

President's Message

Dear Valued Customers:

I am pleased to report that our second quarter 2010 net income increased over the first quarter and our year to date income through June 30, 2010 is at a record pace. Net income for the quarter was \$367M compare \$255M for the first quarter 2010. Net income for six months ending 6/30/2010 was \$622M compared to a loss of \$2,023M for the same period 2009. We have now posted eight consecutive profitable months and expect this trend to continue through 2010.

We have made significant progress during the past several months with problem loan resolution which contributed to increased profits. As stated in previous reports our principal source for problem loans was our construction loan portfolio and I am pleased to report that we have no remaining construction loans in our portfolio.

We continue to increase our loan loss reserve to cushion the Bank against future potential problem loans. This action is prudent given the prolonged nature of the economic downturn and future economic uncertainty. Our loan loss reserve ratio at 6/30/10 was 2.36%, an increase from 2.17% at 12/31/09.

The Bank's capital ratios are well above regulatory minimums for well capitalized institutions. This is important because excess capital also provides protection to our depositors and reflects our conservative approach to the safety and soundness of your deposits. Management and the Board are committed to remaining well capitalized now and into the future. Our Tier One Leverage ratio at 6/30/10 was 9.70% compared to 8.63% at 6/30/09. Total Risk Based Capital at 6/30/10 was 12.76% compared to 11.25% at 6/30/09. Regulatory minimums to qualify for Well Capitalized are 5.0% for Tier One Leverage Capital and 10.0% for Total Risk Based Capital.

We continue to actively seek new customer relationships and this effort has proven very successful. Our product menu is growing each quarter in our quest to add meaningful value to your Independence Bank experience. Recently we launched Mobile Banking which allows you to check balances, transfer funds between Independence Bank accounts and pay bills, all from your mobile phone. I invite you to give this exciting product a try as it gives you more flexibility in managing how you conduct your banking. Contact your Customer Service Representative to learn how to get started.

The past two years have been tough for many of us. The uncertainty of the economic future of our great country has been frustrating and worrisome. We share your concern and because of this, I pledge that we will take every action necessary to protect your deposits and work hard to keep the trust that you have placed with us. We take great pride in attracting the best employees available and all of us have one mission, your satisfaction. We look forward to every opportunity to serve you and thank you for your confidence in allowing Independence Bank to be your financial institution.



Charles W. Thomas,
President and Chief Executive Officer

2010 2ND QUARTER REPORT (Unaudited)

BALANCE SHEET

| | June 30, 2010 | June 30, 2009 |
|---|-----------------------|-----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 4,266,200 | \$ 1,954,713 |
| Investments | 59,794,155 | 44,855,215 |
| Loans, net | 269,837,165 | 313,070,257 |
| Property and equipment, net | 291,385 | 470,745 |
| Other assets | 17,667,385 | 13,290,373 |
| Total Assets | \$ 351,856,291 | \$ 373,641,303 |
| Liabilities and Shareholders' Equity | | |
| NOW/Money Market/Savings | 72,206,920 | 71,440,437 |
| Certificates of Deposit | 202,831,520 | 191,310,862 |
| Total Deposits | 275,038,440 | 262,751,299 |
| Other borrowings | 40,000,000 | 77,000,000 |
| Other liabilities | 2,713,781 | 1,306,425 |
| | 317,752,221 | 341,057,724 |
| Shareholders' Equity: | 34,104,069 | 32,583,580 |
| Total Liabilities & Shareholders' Equity | \$ 351,856,291 | \$ 373,641,303 |

STATEMENT OF EARNINGS

| | 6 Months Ended June 30, 2010 | June 30, 2009 |
|---------------------------------------|------------------------------------|-----------------------|
| Interest income | 9,541,244 | 10,845,259 |
| Interest expense | 3,133,394 | 4,753,472 |
| Net interest income | 6,407,850 | 6,091,787 |
| Provision for loan losses | 525,000 | 3,139,566 |
| Other income | 253,379 | (2,259,903) |
| Other expenses | 4,618,106 | 3,884,247 |
| OREO Operations, Net | 440,414 | 232,627 |
| Earnings before income taxes | 1,077,709 | (3,424,555) |
| Income taxes | 455,375 | (1,401,295) |
| Net earnings | \$ 622,334 | \$ (2,023,260) |
| 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 | 9.70% | 8.63% |
| Tier 1 risk-based capital ratio | 11.50% | 10.00% |
| Total risk-based capital ratio | 12.76% | 11.25% |
| Allowance for loan losses as % of total loans net of charge off | 2.36% | 1.57% |
| Book value per share | \$ 8.10 | \$ 8.23 |