

November 10, 2008

Dear Shareholder:

The following summarizes our financial condition and operating results for the quarter and nine months ended September 30, 2008.

At September 30, 2008, total assets were \$136.4 million, increasing \$25.9 million, or 23%, from December 31, 2007, and \$28.3 million, or 26%, from September 30, 2007. Total gross loans outstanding were \$124.0 million, increasing \$25.1 million, or 25%, from December 31, 2007, and \$29.7 million, or 31%, from September 30, 2007. Total deposits as of September 30, 2008 were \$101.3 million, increasing \$19.2 million, or 23%, from December 31, 2007, and \$18.2 million, or 22%, from September 30, 2007. Growth in core deposits represented \$8.0 million of the total \$19.2 million growth for the nine months. At September 30, 2008, brokered deposits, included in total deposits, were \$46.4 million compared to \$35.2 million at December 31, 2007.

Operations resulted in a net loss of \$25,288 for the quarter ended September 30, 2008 and \$297,684 for the nine months ended September 30, 2008. Our net loss can be attributed to two primary factors. First, our non-interest expenses increased in the current year due to the opening of a branch on Wade Hampton Boulevard in October 2007. While 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 3.96% for the nine months ended September 30, 2007 to 2.74% for the nine months ended September 30, 2008. This decrease is primarily due to a decrease in yield on earning assets from 7.80% to 6.17% between periods as a result of the significant rate decreases initiated by the Federal Reserve Board during the first half of 2008. This decrease was only slightly offset by a decrease in cost of funds from 4.90% to 4.10% between periods due to the timing of rate adjustments on liabilities. Our variable rate loans adjust immediately; however, our certificates of deposit renew at current market rates only on their maturity dates.

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)*

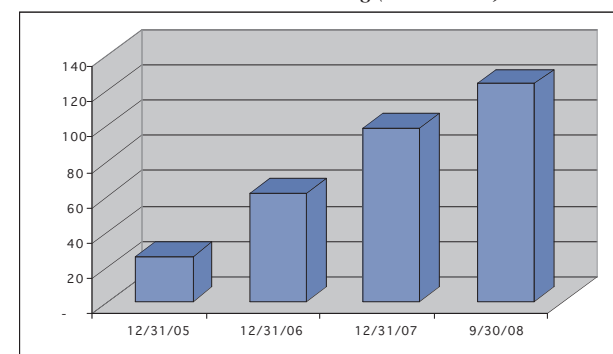
Balance Sheet Data	As of		
	09/30/2008	12/31/2007	09/30/2007
Total assets	\$136,429,492	\$110,511,245	\$108,159,443
Loans, gross	124,024,027	98,891,370	94,351,555
Allowance for loan losses	1,611,491	1,283,491	1,222,991
Deposits	101,335,079	82,133,117	83,179,745
Shareholders' equity	18,816,685	18,989,433	18,706,893

Income Statement Data	For the Nine Months Ended	For the Quarter Ended	For the Quarter Ended
	09/30/2008	09/30/2008	06/31/2008
Net interest income	\$2,556,421	\$873,997	\$833,397
Provision for loan losses	328,000	57,000	107,000
Non-interest income	79,422	42,467	20,210
Non-interest expenses	2,758,907	897,832	914,437
Net loss, net of tax	(297,684)	(25,288)	(110,430)
Net loss, per diluted share	(0.14)	(0.01)	(0.05)

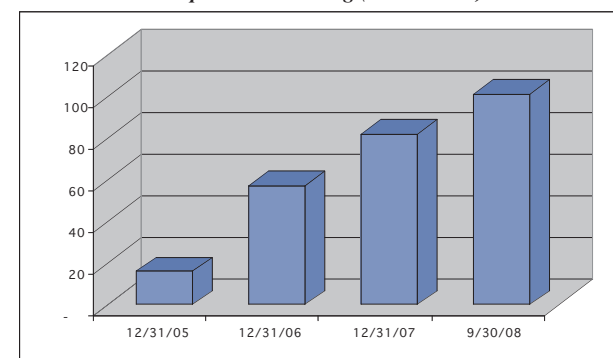


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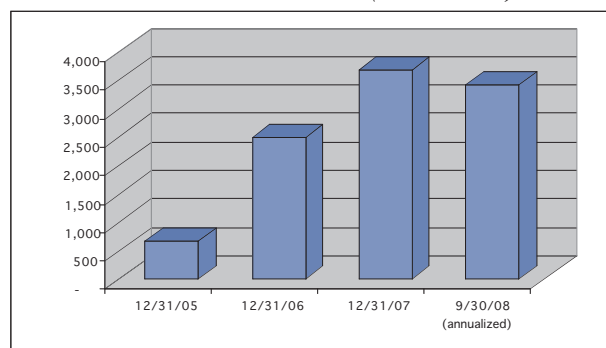
**Gross Loans Outstanding (\$ in millions)**



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



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



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

