

August 3, 2007

Dear Shareholder:

We are pleased to report the results of our second quarter ended June 30, 2007. The bank continued to build on the momentum created in the first quarter in key financial areas.

At June 30, 2007, total assets were \$99.2 million, increasing \$8.1 million, or 9%, from March 31, 2007, and 31% from December 31, 2006. Total gross loans outstanding were \$85.9 million, increasing \$8.8 million, or 11%, from March 31, 2007, and \$23.0 million, or 37%, from December 31, 2006. Total deposits as of June 30, 2007 were \$74.8 million, increasing \$2.4 million, or 3%, from March 31, 2007, and \$17.9 million, or 31%, from December 31, 2006. At June 30, 2007, brokered deposits, included in total deposits, were \$30.0 million compared to \$27.9 million at March 31, 2007.

For the quarter ended June 30, 2007, operations resulted in net income of \$114,479. For the six months ended June 30, 2007, net income was \$74,018. We recognized \$927,907 in net interest income for the quarter ended June 30, 2007 compared to \$792,719 for the quarter ended March 31, 2007, an increase of \$135,188, or 17%. We continue to focus on quality growth in loans and deposits, which drives growth in net interest income and profitability in future quarters.

During the quarter ended June 30, 2007, we recorded provision for loan losses of \$121,000 compared to \$192,000 for the quarter ended March 31, 2007, a decrease of \$71,000 or 37%. This decrease was primarily due to the difference in loan growth between quarters. In April 2007, underlying collateral related to a loan relationship, with a specific loan loss reserve, was fully liquidated, the funds were applied to the loans, and the remaining balances were charged off against the specific reserve. No additional loss was incurred by the Bank. Charge-offs for the quarter were \$397,661 and were all related to this one loan relationship. At June 30, 2007, the allowance as a percentage of total gross loans outstanding was 1.30%, a decrease from 1.80% at March 31, 2007 due to the resolution of the loan relationship noted above.

We are also excited to announce that we have received regulatory approval to open a full-service branch on Wade Hampton Boulevard in Taylors, SC. We expect to open the branch in the fourth quarter of 2007. We believe this second location will enable us to serve our clients in a more efficient and convenient manner and will increase our recognition in the Greenville community. We continue to work on attracting local deposits in our highly competitive market. We believe our second branch location will help us in this effort.

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
BANGSHARES, INC.

Financial Highlights
(unaudited)

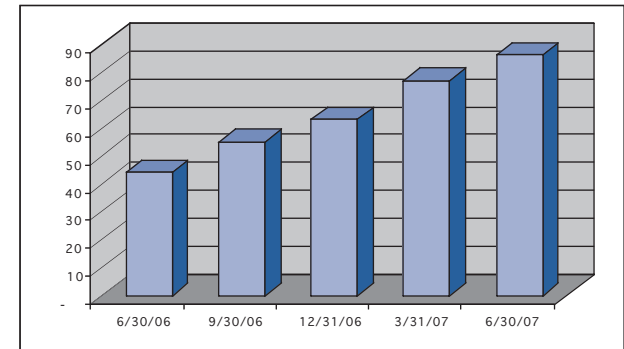
Balance Sheet Data	As of		
	06/30/2007	03/31/2007	12/31/2006
Total assets	\$ 99,194,326	\$ 91,074,605	\$ 75,730,333
Loans, gross	85,938,351	77,185,552	62,953,196
Allowance for loan losses	1,113,491	1,390,152	1,198,152
Deposits	74,823,966	72,378,826	56,906,716
Shareholders' equity	18,598,531	18,473,488	18,473,469

Income Statement Data	For the Six Months Ended	For the Quarter Ended	For the Quarter Ended
	06/30/2007	06/30/2007	03/31/2007
Net interest income	\$ 1,720,626	\$ 927,907	\$ 792,719
Provision for loan losses	313,000	121,000	192,000
Non-interest income	26,791	14,003	12,788
Non-interest expense	1,398,299	730,831	667,468
Net income (loss), net of tax	74,018	114,479	(40,461)
Net income (loss), per diluted share	0.04	0.05	(0.02)

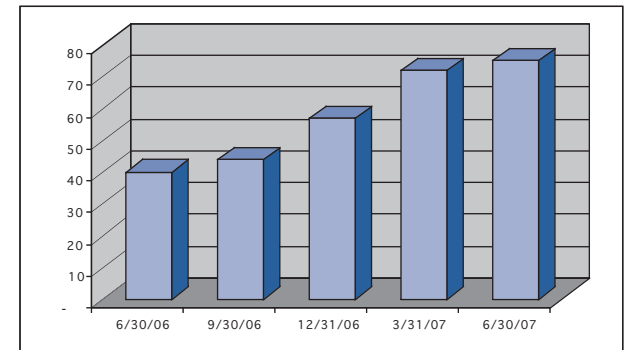


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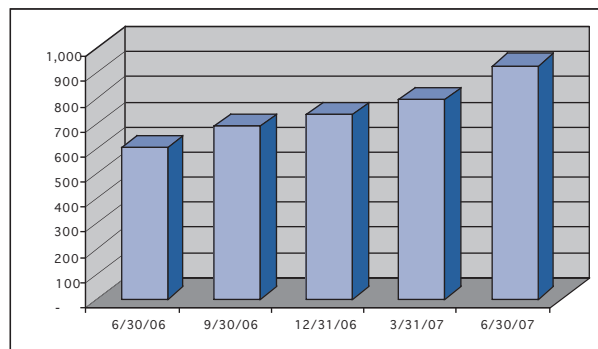
Quarter End Gross Loans Outstanding (\$ in millions)



Quarter End Deposits Outstanding (\$ in millions)



Quarterly Net Interest Income (\$ in thousands)



Quarter End Total Assets (\$ in millions)

