	\$3,670,148	\$792,719
Provision for loan losses	164,000	483,000	192,000
Non-interest income	16,745	62,491	12,788
Non-interest expenses	946,638	3,143,946	667,468
Net income (loss), net of tax	(161,966)	322,193	(40,461)
Net income (loss), per diluted share	(0.08)	0.15	(0.02)

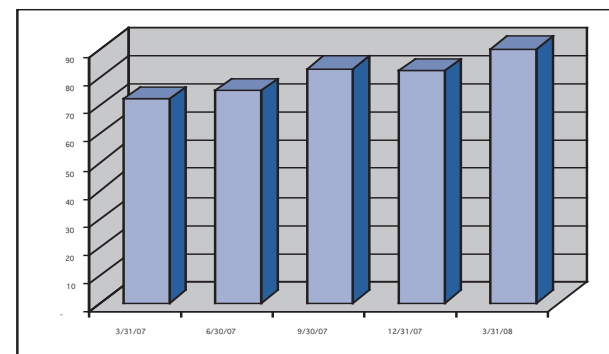


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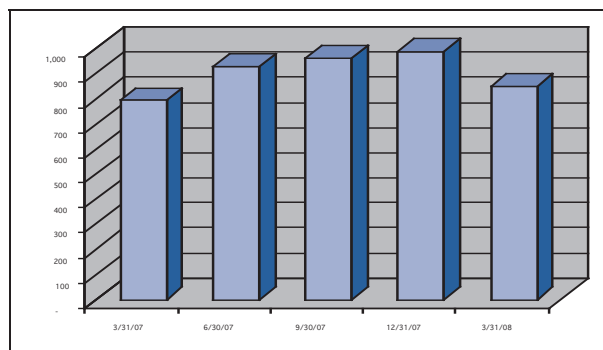
**Quarter End Gross Loans Outstanding (\$ in millions)**



**Quarter End Deposits Outstanding (\$ in millions)**



**Quarterly Net Interest Income (\$ in thousands)**



**Quarter End Total Assets (\$ in millions)**

