

## President's Message

### Dear Valued Customers:

We at Independence Bank have been busy the past several months strengthening our balance sheet to add more protection for your deposits. The efforts have paid off resulting in capital ratios that significantly exceed regulatory minimums for well-capitalized institutions. In addition our operating results for the first four months of 2010 show consistent profitability and we are on pace to make this year our best profit year in the history of the Bank. Here are the numbers; Our Tier One Leverage Capital Ratio at April 30, 2010 was 9.64% and our Total Risk Based Capital Ratio was 12.29%. The regulatory minimums for well-capitalized institutions are 6.0% and 10.0%, respectively. Net income for the first four months of this year was \$336 thousand.

In addition to strengthening our balance sheet, we have added several new services to our product menu to enhance your banking experience. Currently, we are testing our mobile banking product which is scheduled for release in early July. With this service you can receive on demand or previously scheduled text messages on your cell phone to see your current balance and past deposit or check activity for any Independence Bank account. You will also be able to transfer funds between accounts, pay bills and much more.

Our mission is to add value to your Independence Bank experience and provide you with technological enhancements that are safe, efficient and give you complete control of your banking activities. We always welcome the opportunity to see you in any of our offices and our staff is ready to provide you with optimum service. But, if you choose to bank electronically, whether it's with your computer or your mobile phone, we take great care of you as well.

On behalf of all Independence Bank staff, I want to thank you for your confidence in choosing Independence Bank as your bank. We know that trust is earned and I assure you that we will continue to work hard each day to keep Independence Bank financially strong and to safeguard the trust you have placed with us.



Charles W. Thomas,  
President and Chief Executive Officer

## 2010 FIRST QUARTER REPORT (Unaudited)

### BALANCE SHEET

	March 31, 2010	March 31, 2009
<b>Assets</b>		
Cash and cash equivalents	\$ 1,419,162	\$ 4,219,095
Investments	54,474,805	45,602,031
Loans, net	280,691,443	332,837,132
Property and equipment, net	325,293	523,833
Other assets	14,346,254	14,217,588
Total Assets	\$ 351,256,957	\$ 397,399,679
<b>Liabilities and Shareholders' Equity</b>		
NOW/Money Market/Savings	71,111,521	71,366,484
Certificates of Deposit	201,339,630	158,841,780
Total Deposits	272,451,151	230,208,264
Other borrowings	43,000,000	133,650,000
Other liabilities	3,073,608	991,985
	318,524,758	364,850,249
Shareholders' Equity:	32,732,199	32,549,430
Total Liabilities and Shareholders' Equity	\$ 351,256,957	\$ 397,399,679

### STATEMENT OF EARNINGS

	3 Months Ended	
	March 31, 2010	March 31, 2009
Interest income	4,831,091	5,479,029
Interest expense	1,674,673	2,410,905
Net interest income	3,156,418	3,068,124
Provision for loan losses	75,000	250,000
Other income	171,150	(2,337,209)
Other expenses	2,324,947	1,943,714
OREO Operations, Net	484,176	20,289
Earnings before income taxes	443,446	(1,483,087)
Income taxes	187,799	(599,514)
Net earnings	\$ 255,647	\$ (883,573)
Common shares issued and outstanding	4,074,855	3,957,270
Basic earnings per share	\$ 0.06	\$ (0.22)
Return on average assets (annualized)	0.29%	-0.91%
Return on average equity (annualized)	3.13%	-10.62%
Net interest margin	3.80%	3.29%
Efficiency ratio	69.87%	265.93%

### SELECTED RATIOS

Tier 1 leverage capital ratio	9.31%	8.93%
Tier 1 risk-based capital ratio	10.68%	9.82%
Total risk-based capital ratio	11.94%	11.07%
Allowance for loan losses as a % of total loans	2.22%	1.64%
Book value per share	\$ 8.03	\$ 8.23