

May 7, 2009

Dear Shareholder:

The following summarizes our financial condition and operating results for the quarter ended March 31, 2009.

At March 31, 2009, total assets were \$140.3 million, increasing \$3.5 million, or 3%, from December 31, 2008, and \$17.5 million, or 14%, from March 31, 2008. Total gross loans outstanding were \$118.9 million, decreasing \$4.5 million, or 4%, from December 31, 2008, and increasing \$7.4 million, or 7%, from March 31, 2008. Total deposits as of March 31, 2009 were \$102.5 million, increasing \$3.7 million, or 4%, from December 31, 2008, and \$12.0 million, or 13%, from March 31, 2008. Growth in retail or customer deposits was \$5.8 million for the three months ended March 31, 2009. At March 31, 2009, brokered deposits, included in total deposits, were \$47.3 million compared to \$49.4 million at December 31, 2008, decreasing \$2.1 million. As you can see from the above information, we have begun to see results from the strategy we implemented in the third quarter of 2008 to reduce our dependency on brokered deposits and increase deposits within our local market. This will continue to be a primary focus for us throughout 2009.

Operations resulted in a net loss of \$368,645 for the quarter ended March 31, 2009. Our net loss can be attributed to three primary factors. First, our non-interest expenses increased in the current year due to increased FDIC insurance premium assessments as well as the opening of our third full-service branch on Highway 14 in Simpsonville in February 2009. As mentioned in previous correspondence, though opening and operating a new office negatively impacts earnings initially, we believe branching is an important part of our corporate strategy if we are to better serve our shareholders and customers, and position ourselves to reach new customers in the community. Our current year results were also impacted by a decrease in net interest margin from 3.07% for the three months ended March 31, 2008 to 1.75% for the three months ended March 31, 2009. This decrease is primarily due to a decrease in yield on earning assets from 6.89% to 4.59% between periods as a result of the significant rate decreases initiated by the Federal Reserve Board during 2008. This decrease was slightly offset by a decrease in cost of funds from 4.63% to 3.15% between periods due to the timing of rate adjustments on liabilities. Lastly, new information was released regarding Silverton Bank, N.A. which led us to completely write-off the remaining investment balance with an impairment charge of \$60,404. We are pleased to report that the capital levels of the bank remain strong. We also continue to focus our efforts on aggressively managing credit risk to ensure the quality of loan portfolio.

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

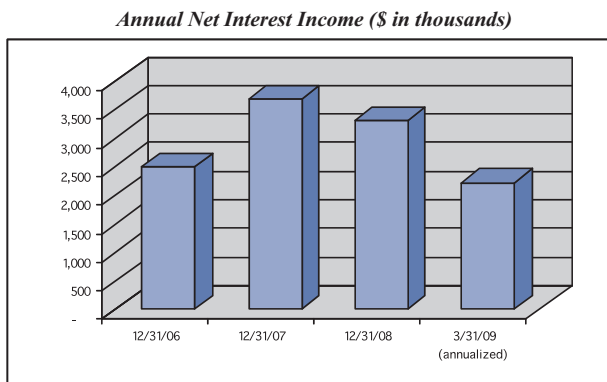


**INDEPENDENCE**  
BANCSHARES, INC.

**Financial Highlights**  
(unaudited)

Balance Sheet Data	As of		
	03/31/2009	12/31/2008	03/31/2008
Total assets	\$140,346,475	\$136,889,971	\$122,850,597
Loans, gross	118,918,566	123,447,754	111,509,862
Allowance for loan losses	1,701,977	1,611,977	1,447,491
Deposits	102,515,810	98,857,718	90,471,597
Shareholders' equity	18,389,433	18,708,732	18,911,695

Income Statement Data	For the Quarter Ended	For the Year Ended	For the Quarter Ended
	3/31/2009	12/31/2008	3/31/2008
Net interest income	\$554,421	\$3,292,699	\$849,027
Provision for loan losses	90,000	364,050	164,000
Non-interest income	8,724	52,402	16,745
Non-interest expenses	993,640	3,621,312	946,638
Net loss, net of tax	(368,645)	(484,506)	(161,966)
Net loss, per diluted share	(0.18)	(0.23)	(0.08)



**INDEPENDENCE**  
BANCSHARES, INC.

