

May 1, 2007

Dear Shareholder:

We are pleased to report the results of our first quarter ended March 31, 2007. Activity within the first three months of 2007 resulted in strong growth for the Bank.

At March 31, 2007, total gross loans outstanding were \$77.2 million, increasing \$14.2 million, or 23%, from December 31, 2006, and \$41.3 million, or 115%, from March 31, 2006. Total deposits as of March 31, 2007 were \$72.4 million, increasing \$15.5 million, or 27%, from December 31, 2006, and \$33.4 million, or 86%, from March 31, 2006. During 2007, we continued the use of brokered deposits to support loan growth. At March 31, 2007, brokered deposits, included in total deposits, were \$27.9 million. We continue to work on attracting local deposits in our highly competitive market.

For the quarter ended March 31, 2007, operations resulted in a net loss of \$40,460. This loss is primarily due to the increased provision expense recorded in the first quarter due to strong loan growth. We recognized \$792,719 in net interest income for the quarter ended March 31, 2007 compared to \$736,438 for the quarter ended December 31, 2006, an increase of \$56,281, or 8%. 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 March 31, 2007, we recorded provision for loan losses of \$192,000 compared to \$110,000 for the quarter ended December 31, 2006, an increase of \$82,000 or 75%. As noted above, this increase is due to strong quarterly loan growth. At March 31, 2007, the allowance as a percentage of total gross loans outstanding was 1.80% compared to 1.90% at December 31, 2006.

We hope you have made plans to attend our annual shareholders' meeting to be held at 4 p.m., Tuesday, May 15, 2007, at The Thornblade Club in Greer, SC. We will be hosting a reception immediately following the meeting, and we hope that you will be able to attend!

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



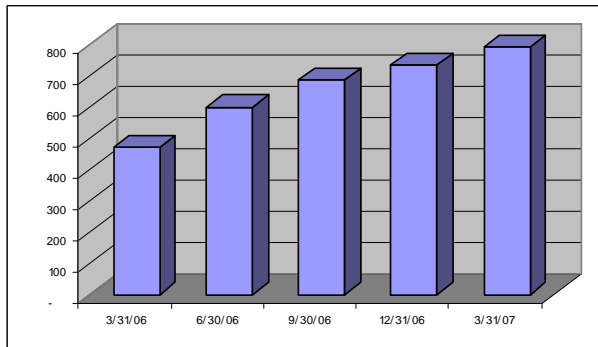
**INDEPENDENCE**  
BANCSHARES, INC.

## Financial Highlights (unaudited)

| Balance Sheet Data        | As of         |               |               |
|---------------------------|---------------|---------------|---------------|
|                           | 03/31/2007    | 12/31/2006    | 03/31/2006    |
| Total assets              | \$ 91,074,605 | \$ 75,730,333 | \$ 58,370,804 |
| Loans, gross              | 77,185,553    | 62,953,197    | 35,863,785    |
| Allowance for loan losses | 1,390,153     | 1,198,153     | 468,000       |
| Deposits                  | 72,378,826    | 56,906,716    | 38,957,127    |
| Shareholders' equity      | 18,473,488    | 18,473,469    | 18,780,581    |

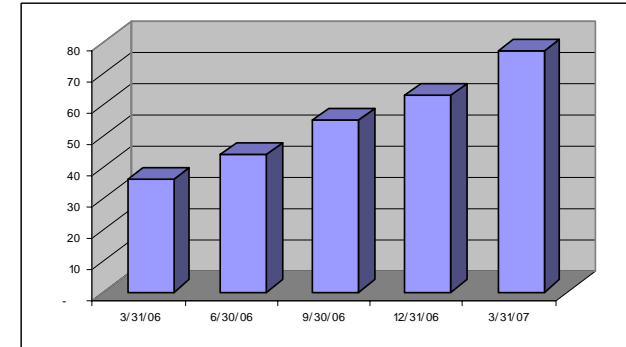
| Income Statement Data       | For the Quarter Ended | For the Year Ended | For the Quarter Ended |
|-----------------------------|-----------------------|--------------------|-----------------------|
|                             | 03/31/2007            | 12/31/2006         | 03/31/2006            |
| Net interest income         | \$ 792,719            | \$ 2,494,657       | \$ 470,239            |
| Provision for loan losses   | 192,000               | 865,750            | 130,000               |
| Non-interest income         | 12,788                | 49,132             | 12,143                |
| Non-interest expense        | 667,468               | 2,541,527          | 685,029               |
| Net loss, net of tax        | (40,461)              | (641,728)          | (249,647)             |
| Net loss, per diluted share | (0.02)                | (0.31)             | (0.12)                |

Quarterly Net Interest Income (\$ in thousands)

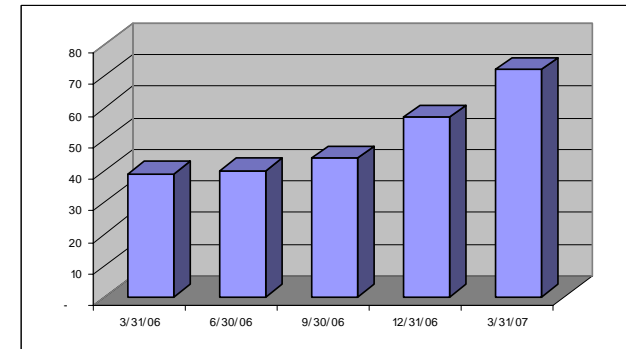


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BANCSHARES, INC.

Quarter End Gross Loans Outstanding (\$ in millions)



Quarter End Deposits Outstanding (\$ in millions)



Quarter End Total Assets (\$ in millions)

