

January 25, 2007

Dear Shareholder:

We are pleased to report the results of our first full year of operations and our first profitable quarter. We finished the year strong and believe we have established a good foundation on which to continue to grow during 2007.

At December 31, 2006, total gross loans outstanding were \$63.0 million, increasing \$8.1 million, or 15%, from September 30, 2006, and \$37.0 million, or 142%, from December 31, 2005. Total deposits as of December 31, 2006 were \$56.9 million, increasing \$12.8 million, or 29%, from September 30, 2006, and \$40.5 million, or 247%, from December 31, 2005. During the fourth quarter, we began using brokered deposits to support loan growth. At the end of the year, brokered deposits were \$12.4 million. Prior to fourth quarter, deposit growth was achieved through strong deposit campaigns in our local market. We continue to focus on attracting local deposits in our highly competitive market.

For the quarter ended December 31, 2006, operations resulted in net income of \$20,790, representing our first profitable quarter. We recognized \$736,438 in net interest income for the quarter ended December 31, 2006 compared to \$687,927 for the quarter ended September 30, 2006, an increase of \$48,511, or 7%. Net interest income for the year ended December 31, 2006 was \$2.5 million. We plan to continue our focus on the growth of deposits, loans, and our overall asset base, which will drive growth in net interest income and profitability in future quarters.

During the quarter ended December 31, 2006, we recorded provision for loan losses of \$110,000 compared to \$522,750 for the quarter ended September 30, 2006. As of December 31, 2006, it was determined that no additional reserve was needed for the loan relationship that became impaired during the third quarter. The specific reserve of \$398,900 (pre-tax) that was recorded in third quarter related to this loan relationship is included in the total allowance for loan losses as of December 31, 2006. We are continuing to take action to mitigate the ultimate loss from this relationship.

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 you may have.

Best Regards,

Lawrence R. Miller
President & CEO

Charles D. Walters
Chairman of the Board



INDEPENDENCE
BANCSHARES, INC.

Financial Highlights
(unaudited)

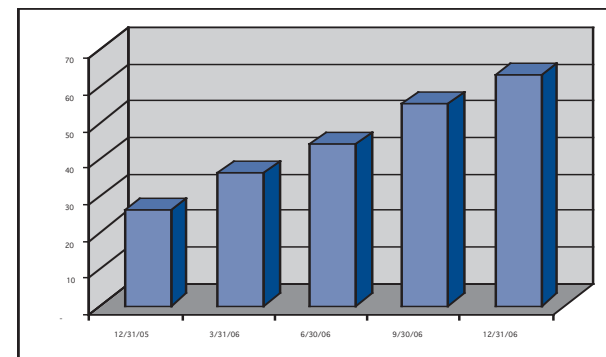
Balance Sheet Data	As of		
	12/31/2006	09/30/2006	12/31/2005
Total assets	\$75,730,333	\$67,788,237	\$40,813,891
Loans, gross	62,953,197	54,856,789	25,996,491
Allowance for loan losses	1,198,153	1,093,750	338,000
Deposits	56,906,716	44,057,888	16,416,346
Shareholders' equity	18,473,469	18,406,290	19,038,548

Income Statement Data	For the Year Ended	For the Quarter Ended	For the Quarter Ended
	12/31/2006	12/31/2006	09/30/2006
Net interest income	\$ 2,494,657	\$ 736,438	\$ 687,927
Provision for loan losses	865,750	110,000	522,750
Non-interest income	49,132	12,220	11,849
Non-interest expense	2,541,527	613,948	614,515
Net (loss) income, net of tax	(641,728)	20,790	(324,319)
Net (loss) income per diluted share	(0.31)	0.01	(0.16)

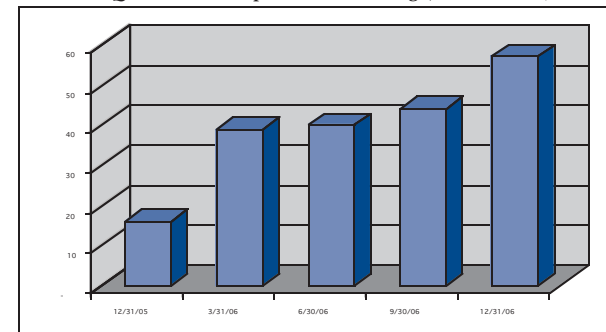


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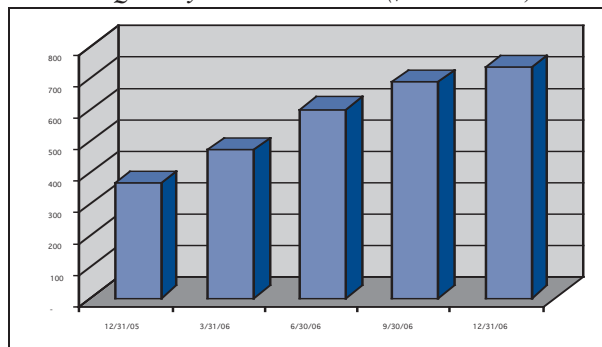
Quarter End Gross Loans Outstanding (\$ in millions)



Quarter End Deposits Outstanding (\$ in millions)



Quarterly Net Interest Income (\$ in thousands)



Quarter End Total Assets (\$ in millions)

