

INDEPENDENT BANK CORP /MI/

Form 10-K

March 12, 2007

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**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K**

**Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2006**

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 0-7818**

**INDEPENDENT BANK CORPORATION**

(Exact name of Registrant as specified in its charter)

MICHIGAN

38-2032782

(State or other jurisdiction of incorporation)

(I.R.S. employer identification no.)

230 W. Main St., P.O. Box 491, Ionia, Michigan

48846

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (616) 527-9450

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$1.00 Par Value

(Title of class)

8.25% Cumulative Trust Preferred Securities, \$25.00 Liquidation Amount

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b of the Exchange Act). Act. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated filer

The aggregate market value of common stock held by non-affiliates of the Registrant as of June 30, 2006, was \$531,927,819.

The number of shares outstanding of the Registrant's common stock as of March 9, 2007 was 22,871,993.

Documents incorporated by reference

Portions of our definitive proxy statement, and annual report, to be delivered to shareholders in connection with the

April 24, 2007 Annual Meeting of Shareholders are incorporated by reference into Part I, Part II and Part III of this annual report.

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*Any statements in this document that are not historical facts are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Words such as expect, believe, intend, estimate, project, may and similar expressions are intended to identify forward-looking statements. These forward-looking statements are predicated on management's beliefs and assumptions based on information known to Independent Bank Corporation's management as of the date of this document and do not purport to speak as of any other date. Forward-looking statements may include descriptions of plans and objectives of Independent Bank Corporation's management for future or past operations, products or services, and forecasts of the Company's revenue, earnings or other measures of economic performance, including statements of profitability, business segments and subsidiaries, and estimates of credit quality trends. Such statements reflect the view of Independent Bank Corporation's management as of this date with respect to future events and are not guarantees of future performance; involve assumptions and are subject to substantial risks and uncertainties, such as the changes in Independent Bank Corporation's plans, objectives, expectations and intentions. Should one or more of these risks materialize or should underlying beliefs or assumptions prove incorrect, the Company's actual results could differ materially from those discussed. Factors that could cause or contribute to such differences are changes in interest rates, changes in the accounting treatment of any particular item, the results of regulatory examinations, changes in industries where the Company has a concentration of loans, changes in the level of fee income, changes in general economic conditions and related credit and market conditions, and the impact of regulatory responses to any of the foregoing. Forward-looking statements speak only as of the date they are made. Independent Bank Corporation does not undertake to update forward-looking statements to reflect facts; circumstances, assumptions or events that occur after the date the forward-looking statements are made. For any forward-looking statements made in this document, Independent Bank Corporation claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.*

**PART I****ITEM 1. BUSINESS**

Independent Bank Corporation was incorporated under the laws of the State of Michigan on September 17, 1973, for the purpose of becoming a bank holding company. We are registered under the Bank Holding Company Act of 1956, as amended, and own the outstanding stock of four banks (the Banks) which are all organized under the laws of the State of Michigan.

Aside from the stock of our Banks, we have no other substantial assets. We conduct no business except for the provision of certain management and operational services to our Banks, the collection of fees and dividends from our Banks and the payment of dividends to our shareholders. Certain employee retirement plans (including employee stock ownership and deferred compensation plans) as well as health and other insurance programs have been established by us. The proportional costs of these plans are borne by each of our Banks and their respective subsidiaries.

We have no material patents, trademarks, licenses or franchises except the corporate franchises of our Banks which permit them to engage in commercial banking pursuant to Michigan law.

The following table shows each of our Banks and their total deposits and loans as of December 31, 2006:

Bank	Main Office Location	Total Deposits	Total Loans
Independent Bank <sup>(1)</sup>	Bay City	\$909,399,000	\$926,269,000
Independent Bank West Michigan	Grand Rapids	669,633,000	646,084,000
Independent Bank South Michigan	East Lansing	431,109,000	354,517,000
Independent Bank East Michigan	Troy	609,302,000	556,525,000

- (1) Total deposits and total loans excludes those amounts classified to discontinued operations.

**Table of Contents****ITEM 1. BUSINESS** (Continued)

On January 15, 2007 we sold substantially all of the assets of Mepco Finance Corporation, formerly known as Mepco Insurance Premium Financing, Inc., (Mepco) insurance premium finance business to Premium Financing Specialists, Inc. (PFS). We received \$176.0 million of cash that was utilized to payoff Brokered CDs and short-term borrowings at Mepco's parent company, Independent Bank. Under the terms of the sale, PFS also assumed approximately \$11.7 million in liabilities. In the fourth quarter of 2006, we recorded a loss of \$0.2 million and accrued for approximately \$1.1 million of expenses related to the disposal of this business. We also allocated \$4.1 million of goodwill and \$0.3 million of other intangible assets to this business. Revenues and expenses associated with Mepco's insurance premium finance business have been presented as discontinued operations in the Consolidated Statements of Operations. Likewise, the assets and liabilities associated with this business have been reclassified to discontinued operations in the Consolidated Statements of Financial Condition.

We expect to complete the acquisition of ten branches with total deposits of approximately \$235 million from TCF National Bank in March 2007. These branches are located in or near Battle Creek, Bay City and Saginaw, Michigan. We anticipate using the proceeds from these deposits to payoff higher costing short term borrowings and brokered certificates of deposit.

Our Banks transact business in the single industry of commercial banking. Most of our Banks' offices provide full-service lobby and drive-thru services in the communities which they serve. Automatic teller machines are also provided at most locations.

Our Banks' activities cover all phases of commercial banking, including checking and savings accounts, commercial lending, direct and indirect consumer financing, mortgage lending and safe deposit box services. Our Banks' mortgage lending activities are primarily conducted through separate mortgage bank subsidiaries. We also provide payment plans to consumers to purchase extended automobile warranties through Mepco. In addition, our Banks offer title insurance services through a separate subsidiary and provide investment and insurance services through a third party agreement with PrimeVest Financial Services, Inc. Our Banks do not offer trust services. Our principal markets are the rural and suburban communities across lower Michigan that are served by our Banks' branch networks. The local economies of the communities served by our Banks are relatively stable and reasonably diversified. Our Banks serve their markets through their four main offices and a total of 89 branches, 4 drive-thru facilities and 18 loan production offices.

Our Banks compete with other commercial banks, savings and loan associations, credit unions, mortgage banking companies, securities brokerage companies, insurance companies, and money market mutual funds. Many of these competitors have substantially greater resources than we do and offer certain services that we do not currently provide. Such competitors may also have greater lending limits than our Banks. In addition, non-bank competitors are generally not subject to the extensive regulations applicable to us.

Price (the interest charged on loans and/or paid on deposits) remains a principal means of competition within the financial services industry. Our Banks also compete on the basis of service and convenience, utilizing the strengths and benefits of our decentralized structure in providing financial services.

The principal sources of revenue, on a consolidated basis, are interest and fees on loans, other interest income and non-interest income. The sources of revenue for the three most recent years are as follows:

	2006	2005	2004
Interest and fees on loans	74.1%	71.2%	68.3%
Other interest income	8.8	10.7	11.8
Non-interest income	17.1	18.1	19.9
	100.0%	100.0%	100.0%

As of December 31, 2006, we had 1,099 full-time employees and 261 part-time employees.

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**ITEM 1. BUSINESS** (Continued)

**Supervision and Regulation**

The following is a summary of certain statutes and regulations affecting us. This summary is qualified in its entirety by reference to the particular statutes and regulations. A change in applicable laws or regulations may have a material effect on us and our Banks.

**General**

Financial institutions and their holding companies are extensively regulated under Federal and state law. Consequently, our growth and earnings performance can be affected not only by management decisions and general and local economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. Those authorities include, but are not limited to, the Board of Governors of the Federal Reserve System (the Federal Reserve), the Federal Deposit Insurance Corporation (the FDIC), the Michigan Office of Financial and Insurance Services, Division of Financial Institutions (the OFIS), the Internal Revenue Service, and state taxing authorities. The effect of such statutes, regulations and policies and any changes thereto can be significant and cannot be predicted.

Federal and state laws and regulations generally applicable to financial institutions and their holding companies regulate, among other things, the scope of business, investments, reserves against deposits, capital levels, lending activities and practices, the nature and amount of collateral for loans, the establishment of branches, mergers, consolidations and dividends. The system of supervision and regulation applicable to us establishes a comprehensive framework for our operations and is intended primarily for the protection of the FDIC's deposit insurance funds, the depositors of our Banks, and the public, rather than our shareholders.

Federal law and regulations establish supervisory standards applicable to the lending activities of our Banks, including internal controls, credit underwriting, loan documentation and loan-to-value ratios for loans secured by real property.

**Independent Bank Corporation**

**General.** We are a bank holding company and, as such, are registered with, and subject to regulation by, the Federal Reserve under the Bank Holding Company Act, as amended (the BHCA). Under the BHCA, we are subject to periodic examination by the Federal Reserve, and are required to file periodic reports of operations and such additional information as the Federal Reserve may require.

In accordance with Federal Reserve policy, a bank holding company is expected to act as a source of financial strength to its subsidiary banks and to commit resources to support the subsidiary banks in circumstances where the bank holding company might not do so absent such policy.

In addition, if the OFIS deems a bank's capital to be impaired, the OFIS may require a bank to restore its capital by special assessment upon a bank holding company, as the bank's sole shareholder. If the bank holding company were to fail to pay such assessment, the directors of that bank would be required, under Michigan law, to sell the shares of that bank stock owned by the bank holding company to the highest bidder at either public or private auction and use the proceeds of the sale to restore the bank's capital.

Any capital loans by a bank holding company to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

**Investments and Activities.** In general, any direct or indirect acquisition by a bank holding company of any voting shares of any bank which would result in the bank holding company's direct or indirect ownership or control of more than 5% of any class of voting shares of such bank, and any merger or consolidation of the bank holding company with another bank holding company, will require the prior written approval of the Federal Reserve under the BHCA. In acting on such applications, the Federal Reserve must consider various statutory factors including the



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effect of the proposed transaction on competition in relevant geographic and product markets, and each party's financial condition, managerial resources, and record of performance under the Community Reinvestment Act. In addition and subject to certain exceptions, the Change in the Bank Control Act ( Control Act ) and regulations promulgated thereunder by the Federal Reserve, require any person acting directly or indirectly, or through or in concert with one or more persons, to give the Federal Reserve 60 days' written notice before acquiring control of a bank holding company. Transactions which are presumed to constitute the acquisition of control include the acquisition of any voting securities of a bank holding company having securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, if, after the transaction, the acquiring person (or persons acting in concert) owns, controls or holds with power to vote 25% or more of any class of voting securities of the institution. The acquisition may not be consummated subsequent to such notice if the Federal Reserve issues a notice within 60 days, or within certain extensions of such period, disapproving the acquisition.

The merger or consolidation of an existing bank subsidiary of a bank holding company with another bank, or the acquisition by such a subsidiary of the assets of another bank, or the assumption of the deposit and other liabilities by such a subsidiary requires the prior written approval of the responsible Federal depository institution regulatory agency under the Bank Merger Act, based upon a consideration of statutory factors similar to those outlined above with respect to the BHCA. In addition, in certain cases an application to, and the prior approval of, the Federal Reserve under the BHCA and/or OFIS under Michigan banking laws, may be required.

With certain limited exceptions, the BHCA prohibits any bank holding company from engaging, either directly or indirectly through a subsidiary, in any activity other than managing or controlling banks unless the proposed non-banking activity is one that the Federal Reserve has determined to be so closely related to banking as to be a proper incident thereto. Under current Federal Reserve regulations, such permissible non-banking activities include such things as mortgage banking, equipment leasing, securities brokerage, and consumer and commercial finance company operations. Well-capitalized and well-managed bank holding companies may, however, engage *de novo* in certain types of non-banking activities without prior notice to, or approval of, the Federal Reserve, provided that written notice of the new activity is given to the Federal Reserve within 10 business days after the activity is commenced. If a bank holding company wishes to engage in a non-banking activity by acquiring a going concern, prior notice and/or prior approval will be required, depending upon the activities in which the company to be acquired is engaged, the size of the company to be acquired and the financial and managerial condition of the acquiring bank company.

Eligible bank holding companies that elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance activities and any other activity that the Federal Reserve Board, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature, incidental to any such financial activity or complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The Bank Holding Company Act generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank or financial holding companies. While we believe we are eligible to elect to operate as a financial holding company, as of the date of this filing, we have not applied for approval to operate as a financial holding company.

**Capital Requirements.** The Federal Reserve uses capital adequacy guidelines in its examination and regulation of bank holding companies. If capital falls below minimum guidelines, a bank holding company may, among other things, be denied approval to acquire or establish additional banks or non-bank businesses.

The Federal Reserve's capital guidelines establish the following minimum regulatory capital requirements for bank holding companies: (i) a leverage capital requirement expressed as a percentage of total assets, and (ii) a risk-based requirement expressed as a percentage of total risk-weighted assets. The leverage capital requirement consists of a minimum ratio of Tier 1 capital (which consists principally of shareholders' equity) to total assets of 3% for the most highly rated companies with minimum requirements of 4% to 5% for all others. The risk-based requirement consists of a minimum ratio of total capital to total risk-weighted assets of 8%, of which at least one-half must be Tier 1 capital.

The risk-based and leverage standards presently used by the Federal Reserve are minimum requirements, and higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual banking

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organizations. The Federal Reserve has not advised us of any specific minimum Tier 1 Capital leverage ratio applicable to us.

Included in our Tier 1 capital is \$62.4 million of trust preferred securities (classified on our balance sheet as

Subordinated debentures ). In March 2005, the Federal Reserve Board issued a final rule that would retain trust preferred securities in the Tier 1 capital of bank holding companies. After a transition period ending March 31, 2009, the aggregate amount of trust preferred securities and certain other capital elements would be limited to 25 percent of Tier 1 capital elements, net of goodwill (less any associated deferred tax liability). The amount of trust preferred securities and certain other elements in excess of the limit could be included in the Tier 2 capital, subject to restrictions. Based upon our existing levels of Tier 1 capital, trust preferred securities and goodwill, this final Federal Reserve Board rule would have no impact on our Tier 1 capital to average assets ratio at December 31, 2006.

The Federal bank regulatory agencies are required biennially to review risk-based capital standards to ensure that they adequately address interest rate risk, concentration of credit risk and risks from non-traditional activities.

**Dividends.** Most of our revenues are received in the form of dividends paid by our Banks. Thus, our ability to pay dividends to our shareholders is indirectly limited by statutory restrictions on the ability of our Banks to pay dividends. Further, in a policy statement, the Federal Reserve has expressed its view that a bank holding company experiencing earnings weaknesses should not pay cash dividends exceeding its net income or which can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. Additionally, the Federal Reserve possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies. Similar enforcement powers over subsidiary banks are possessed by the FDIC. The prompt corrective action provisions of federal law and regulation authorizes the Federal Reserve to restrict the amount of dividends that an insured bank can pay which fails to meet specified capital levels.

In addition to the restrictions on dividends imposed by the Federal Reserve, the Michigan Business Corporation Act provides that dividends may be legally declared or paid only if after the distribution, a corporation can pay its debts as they come due in the usual course of business and its total assets equal or exceed the sum of its liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of any holders of preferred stock whose preferential rights are superior to those receiving the distribution. We do not have any holders of preferred stock.

**Federal Securities Regulation.** Our common stock is registered with the Securities and Exchange Commission ( SEC ) under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the Exchange Act ). We are therefore subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act. The Sarbanes-Oxley Act of 2002 provides for numerous changes to the reporting, accounting, corporate governance and business practices of companies as well as financial and other professionals who have involvement with the U.S. public markets.

**Our Banks**

**General.** Our Banks are Michigan banking corporations and their deposit accounts are insured by the Deposit Insurance Fund ( DIF ) of the FDIC. As DIF-insured Michigan chartered banks, our Banks are subject to the examination, supervision, reporting and enforcement requirements of the OFIS, as the chartering authority for Michigan banks, and the FDIC, as administrator of the DIF. These agencies and the federal and state laws applicable to our Banks and their operations, extensively regulate various aspects of the banking business including, among other things, permissible types and amounts of loans, investments and other activities, capital adequacy, branching, interest rates on loans and on deposits, the maintenance of non-interest bearing reserves on deposit accounts, and the safety and soundness of banking practices.

**Deposit Insurance.** As an FDIC-insured institution, we are required to pay deposit insurance premium assessments to the FDIC. The federal deposit insurance system was overhauled in 2006 as a result of the enactment of The Federal Deposit Insurance Reform Act of 2005 (the Reform Act ), which was signed into law in February of 2006.



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Pursuant to the Reform Act, the FDIC has modified its risk-based assessment system for deposit insurance premiums. Under the new system, all insured depository institutions are placed into one of four categories and assessed insurance premiums based primarily on their level of capital and supervisory evaluations.

The Reform Act requires the FDIC to establish assessment rates for insured depository institutions at levels that will maintain the Deposit Insurance Fund at a Designated Reserve Ratio (DRR) selected by the FDIC within a range of 1.15% to 1.50%. The Reform Act allows the FDIC to manage the pace at which the reserve ratio varies within this range. Effective January 1, 2007, the FDIC established the DRR at 1.25% and adopted new premium rates for 2007. Banks that have not been paying any deposit insurance premiums for the past 10 years will now be required to pay premiums of 5 to 7 basis points (calculated against the bank's deposit base) in 2007. Under the new rate schedule, most well-capitalized banks will pay 5 to 7 basis points annually. That rate increases to 43 basis points for banks that pose significant supervisory concerns. Premiums will be assessed and collected quarterly by the FDIC.

These premiums will be initially offset for certain eligible institutions by a one-time assessment credit granted in recognition of historical contributions made by the eligible institutions to the deposit fund. The credit may be applied against the institution's 2007 assessment, and for the three years thereafter, the institution may apply the credit against up to 90% of its assessment. Preliminary estimates are that our four Banks will qualify for aggregate credits of approximately \$1,689,000; this is an estimate only and is subject to final confirmation by the FDIC.

**FICO Assessments.** Our Banks, as members of the DIF, are subject to assessments to cover the payments on outstanding obligations of the financing corporation ( FICO ). FICO was created to finance the recapitalization of the Federal Savings and Loan Insurance Corporation, the predecessor to the FDIC's Savings Association Insurance Fund (the SAIF ), which was created to insure the deposits of thrift institutions and was merged with the Bank Insurance Fund into the newly formed DIF in 2006. From now until the maturity of the outstanding FICO obligations in 2019, DIF members will share the cost of the interest on the FICO bonds on a pro rata basis. It is estimated that FICO assessments during this period will be approximately 0.012% of deposits.

**OFIS Assessments.** Michigan banks are required to pay supervisory fees to the OFIS to fund the OFIS's operations. The amount of supervisory fees paid by a bank is based upon the bank's total assets.

**Capital Requirements.** The FDIC has established the following minimum capital standards for state-chartered, FDIC-insured non-member banks, such as our Banks: a leverage requirement consisting of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly-rated banks with minimum requirements of 4% to 5% for all others, and a risk-based capital requirement consisting of a minimum ratio of total capital to total risk-weighted assets of 8%, at least one-half of which must be Tier 1 capital. Tier 1 capital consists principally of shareholders' equity. These capital requirements are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, FDIC regulations provide that higher capital may be required to take adequate account of, among other things, interest rate risk and the risks posed by concentrations of credit, nontraditional activities or securities trading activities.

Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, or critically undercapitalized. Federal regulations define these capital categories as follows:

	<b>Total Risk-Based Capital Ratio</b>	<b>Tier 1 Risk-Based Capital Ratio</b>	<b>Leverage Ratio</b>
Well capitalized	10% or above	6% or above	5% or above
Adequately capitalized	8% or above	4% or above	4% or above
Undercapitalized	Less than 8%	Less than 4%	Less than 4%
Significantly undercapitalized	Less than 6%	Less than 3%	Less than 3%
Critically undercapitalized			A ratio of tangible equity to



**Table of Contents****ITEM 1. BUSINESS** (Continued)

At December 31, 2006, each of our Bank's ratios exceeded minimum requirements for the well-capitalized category. Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: requiring the submission of a capital restoration plan; placing limits on asset growth and restrictions on activities; requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; restricting transactions with affiliates; restricting the interest rates the institution may pay on deposits; ordering a new election of directors of the institution; requiring that senior executive officers or directors be dismissed; prohibiting the institution from accepting deposits from correspondent banks; requiring the institution to divest certain subsidiaries; prohibiting the payment of principal or interest on subordinated debt; and ultimately, appointing a receiver for the institution.

In general, a depository institution may be reclassified to a lower category than is indicated by its capital levels if the appropriate federal depository institution regulatory agency determines the institution to be otherwise in an unsafe or unsound condition or to be engaged in an unsafe or unsound practice. This could include a failure by the institution, following receipt of a less-than-satisfactory rating on its most recent examination report, to correct the deficiency.

**Dividends.** Under Michigan law, banks are restricted as to the maximum amount of dividends they may pay on their common stock. Our Banks may not pay dividends except out of their net income after deducting their losses and bad debts. A Michigan state bank may not declare or pay a dividend unless the bank will have a surplus amounting to at least 20% of its capital after the payment of the dividend.

Federal law generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. The FDIC may prevent an insured bank from paying dividends if the bank is in default of payment of any assessment due to the FDIC. In addition, the FDIC may prohibit the payment of dividends by the bank, if such payment is determined, by reason of the financial condition of the bank, to be an unsafe and unsound banking practice.

**Insider Transactions.** Our Banks are subject to certain restrictions imposed by the Federal Reserve Act on covered transactions with us or our subsidiaries on investments in our stock or other securities issued by us or our subsidiaries and the acceptance of our stock or other securities issued by us or our subsidiaries as collateral for loans. Certain limitations and reporting requirements are also placed on extensions of credit by our Banks to their directors and officers, to our directors and officers and those of our subsidiaries, to our principal shareholders, and to related interests of such directors, officers and principal shareholders. In addition, federal law and regulations may affect the terms upon which any person becoming one of our directors or officers or a principal shareholder may obtain credit from banks with which our Banks maintain a correspondent relationship.

**Safety and Soundness Standards.** Pursuant to FDICIA, the FDIC adopted guidelines to establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines establish standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.

**Investment and Other Activities.** Under federal law and FDIC regulations, FDIC-insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not permissible for a national bank. FDICIA, as implemented by FDIC regulations, also prohibits FDIC-insured state banks and their subsidiaries, subject to certain exceptions, from engaging as a principal in any activity that is not permitted for a national bank or its subsidiary, respectively, unless the bank meets, and continues to meet, its minimum regulatory capital requirements and the FDIC determines the activity would not pose a significant risk to the deposit insurance fund of which the bank is a member. Impermissible investments and activities must be otherwise divested or discontinued within certain time frames set by the FDIC in accordance with FDICIA. These restrictions are not currently expected to have a material impact on the operations of our Banks.

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**ITEM 1. BUSINESS** (Continued)

**Consumer Banking.** Our Banks' business includes making a variety of types of loans to individuals. In making these loans, our Banks are subject to State usury and regulatory laws and to various Federal statutes, including the privacy of consumer financial information provisions of the Gramm Leach-Bliley Act and regulations promulgated thereunder, the Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth in Lending Act, Real Estate Settlement Procedures Act, and Home Mortgage Disclosure Act, and the regulations promulgated thereunder, which prohibit discrimination, specify disclosures to be made to borrowers regarding credit and settlement costs, and regulate the mortgage loan servicing activities of our Banks, including the maintenance and operation of escrow accounts and the transfer of mortgage loan servicing. In receiving deposits, our Banks are subject to extensive regulation under state and Federal law and regulations, including the Truth in Savings Act, the Expedited Funds Availability Act, the Bank Secrecy Act, the Electronic Funds Transfer Act, and the Federal Deposit Insurance Act. Violation of these laws could result in the imposition of significant damages and fines upon our Banks and their respective directors and officers.

**Branching Authority.** Michigan banks, such as our Banks, have the authority under Michigan law to establish branches anywhere in the State of Michigan, subject to receipt of all required regulatory approvals.

Banks may establish interstate branch networks through acquisitions of other banks. The establishment of *de novo* interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) is allowed only if specifically authorized by state law.

Michigan permits both U.S. and non-U.S. banks to establish branch offices in Michigan. The Michigan Banking Code permits, in appropriate circumstances and with the approval of the OFIS (1) acquisition of Michigan banks by FDIC-insured banks, savings banks or savings and loan associations located in other states, (2) sale by a Michigan bank of branches to an FDIC-insured bank, savings bank or savings and loan association located in a state in which a Michigan bank could purchase branches of the purchasing entity, (3) consolidation of Michigan banks and FDIC-insured banks, savings banks or savings and loan associations located in other states having laws permitting such consolidation, (4) establishment of branches in Michigan by FDIC-insured banks located in other states, the District of Columbia or U.S. territories or protectorates having laws permitting a Michigan bank to establish a branch in such jurisdiction, and (5) establishment by foreign banks of branches located in Michigan.

Mepco Finance Corporation.

Our subsidiary, Mepco Finance Corporation, is engaged in the business of administering a payment plan program for consumers throughout the United States who have purchased a vehicle service contract and choose to pay the purchase price in installments. In the typical transaction, no interest or other finance charge is charged to these consumers. As a result, Mepco is generally not subject to regulation under consumer lending laws. However, Mepco is subject to various federal and state laws designed to protect consumers, including laws against unfair and deceptive trade practices and laws regulating Mepco's payment processing activities, such as the Electronic Funds Transfer Act. In addition, although Mepco sold its insurance premium finance business in January of 2007 and no longer originates insurance premium finance loans, it engaged in this business in 2006 and agreed to service the insurance premium finance loans sold in January 2007 until their maturity. In connection with these servicing activities, Mepco is subject to extensive state regulation, including various rules regarding the cancellation of the insurance policy(ies) being financed upon nonpayment by the insured.

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge through our website at [www.ibcp.com](http://www.ibcp.com) as soon as reasonably practicable after filing with the SEC.



**Table of Contents****ITEM 1. BUSINESS STATISTICAL DISCLOSURE****I. (A) DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS EQUITY;****(B) INTEREST RATES AND INTEREST DIFFERENTIAL****(C) INTEREST RATES AND DIFFERENTIAL**

The information set forth in the tables captioned Average Balances and Tax Equivalent Rates and Change in Tax Equivalent Net Interest Income of our annual report, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders (filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

**II. INVESTMENT PORTFOLIO**

(A) The following table sets forth the book value of securities at December 31:

	2006	2005 (in thousands)	2004
Available for sale			
U.S. Treasury	\$ 4,914	\$ 4,873	\$ 9,924
States and political subdivisions	244,284	257,840	244,488
Mortgage-backed	130,195	162,461	222,454
Other asset-backed	12,508	15,339	23,577
Trust preferred	11,259	12,498	19,916
Preferred stock	29,625	28,337	25,913
Corporate			2,000
Other	2,000	2,099	2,636
Total	\$ 434,785	\$ 483,447	\$ 550,908

**Table of Contents**

## ITEM 1. BUSINESS STATISTICAL DISCLOSURE (Continued)

## II. INVESTMENT PORTFOLIO (Continued)

(B) The following table sets forth contractual maturities of securities at December 31, 2006 and the weighted average yield of such securities:

	Maturing Within One Year		Maturing After One But Within Five Years		Maturing After Five But Within Ten Years		Maturing After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(dollars in thousands)								
Available for sale								
U.S. Treasury	\$ 4,914	3.09%						
States and political subdivisions	14,543	7.46	\$ 58,708	6.98%	\$ 65,646	7.09%	\$ 105,387	6.40%
Mortgage-backed	15	5.53	126,652	4.95	3,349	4.71	179	8.04
Other asset-backed			11,018	6.44			1,490	7.72
Trust preferred							11,259	7.34
Preferred stock							29,625	7.30
Corporate Other securities							2,000	4.22
<b>Total</b>	<b>\$ 19,472</b>	<b>6.36%</b>	<b>\$ 196,378</b>	<b>5.64%</b>	<b>\$ 68,995</b>	<b>6.97%</b>	<b>\$ 149,940</b>	<b>6.63%</b>
Tax equivalent adjustment for calculations of yield	\$ 380		\$ 1,432		\$ 1,628		\$ 2,943	

The rates set forth in the tables above for obligations of state and political subdivisions and preferred stock have been restated on a tax equivalent basis assuming a marginal tax rate of 35%. The amount of the adjustment is as follows:

	Tax-Exempt		Rate on Tax Equivalent
	Rate	Adjustment	Basis
Available for sale			
Under 1 year	4.85%	2.61%	7.46%
1-5 years	4.54	2.44	6.98
5-10 years	4.61	2.48	7.09
After 10 years	4.42	2.18	6.60

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## ITEM 1. BUSINESS STATISTICAL DISCLOSURE (Continued)

## III. LOAN PORTFOLIO

(A) The following table sets forth total loans outstanding at December 31:

	2006	2005	2004	2003	2002
			(in thousands)		
Loans held for sale	\$ 31,846	\$ 28,569	\$ 38,756	\$ 32,642	\$ 129,577
Real estate mortgage	865,522	852,742	773,609	681,602	601,799
Commercial	1,083,921	1,030,095	931,251	603,558	536,715
Installment	350,273	304,053	266,042	234,562	242,928
Finance receivables	183,679	185,427	115,580	55,333	
Total Loans	\$ 2,515,241	\$ 2,400,886	\$ 2,125,238	\$ 1,607,697	\$ 1,511,019

The loan portfolio is periodically and systematically reviewed, and the results of these reviews are reported to the Boards of Directors of our banks. The purpose of these reviews is to assist in assuring proper loan documentation, to facilitate compliance with consumer protection laws and regulations, to provide for the early identification of potential problem loans (which enhances collection prospects) and to evaluate the adequacy of the allowance for loan losses.

(B) The following table sets forth scheduled loan repayments (excluding 1-4 family residential mortgages and installment loans) at December 31, 2006:

	Due Within One Year	Due After One But Within Five Years	Due After Five Years	Total
				(in thousands)
Real estate mortgage	\$ 78,483	\$ 59,219	\$ 6,859	\$ 144,561
Commercial	555,613	454,357	73,951	1,083,921
Finance receivables	98,546	85,133		183,679
Total	\$ 732,642	\$ 598,709	\$ 80,810	\$ 1,412,161

The following table sets forth loans due after one year which have predetermined (fixed) interest rates and/or adjustable (variable) interest rates at December 31, 2006:

	Fixed Rate	Variable Rate	Total
		(in thousands)	
Due after one but within five years	\$ 541,048	\$ 57,661	\$ 598,709
Due after five years	77,297	3,513	80,810
Total	\$ 618,345	\$ 61,174	\$ 679,519

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## ITEM 1. BUSINESS STATISTICAL DISCLOSURE (Continued)

## III. LOAN PORTFOLIO (Continued)

(C) The following table sets forth non-performing loans at December 31:

	2006	2005	2004	2003	2002
			(in thousands)		
(a) Loans accounted for on a non-accrual basis (1, 2)	\$ 35,683	\$ 11,546	\$ 11,119	\$ 8,316	\$ 5,738
(b) Aggregate amount of loans ninety days or more past due (excludes loans in (a) above)	3,479	4,862	3,123	3,284	3,961
(c) Loans not included above which are troubled debt restructurings as defined in Statement of Financial Accounting Standards No. 15 (2)	60	84	218	335	270
Total non-performing loans	\$ 39,222	\$ 16,492	\$ 14,460	\$ 11,935	\$ 9,969

(1) The accrual of interest income is discontinued when a loan becomes 90 days past due and the borrower's capacity to repay the loan and collateral values appear insufficient. Non-accrual loans may be restored to accrual status when interest and principal payments are current and the loan appears otherwise collectible.

(2) Interest in the amount of \$1,945,000 would have been earned in

2006 had loans in categories (a) and (c) remained at their original terms; however, only \$426,000 was included in interest income for the year with respect to these loans.

Other loans of concern identified by the loan review department which are not included as non-performing totaled approximately \$2,100,000 at December 31, 2006. These loans involve circumstances which have caused management to place increased scrutiny on the credits and may, in some instances, represent an increased risk of loss to our Banks.

At December 31, 2006, there was no concentration of loans exceeding 10% of total loans which is not already disclosed as a category of loans in this section Loan Portfolio (Item III(A)).

There were no other interest-bearing assets at December 31, 2006, that would be required to be disclosed above (Item III(C)), if such assets were loans.

There were no foreign loans outstanding at December 31, 2006.

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## ITEM 1. BUSINESS STATISTICAL DISCLOSURE (Continued)

## IV. SUMMARY OF LOAN LOSS EXPERIENCE

(A) The following table sets forth loan balances and summarizes the changes in the allowance for loan losses for each of the years ended December 31:

	2006		2005		2004	
	(dollars in thousands)					
Total loans outstanding at the end of the year (net of unearned fees)		\$ 2,515,241		\$ 2,400,886		\$ 2,125,238
Average total loans outstanding for the year (net of unearned fees)		\$ 2,472,091		\$ 2,268,846		\$ 1,893,007
	Loan Losses	Unfunded Commitments	Loan Losses	Unfunded Commitments	Loan Losses	Unfunded Commitments
Balance at beginning of year	\$ 22,420	\$ 1,820	\$ 24,162	\$ 1,846	\$ 16,455	\$ 892
Loans charged-off						
Real estate mortgage	2,660		1,611		677	
Commercial	6,214		5,141		849	
Installment	4,913		4,246		3,194	
Finance receivables	274		94		112	
Total loans charged-off	14,061		11,092		4,832	
Recoveries of loans previously charged-off						
Real estate mortgage	215		97		39	
Commercial	496		226		190	
Installment	1,526		1,195		1,012	
Finance receivables						
Total recoveries	2,237		1,518		1,241	
Net loans charged-off	11,824		9,574		3,591	
Additions to allowance charged to operating expense	16,283	61	7,832	(26)	3,062	954
Allowance on loans from businesses acquired					8,236	
Balance at end of year	\$ 26,879	\$ 1,881	\$ 22,420	\$ 1,820	\$ 24,162	\$ 1,846
Net loans charged-off as a percent of average	.48%		.42%		.19%	

loans outstanding  
(includes loans held for  
sale) for the year  
Allowance for loan  
losses as a percent of  
loans outstanding  
(includes loans held for  
sale) at the end of the  
year

1.07

13

.93

1.14

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## ITEM 1. BUSINESS STATISTICAL DISCLOSURE (Continued)

## IV. SUMMARY OF LOAN LOSS EXPERIENCE (Continued)

			2003	2002
			(dollars in thousands)	
Total loans outstanding at the end of the year (net of unearned fees)			\$ 1,607,697	\$ 1,511,019
Average total loans outstanding for the year (net of unearned fees)			\$ 1,569,844	\$ 1,437,925
	Loan	Unfunded	Loan	Unfunded
	Losses	Commitments	Losses	Commitments
Balance at beginning of year	\$ 15,830	\$ 875	\$ 15,286	\$ 881
Loans charged-off Real estate mortgage	413		626	
Commercial	1,628		1,002	
Installment	2,412		2,129	
Finance receivables	83			
Total loans charged-off	4,536		3,757	
Recoveries of loans previously charged-off				
Real estate mortgage	115		46	
Commercial	216		73	
Installment	756		614	
Finance receivables				
Total recoveries	1,087		733	
Net loans charged-off	3,449		3,024	
Additions to allowance charged to operating expense	3,826	17	3,568	(6)
Allowance on loans from business acquired	248			
Balance at end of year	\$ 16,455	\$ 892	\$ 15,830	\$ 875
Net loans charged-off as a percent of average loans outstanding (includes loans held for sale) for the year	.22%		.21%	
Allowance for loan losses as a percent of loans outstanding (includes loans held for sale) at the end of the year	1.02		1.05	

The allowance for loan losses reflected above is a valuation allowance in its entirety and the only allowance available to absorb probable loan losses.

Further discussion of the provision and allowance for loan losses (a critical accounting policy) as well as non-performing loans, is presented in Management's Discussion and Analysis of Financial Condition and Results of Operations in our annual report, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.





**Table of Contents****ITEM 1. BUSINESS STATISTICAL DISCLOSURE (Continued)****IV. SUMMARY OF LOAN LOSS EXPERIENCE (Continued)**

(B) Our Banks have allocated the allowance for loan losses to provide for the possibility of losses being incurred within the categories of loans set forth in the table below. The amount of the allowance that is allocated and the ratio of loans within each category to total loans at December 31 follows:

	2006		2005		2004	
	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans
	Amount		Amount		Amount	
			(dollars in thousands)			
Commercial	\$ 15,010	43.1%	\$ 11,735	42.9%	\$ 13,640	43.8%
Real estate mortgage	1,645	35.7	1,156	36.7	988	38.2
Installment	2,469	13.9	2,835	12.7	2,769	12.5
Finance receivables	292	7.3	293	7.7	394	5.5
Unallocated	7,463		6,401		6,371	
Total	\$ 26,879	100.0%	\$ 22,420	100.0%	\$ 24,162	100.0%

	2003		2002	
	Allowance	Percent of Loans to Total Loans	Allowance	Percent of Loans to Total Loans
	Amount		Amount	
			(dollars in thousands)	
Commercial	\$ 8,088	37.6%	\$ 7,543	35.5%
Real estate mortgage	442	44.4	464	48.4
Installment	1,299	14.6	1,311	16.1
Finance receivables	349	3.4		
Unallocated	6,277		6,512	
Total	\$ 16,455	100.0%	\$ 15,830	100.0%

**Table of Contents****ITEM 1. BUSINESS STATISTICAL DISCLOSURE (Continued)****V. DEPOSITS**

The following table sets forth average deposit balances and the weighted-average rates paid thereon for the years ended December 31:

	2006		2005		2004	
	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate
			(dollars in thousands)			
Non-interest bearing demand	\$ 279,279		\$ 283,670		\$ 240,800	
Savings and NOW	864,528	1.57%	871,599	0.96%	805,885	0.56%
Time deposits	1,405,850	4.32	1,087,830	3.09	817,615	2.67
Total	\$ 2,549,657	2.91%	\$ 2,243,099	1.87%	\$ 1,864,300	1.41%

The following table summarizes time deposits in amounts of \$100,000 or more by time remaining until maturity at December 31, 2006:

	(in thousands)
Three months or less <sup>(1)</sup>	\$ 221,998
Over three through six months	131,401
Over six months through one year	91,639
Over one year	608,282
Total	\$ 1,053,320

<sup>(1)</sup> Excludes time deposits of \$165,496 that has been allocated to discontinued operations.

**VI. RETURN ON EQUITY AND ASSETS**

The ratio of net income to average shareholders equity and to average total assets, and certain other ratios, for the years ended December 31 follow:

	2006	2005	2004	2003	2002
Income from continuing operations as a percent of					
Average common equity	13.06%	18.63%	20.30%	24.47%	21.34%
Average total assets	0.99	1.42	1.48	1.66	1.52
Net income as a percent of					
Average common equity	12.82	19.12	19.42	24.89	21.34
Average total assets	0.97	1.45	1.42	1.69	1.52

Dividends declared per share as a percent of diluted net income per share	54.55	36.04	35.93	31.18	30.77
Average shareholders' equity as a percent of average total assets	7.60	7.61	7.31	6.80	7.14

Additional performance ratios are set forth in Selected Consolidated Financial Data in our annual report, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference. Any significant changes in the current trend of the above ratios are reviewed in Management's Discussion and Analysis of Financial Condition and Results of Operations in our annual report, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

**VII. SHORT-TERM BORROWINGS**

Short-term borrowings are discussed in note 9 to the consolidated financial statements incorporated herein by reference in Item 8, Part II of this report.

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**ITEM 1A. RISK FACTORS**

We have credit risk inherent in our asset portfolios, and our allowance for loan losses may not be sufficient to cover actual loan losses. Our loan customers may not repay their loans according to their respective terms, and the collateral securing the payment of these loans may be insufficient to assure repayment. We may experience significant credit losses which could have a material adverse effect on our operating results. We make various assumptions and judgments about the collectibility of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the size of the allowance for loan losses, we rely on our experience and our evaluation of current economic conditions. If our assumptions or judgments prove to be incorrect, our current allowance for loan losses may not be sufficient to cover certain loan losses inherent in our loan portfolio, and adjustments may be necessary to account for different economic conditions or adverse developments in our loan portfolio. Material additions to our allowance would materially decrease our net income.

In the near term, our strategy is to continue to expand our commercial lending activities in the markets in which we currently operate. We may also pursue opportunities to expand into new markets outside our traditional markets by establishing offices staffed by commercial loan officers who come to us from other commercial banks in these new markets. We cannot be sure that our loan loss experience with any new borrowers in these newer markets will be consistent with our loan loss experience in our traditional markets. Our actual loan loss experience in these markets may cause us to increase our reserves.

In addition, federal and state regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize additional loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs required by these regulatory agencies could have a material adverse effect on our results of operations and financial condition.

We have credit risk inherent in our securities portfolio. We maintain diversified securities portfolios, which include obligations of the U.S. Treasury and government-sponsored agencies as well as securities issued by states and political subdivisions, corporate securities, mortgage-backed securities, and asset-backed securities. We also invest in capital securities, which include preferred stocks and trust preferred securities. We seek to limit credit losses in our securities portfolios by generally purchasing only highly rated securities (rated AA or higher by a major debt rating agency) or by conducting significant due diligence on the issuer for unrated securities. However, we may, in the future, experience losses in our securities portfolio which may result in charges that could materially adversely affect our results of operations.

The operation of our warranty payment plan business is relatively new to us, involves unique operational risks, and could expose us to significant losses. One of our subsidiaries, Mepco Finance Corporation, is engaged in the business of providing payment plans to consumers to purchase vehicle warranties on a national basis. The receivables generated in this business involve a different, and generally higher, level of risk of delinquency or collection than generally associated with the loan portfolios of our banks. Mepco also faces unique operational and internal control challenges due to the relatively rapid turnover of its portfolio and high volume of new payment plans.

We acquired Mepco in April of 2003 and therefore have only limited experience in operating a finance company of this nature. Our future performance may be adversely affected if we fail to successfully manage Mepco. Mepco's business is highly specialized, and its success will depend largely on the continued services of its executives and other key employees familiar with its business.

In addition, because financing in this market is conducted primarily through relationships with unaffiliated automobile warranty administrators and because the customers are located nationwide, risk management and general supervisory oversight is generally more difficult than in our banks. The risk of third party fraud is also higher as a result of these factors. Acts of fraud are difficult to detect and deter, and we cannot assure investors that the risk management procedures and controls will prevent losses from fraudulent activity. Although we have an internal control system at Mepco, we may be exposed to the risk of significant loss in this business.

Our mortgage-banking revenues are susceptible to substantial variations dependent largely upon factors that we do not control, such as market interest rates. A meaningful portion of our revenues are derived from gains on the sale of real estate mortgage loans. These net gains primarily depend on the volume of loans we sell, which in turn depends on our

ability to originate real estate mortgage loans and the demand for fixed-rate obligations and other loans that

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**ITEM 1A. RISK FACTORS (continued)**

are outside of our established interest-rate risk parameters. Net gains on real estate mortgage loans are also dependent upon economic and competitive factors as well as our ability to effectively manage exposure to changes in interest rates. Consequently, they can often be a volatile part of our overall revenues. As we have experienced in the last two years, as market interest rates continue to stabilize and/or rise, our level of mortgage loan refinancing activity has declined, resulting in lower levels of real estate mortgage loan originations, sales, and gains on such sales.

**Fluctuations in interest rates could reduce our profitability.** We realize income primarily from the difference between interest earned on loans and investments and the interest paid on deposits and borrowings. Our interest income and interest expense are affected by general economic conditions and by the policies of regulatory authorities. While we have taken measures intended to manage the risks of operating in a changing interest rate environment, there can be no assurance that these measures will be effective in avoiding undue interest rate risk. We expect that we will periodically experience gaps in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, this gap will work against us, and our earnings may be negatively affected.

We are unable to predict fluctuations of market interest rates, which are affected by, among other factors, changes in the following:

inflation or deflation rates;

levels of business activity;

recession;

unemployment levels;

money supply;

domestic or foreign events; and

instability in domestic and foreign financial markets.

**Changes in accounting standards could impact our reported earnings.** Financial accounting and reporting standards are periodically changed by the Financial Accounting Standards Board (FASB), the SEC, and other regulatory authorities. Such changes affect how we are required to prepare and report our consolidated financial statements. These changes are often hard to predict and may materially impact our reported financial condition and results of operations. In some cases, we may be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

**Our operations may be adversely affected if we are unable to secure adequate funding; our use of wholesale funding sources exposes us to liquidity risk and potential earnings volatility.** We rely on wholesale funding, including our revolving credit facility, Federal Home Loan Bank borrowings, and brokered deposits, to augment our core deposits to fund our business. Because wholesale funding sources are affected by general market conditions, the availability of funding from wholesale lenders may be dependent on the confidence these investors have in our commercial and consumer finance operations. The continued availability to us of these funding sources is uncertain, and brokered deposits may be difficult for us to retain or replace at attractive rates as they mature. Our liquidity will be constrained if we are unable to renew our wholesale funding sources or if adequate financing is not available in the future at acceptable rates of interest or at all. We may not have sufficient liquidity to continue to fund new loans, and we may need to liquidate loans or other assets unexpectedly, in order to repay obligations as they mature.

**We rely heavily on our management team, and the unexpected loss of key managers may adversely affect our operations.** Our success to date has been influenced strongly by our ability to attract and to retain senior management experienced in banking and financial services. Our ability to retain executive officers and the current management

teams of each of our lines of business will continue to be important to successful implementation of our strategies. We do not have employment or non-compete agreements with any of these key employees. The unexpected loss of services of any key management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial results.



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**ITEM 1A. RISK FACTORS (continued)**

**Competition with other financial institutions could adversely affect our profitability.** We face vigorous competition from banks and other financial institutions, including savings and loan associations, savings banks, finance companies, and credit unions. A number of these banks and other financial institutions have substantially greater resources and lending limits, larger branch systems, and a wider array of banking services. To a limited extent, we also compete with other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies, and insurance companies, which are not subject to the same degree of regulation as that imposed on bank holding companies. As a result, these non-bank competitors may have an advantage over us in providing certain services, and this competition may reduce or limit our margins on banking services, reduce our market share, and adversely affect our results of operations and financial condition.

**Changes in economic conditions could adversely affect our loan portfolio.** Our success depends to a great extent upon the general economic conditions in Michigan's lower peninsula. We have in general experienced a slowing economy in Michigan since 2001. Unlike larger banks that are more geographically diversified, we provide banking services to customers primarily in Michigan's lower peninsula. Our loan portfolio, the ability of the borrowers to repay these loans and the value of the collateral securing these loans will be impacted by local economic conditions.

An economic slowdown could have many adverse consequences, including the following:

Loan delinquencies may increase;

Problem assets and foreclosures may increase;

Demand for our products and services may decline; and

Collateral for our loans may decline in value, in turn reducing customers' borrowing power and reducing the value of assets and collateral associated with existing loans.

In particular during 2006 our level of non-performing loans, net loan charge-offs, loan delinquencies and provision for loan losses all increased over the prior year.

**We may be unable to maintain our historical growth rate, which may adversely impact our results of operation and financial condition.** To achieve our growth, we have opened additional branches and acquired other financial institutions and branches. We may be unable to sustain our historical rate of growth or may not even be able to grow at all, and we may encounter difficulties obtaining the funding and capital necessary to support our growth. Various factors, such as economic conditions, competition, and regulatory considerations, may impede or prohibit the opening of new branch offices. In addition, we may have difficulty identifying suitable financial institutions and other non-banking entities that we desire to acquire that are available for sale. Further, our inability to attract and retain experienced bankers may adversely affect our internal growth. A significant decrease in our historical rate of growth may adversely impact our results of operations and financial condition.

**We operate in a highly regulated environment and may be adversely affected by changes in federal and local laws and regulations.** We are subject to extensive regulation, supervision, and examination by federal and state banking authorities. Any change in applicable regulations or federal or state legislation could have a substantial impact on us and our banks and their operations. Additional legislation and regulations may be enacted or adopted in the future that could significantly affect our powers, authority, and operations, which could increase our costs of doing business and, as a result, give an advantage to our competitors who may not be subject to similar legislative and regulatory requirements. Further, regulators have significant discretion and power to prevent or remedy unsafe or unsound practices or violations of laws by banks and bank holding companies in the performance of their supervisory and enforcement duties. The exercise of regulatory power may have a negative impact on our results of operations and financial condition.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**



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We and our Banks operate a total of 122 facilities in Michigan and 1 facility in Chicago, Illinois. The individual properties are not materially significant to us or our Banks' business or to the consolidated financial statements. With the exception of the potential remodeling of certain facilities to provide for the efficient use of work space or to maintain an appropriate appearance, each property is considered reasonably adequate for current and anticipated needs.

**ITEM 3. LEGAL PROCEEDINGS**

Due to the nature of our business, our Banks are often subject to numerous legal actions. These legal actions, whether pending or threatened, arise through the normal course of business and are not considered unusual or material. In May 2004, we received an unsolicited anonymous letter regarding certain business practices at Mepco, which was acquired in April 2003 and is now a wholly-owned subsidiary of Independent Bank. We processed this letter in compliance with our Policy Regarding the Resolution of Reports on the Company's Accounting, Internal Controls and Other Business Practices. Under the direction of our Audit Committee, special legal counsel was engaged to investigate the matters raised in the anonymous letter. This investigation was completed during the first quarter of 2005 and we have determined that any amounts or issues relating to the period after our April 2003 acquisition of Mepco were not significant. The terms of the agreement under which we acquired Mepco, obligates the former shareholders of Mepco to indemnify us for existing and resulting damages and liabilities from pre-acquisition activities at Mepco.

The potential amount of liability related to periods prior to our April 2003 acquisition date has been determined to not exceed approximately \$4.0 million. This potential liability primarily encompasses funds that may be due to former customers of Mepco related to loan overpayments or unclaimed funds that may be subject to escheatment. Prior to our acquisition, Mepco had erroneously recorded these amounts as revenue over a period of several years. The final liability may, however, be less, depending on the facts related to each loan account, the application of the law to those facts and the applicable state escheatment requirements for unclaimed funds. In the second quarter of 2004 we recorded a liability of \$2.7 million with a corresponding charge to earnings (included in non-interest expenses) for potential amounts due to third parties (either former loan customers or to states for the escheatment of unclaimed funds). We have been engaged in a process of reviewing individual account records at Mepco to determine the appropriate amount (if any) due to a customer. As of December 31, 2006 we had sent out approximately \$2.6 million as a result of this review process and \$1.4 million remains accrued at that date.

On March 16, 2006, we entered into a settlement agreement with the former shareholders of Mepco, (the Former Shareholders) and Edward, Paul, and Howard Walder (collectively referred to as the Walders) for purposes of resolving and dismissing all pending litigation between the parties. Under the terms of the settlement, on April 3, 2006, the Former Shareholders paid us a sum of \$2.8 million, half of which was paid in the form of cash and half of which was paid in shares of our common stock. In return, we released 90,766 shares of Independent Bank Corporation common stock held pursuant to an escrow agreement among the parties that was previously entered into for the purpose of funding certain contingent liabilities that were, in part, the subject of the pending litigation. As a result of settlement of the litigation, we recorded other income of \$2.8 million and an additional claims expense of approximately \$1.7 million (related to the release of the shares held in escrow) in the first quarter of 2006. The settlement covers both the claim filed by the Walders against Independent Bank Corporation and Mepco in the Circuit Court of Cook County, Illinois, as well as the litigation filed by Independent Bank Corporation and Mepco against the Walders in the Ionia County Circuit Court of Michigan.

As permitted under the terms of the merger agreement under which we acquired Mepco, on April 3, 2006, we paid the accelerated earn-out payments for the last three years of the performance period ending April 30, 2008. Those payments totaled approximately \$8.9 million. Also, under the terms of the merger agreement, the second year of the earn out for the year ended April 30, 2005, in the amount of \$2.7 million was paid on March 21, 2006. As a result of the settlement and these payments, no future payments are due under the terms of the merger agreement under which we acquired Mepco.

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**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

Not applicable.

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**Table of Contents****ADDITIONAL ITEM EXECUTIVE OFFICERS**

Our executive officers are appointed annually by our Board of Directors at the meeting of Directors preceding the Annual Meeting of Shareholders. There are no family relationships among these officers and/or our Directors nor any arrangement or understanding between any officer and any other person pursuant to which the officer was elected. The following sets forth certain information with respect to our executive officers at March 9, 2007.

Name (Age)	Position		First elected as an executive officer
Michael M. Magee, Jr. (51)	President, Chief Executive Officer and Director		1993
Robert N. Shuster (49)	Executive Vice President and Chief Financial Officer		1999
Edward B. Swanson (53)	President and Chief Executive Officer	Independent Bank South Michigan	1989
William B. Kessel (42)	President and Chief Executive Officer	Independent Bank	2004
Ronald L. Long (47)	President and Chief Executive Officer	Independent Bank East Michigan	1993
David C. Reglin (47)	President and Chief Executive Officer	Independent Bank West Michigan	1998
Peter R. Graves (49)	Senior Vice President, Commercial Loans	Independent Bank Corporation	1999
Richard E. Butler (55)	Senior Vice President, Operations	Independent Bank Corporation	1998
James J. Twarozynski (41)	Senior Vice President, Controller	Independent Bank Corporation	2002
Charles F. Schadler (58)	Senior Vice President, Internal Auditor	Independent Bank Corporation	2005
Laurinda M. Neve (55)	Senior Vice President, Human Resources	Independent Bank Corporation	2007

Prior to being named as President and Chief Executive Officer on January 1, 2005, Mr. Magee was Executive Vice President and COO since 2004 and prior to that was President and Chief Executive Officer of Independent Bank since 1993.

Prior to being named President and Chief Executive Officer of Independent Bank in 2004, Mr. Kessel was Senior Vice President since 1996.

Prior to being named Senior Vice President in 2002, Mr. Twarozynski was Vice President and Controller.

Prior to being named Senior Vice President in 2005, Mr. Schadler was Vice President and Internal Auditor.

Prior to being named Senior Vice President in 2007, Ms. Neve was Vice President and Human Resources Director.

**Table of Contents****PART II.****ITEM 5. MARKET FOR OUR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The information set forth under the caption Quarterly Summary in our annual report, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

The following table shows certain information relating to purchases of common stock for the three-months ended December 31, 2006 pursuant to our share repurchase plan:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan <sup>(2)</sup>	Remaining Number of Shares Authorized for Purchase Under the Plan <sup>(3)</sup>
October 2006 <sup>(1)</sup>	455	\$23.90	455	
November 2006				
December 2006 <sup>(1)</sup>	1,305	25.29	1,305	
Total	1,760	\$24.93	1,760	0

(1) All of the shares purchased were used to fund our Deferred Compensation and Stock Purchase Plan for Non-employee Directors.

(2) Shares were purchased pursuant to a stock repurchase plan, announced November 21, 2005, authorizing the purchase up to 750,000 shares

of our common stock. The repurchase plan expired on December 31, 2006.

- (3) Our board of directors authorized a new stock repurchase plan which authorizes the purchase up to 750,000 shares of our common stock. This repurchase plan expires on December 31, 2007.

**ITEM 6. SELECTED FINANCIAL DATA**

The information set forth under the caption Selected Consolidated Financial Data in our annual report, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The information set forth under the caption Management's Discussion and Analysis of Financial Condition and Results of Operations in our annual report, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption Asset/liability management in our annual report, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

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**PART II.**

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The following consolidated financial statements, management's report on internal controls, and the independent auditor's reports are set forth in our annual report, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

Management's Annual Report on Internal Controls Over Financial Reporting  
Report of Independent Registered Public Accounting Firm  
Report of Independent Registered Public Accounting Firm

Consolidated Statements of Financial Condition at  
December 31, 2006 and 2005

Consolidated Statements of Operations for the years ended  
December 31, 2006, 2005 and 2004

Consolidated Statements of Shareholders' Equity  
for the years ended December 31, 2006, 2005 and 2004

Consolidated Statements of Comprehensive Income  
for the years ended December 31, 2006, 2005 and 2004

Consolidated Statements of Cash Flows for the years ended  
December 31, 2006, 2005 and 2004

Notes to Consolidated Financial Statements

The supplementary data required by this item set forth under the caption "Quarterly Financial Data" in our annual report, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

The portions of our annual report, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) which are not specifically incorporated by reference as part of this Form 10-K are not deemed to be a part of this report.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

**ITEM 9A. CONTROLS AND PROCEDURES**

1. **Evaluation of Disclosure Controls and Procedures.** With the participation of management, our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) as of the year ended December 31, 2006 (the "Evaluation Date"), have concluded that, as of such date, our disclosure controls and procedures were effective.
2. Management's Annual Report on Internal Control Over Financial Reporting under Item 8 hereof is included in the 2006 Annual Report under the caption "Management's Annual Report on Internal Control over Financial Reporting" and is incorporated herein by reference. The Company's registered public accounting firm's attestation on that Report is also included in the 2006 Annual Report under the first captioned "Report of Independent Registered Public Accounting Firm" under item 8 hereof and is incorporated herein by reference.



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**ITEM 9A. CONTROLS AND PROCEDURES (continued)**

3. There were no changes in our internal control over financial reporting during the quarter ended December 31, 2006, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III.**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

**DIRECTORS** The information with respect to our Directors, set forth under the captions Election of Directors and Section 16(a) Beneficial Ownership Reporting Compliance in our definitive proxy statement, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders is incorporated herein by reference.

**EXECUTIVE OFFICERS** Reference is made to additional item under Part I of this report on Form 10-K.

**CODE OF ETHICS** We have adopted a Code of Ethics for our Chief Executive Officer and Senior Financial Officers. A copy of our Code of Ethics is posted on our website at [www.ibcp.com](http://www.ibcp.com), under Investor Relations, and a printed copy is available upon request by writing to our Chief Financial Officer, Independent Bank Corporation, P.O. Box 491, Ionia, Michigan 48846.

**CORPORATE GOVERNANCE** Matter relating to certain functions and the composition of our board committees, set forth under the caption Board Committees Functions in our definitive proxy statement, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders is incorporated herein by reference.

**ITEM 11. EXECUTIVE COMPENSATION**

The information set forth under the captions Executive Compensation, Compensation of Directors and Compensation Committee Report in our definitive proxy statement, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders is incorporated herein by reference. Information under the caption

Compensation Committee Report in our definitive proxy statement is not deemed to be filed with the Securities and Exchange Commission.

**Table of Contents****ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information set forth under the captions Voting Securities and Record Date, Election of Directors and Securities Ownership of Management in our definitive proxy statement, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders is incorporated herein by reference. Information under the caption Shareholder Return Performance Graph in our definitive proxy statement is not incorporated by reference herein and is not deemed to be filed with the Securities and Exchange Commission.

We maintain certain equity compensation plans under which our common stock is authorized for issuance to employees and directors, including our Non-employee Director Stock Option Plan, Employee Stock Option Plan and Long-Term Incentive Plan.

The following sets forth certain information regarding our equity compensation plans as of December 31, 2006.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,481,000	\$ 19.82	524,000
Equity compensation plan not approved by security holders	None		None

**PART III.****ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information set forth under the captions Transactions Involving Management and Determination of Independence of Board Members in our definitive proxy statement, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders is incorporated herein by reference.

**PART IV.****ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information set forth under the caption Audit Matters and Our Relationship With Our Independent Auditors in our definitive proxy statement, to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders is incorporated herein by reference. Information under the caption Report of our Audit Committee in our definitive proxy statement is not deemed to be filed with the Securities and Exchange Commission.

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**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) 1. **Financial Statements**

All of our financial statements are incorporated herein by reference as set forth in the annual report to be delivered to shareholders in connection with the April 24, 2007 Annual Meeting of Shareholders (filed as exhibit 13 to this report on Form 10-K.)

2. **Financial Statement Schedules**

Report of predecessor accountant (KPMG LLP)

3. **Exhibits** (Numbered in accordance with Item 601 of Regulation S-K)

The Exhibit Index is located on the final page of this report on Form 10-K.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, we have duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, dated March 9, 2007.

INDEPENDENT BANK CORPORATION

s/Michael M. Magee, Jr.	Michael M. Magee, Jr., President and Chief Executive Officer (Principal Executive Officer)
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s/Robert N. Shuster	Robert N. Shuster, Executive Vice President and Chief Financial Officer (Principal Financial Officer)
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s/James J. Twarozynski	James J. Twarozynski, Senior Vice President and Controller (Principal Accounting Officer)
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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on our behalf and in the capacities and on the dates indicated. Each director whose signature appears below hereby appoints Michael M. Magee, Jr. and Robert N. Shuster and each of them severally, as his or her attorney-in-fact, to sign in his or her name and on his or her behalf, as a director, and to file with the Commission any and all amendments to this Report on Form 10-K.

Donna J. Banks, Director	s/Donna J. Banks	March 7, 2007
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Jeffrey A. Bratsburg, Director	s/Jeffrey A. Bratsburg	March 9, 2007
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Stephen L. Gulis, Jr., Director	s/Stephen L. Gulis, Jr.	March 5, 2007
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Terry L. Haske, Director	s/Terry L. Haske	March 5, 2007
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Robert L. Hetzler, Director

Michael M. Magee, Jr., Director	s/Michael M. Magee, Jr.	March 6, 2007
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James E. McCarty, Director	s/James E. McCarty	March 5, 2007
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Charles A. Palmer, Director	s/Charles A. Palmer	March 8, 2007
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Charles C. Van Loan, Director	s/Charles C. Van Loan	March 12, 2007
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**Financial Statement Schedules**

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Independent Bank Corporation:

We have audited the accompanying consolidated statements of operations, shareholders' equity, comprehensive income, and cash flows of Independent Bank Corporation and subsidiaries for the year ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Independent Bank Corporation for the year ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

As described in note 24 to the consolidated financial statements, the Company retrospectively applied the effects of adjustments related to a change in accounting reflecting discontinued operations.

/s/ KPMG LLP

Detroit, Michigan

March 4, 2005, except for notes 1, 5, 6, 7, 8, 12, 13, 14, 17, 18, 22, 23, and 24  
as to which the date is March 1, 2007

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**EXHIBIT INDEX**

**Exhibit number and description**

**EXHIBITS FILED HEREWITH**

- 10 Form stock option agreement under our Long-term Incentive Plan.
- 13 Annual report, relating to the April 24, 2007 Annual Meeting of Shareholders. This annual report will be delivered to our shareholders in compliance with Rule 14(a)-3 of the Securities Exchange Act of 1934, as amended.
- 21 List of Subsidiaries.
- 23.1 Consent of Independent Registered Public Accounting Firm (Crowe Chizek and Company LLC)
- 23.2 Consent of Independent Registered Public Accounting Firm (KPMG LLP)
- 24 Power of Attorney (Included on page 28).
- 31.1 Certificate of the Chief Executive Officer of Independent Bank Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certificate of the Chief Financial Officer of Independent Bank Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certificate of the Chief Executive Officer of Independent Bank Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certificate of the Chief Financial Officer of Independent Bank Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**EXHIBITS INCORPORATED BY REFERENCE**

- 2.1 Agreement and plan of merger between Independent Bank Corporation and Midwest Guaranty Bancorp, Inc., dated February 4, 2004 (incorporated herein by reference to Appendix A to our Form S-4 Registration Statement dated March 23, 2004, filed under Registration No. 333-113854).
- 2.2 Agreement and plan of merger between Independent Bank Corporation and North Bancorp, Inc., dated March 4, 2004 (incorporated herein by reference to Appendix A to our amended Form S-4 Registration Statement dated May 21, 2004, filed under Registration No. 333-114782).
- 3.1 Restated Articles of Incorporation (incorporated herein by reference to Exhibit 3(i) to our report on Form 10-Q for the quarter ended June 30, 1994).
- 3.1(a) Amendments to Article III and Article VI of the Articles of Incorporation (incorporated herein by reference to Exhibit 3.1(a) to our report on Form 10-K for the year ended December 31, 2000).
- 3.2 Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3(ii) to our report on Form 10-Q for the quarter ended June 30, 1994).
- 4.1 Certificate of Trust of IBC Capital Finance II dated February 26, 2003 (incorporated herein by reference to Exhibit 4.1 to our report on Form 10-Q for the quarter ended March 31, 2003).



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**EXHIBIT INDEX** (Continued)

- 4.2 Amended and Restated Trust Agreement of IBC Capital Finance II dated March 19, 2003 (incorporated herein by reference to Exhibit 4.2 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 4.3 Preferred Securities Certificate of IBC Capital Finance II dated March 19, 2003 (incorporated herein by reference to Exhibit 4.3 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 4.4 Preferred Securities Guarantee Agreement dated March 19, 2003 (incorporated herein by reference to Exhibit 4.4 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 4.5 Agreement as to Expenses and Liabilities dated March 19, 2003 (incorporated herein by reference to Exhibit 4.5 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 4.6 Indenture dated March 19, 2003 (incorporated herein by reference to Exhibit 4.6 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 4.7 8.25% Junior Subordinated Debenture of Independent Bank Corporation dated March 19, 2003 (incorporated herein by reference to Exhibit 4.6 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 10.1\* Deferred Benefit Plan for Directors (incorporated herein by reference to Exhibit 10(C) to our report on Form 10-K for the year ended December 31, 1984).
- 10.2 The form of Indemnity Agreement approved by our shareholders at its April 19, 1988 Annual Meeting, as executed with all of the Directors of the Registrant (incorporated herein by reference to Exhibit 10(F) to our report on Form 10-K for the year ended December 31, 1988).
- 10.3\* Non-Employee Director Stock Option Plan, as amended, approved by our shareholders at its April 15, 1997 Annual Meeting (incorporated herein by reference to Exhibit 4 to our Form S-8 Registration Statement dated July 28, 1997, filed under registration No. 333-32269).
- 10.4\* Employee Stock Option Plan, as amended, approved by our shareholders at its April 17, 2000 Annual Meeting (incorporated herein by reference to Exhibit 4 to our Form S-8 Registration Statement dated October 8, 2000, filed under registration No. 333-47352).
- 10.5 The form of Management Continuity Agreement as executed with executive officers and certain senior managers (incorporated herein by reference to Exhibit 10 to our report on Form 10-K for the year ended December 31, 1998).
- 10.6 Agreement and Plan of Merger by and among Independent Bank Corporation, IBC Merger Co., Mepco Insurance Premium Financing, Inc., and the shareholders of Mepco Insurance Premium Financing, Inc., dated February 24, 2003 (incorporated herein by reference to Exhibit 99.2 to our Form 8-K dated February 24, 2003).
- 10.7 Escrow Agreement, dated September 30, 2004, made by and among Independent Bank Corporation, The Edward M. Walder Trust and The Paul M. Walder Trust, and J.P. Morgan Trust Company, N.A.
- 10.8\* Independent Bank Corporation Long-term Incentive Plan, as amended through April 26, 2005, (incorporated herein by reference to Exhibit 10 to our report on Form 10-K for the year ended December 31, 2005).

\* Represents a compensation plan.