

INDEPENDENT BANK CORP /MI/
Form 8-K
October 23, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of earliest event reported): October 23, 2003

INDEPENDENT BANK CORPORATION

(Exact name of registrant as specified in its charter)

Michigan

(State or Jurisdiction of Incorporation or Organization)

0-7818

38-2032782

(Commission File Number)

(I.R.S. Employer Identification No.)

230 West Main Street, Ionia, Michigan 48846

(Address of principal executive offices)

(616) 527-9450

(Registrant's telephone number, including area code)

NONE

Former name, address and fiscal year, if changed since last report.

Item 7. Financial Statements and Exhibits.

Exhibit

99 Supplemental data to the Registrant's press release dated October 23, 2003.

Item 12. Results of Operations and Financial Condition.

The information attached at Exhibit 99 is supplemental data to the Registrant's press release dated October 23, 2003 regarding its earnings during the quarter ended September 30, 2003.

The information in this Form 8-K and the attached Exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date October 23, 2003

By s/ Robert N. Shuster

Robert N. Shuster, Principal Financial Officer

Date October 23, 2003

By s/ James J. Twarozynski

James J. Twarozynski, Principal Accounting Officer

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INDEPENDENT BANK CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Condition

Exhibit 99

	September 30, 2003	December 31, 2002
	(unaudited)	
	(in thousands)	
Assets		
Cash and due from banks	\$ 54,633	\$ 60,731
Securities available for sale	437,687	371,246
Federal Home Loan Bank stock, at cost	13,895	9,704
Loans held for sale	69,780	129,577
Loans		
Commercial	594,462	536,715
Real estate mortgage	657,723	601,799
Installment	237,820	242,928
Finance receivables	125,560	
	Total Loans	1,381,442
Allowance for loan losses	(17,848)	(16,705)
	Net Loans	1,364,737
Property and equipment, net	43,330	40,735
Bank owned life insurance	36,545	35,415
Goodwill	16,289	7,299
Other intangibles	8,017	6,420
Accrued income and other assets	37,869	31,698
	Total Assets	\$ 2,057,562
Liabilities and Shareholders' Equity		
Deposits		
Non-interest bearing	\$ 195,871	\$ 179,871
Savings and NOW	688,767	657,530
Time	754,720	698,202
	Total Deposits	1,535,603
Federal funds purchased	67,460	23,840
Other borrowings	346,190	310,413
Guaranteed preferred beneficial interests in Company's subordinated debentures	50,600	17,250
Financed premiums payable	26,406	
Accrued expenses and other liabilities	31,099	32,409
	Total Liabilities	1,919,515
Shareholders' Equity		
Preferred stock, no par value--200,000 shares authorized; none outstanding		

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Common stock, \$1.00 par value--30,000,000 shares authorized; issued and outstanding: 19,525,840 shares at September 30, 2003 and 17,822,090 shares at December 31, 2002	19,526	17,822
Capital surplus	119,434	75,076
Retained earnings	11,094	41,785
Accumulated other comprehensive income	4,595	3,364
	<u>154,649</u>	<u>138,047</u>
Total Shareholders' Equity	154,649	138,047
Total Liabilities and Shareholders' Equity	\$ 2,315,762	\$ 2,057,562

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INDEPENDENT BANK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

	Three Months		Nine Months Ended	
	Ended September 30, 2003	2002	September 30, 2003	2002
	(unaudited)		(unaudited)	
Interest Income	(in thousands, except per share amounts)			
Interest and fees on loans	\$ 30,945	\$ 27,616	\$ 88,050	\$ 81,519
Securities available for sale				
Taxable	2,727	3,223	8,575	9,249
Tax-exempt	2,134	1,776	5,982	5,176
Other investments	165	340	442	987
	<u>35,971</u>	<u>32,955</u>	<u>103,049</u>	<u>96,931</u>
Total Interest Income				
Interest Expense				
Deposits	6,769	8,994	21,370	26,662
Other borrowings	3,943	2,957	12,146	9,555
	<u>10,712</u>	<u>11,951</u>	<u>33,516</u>	<u>36,217</u>
Total Interest Expense				
Net Interest Income	25,259	21,004	69,533	60,714
Provision for loan losses	569	752	2,279	2,845
	<u>24,690</u>	<u>20,252</u>	<u>67,254</u>	<u>57,869</u>
Net Interest Income After Provision for Loan Losses				
Non-interest Income				
Service charges on deposit accounts	3,855	3,457	10,803	9,410
Net gains (losses) on asset sales				
Real estate mortgage loans	5,652	1,280	14,001	4,324
Securities	(1,314)	550	(755)	726
Title insurance fees	983	580	2,633	1,667
Manufactured home loan origination fees and commissions	535	445	1,282	1,442
Real estate mortgage loan servicing	201	(1,118)	(1,196)	(550)
Other income	1,902	1,487	5,872	4,372
	<u>11,814</u>	<u>6,681</u>	<u>32,640</u>	<u>21,391</u>
Total Non-interest Income				
Non-interest Expense				
Compensation and employee benefits	11,241	9,620	31,677	27,670
Occupancy, net	1,611	1,371	4,835	4,021
Furniture and fixtures	1,381	1,123	4,125	3,373
Loss on prepayment of borrowings	983	0	983	59
Other expenses	7,078	4,963	19,376	14,200
	<u>22,304</u>	<u>17,087</u>	<u>61,006</u>	<u>50,323</u>

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	Total Non-interest Expense	22,294	17,077	60,996	49,323
	Income Before Income Tax	14,210	9,856	38,898	29,937
Income tax expense		3,890	2,743	10,630	8,427
	Net Income	\$ 10,320	\$ 7,113	\$ 28,268	\$ 21,510
Net Income Per Share					
	Basic	\$.53	\$.35	\$ 1.44	\$ 1.06
	Diluted	.51	.35	1.41	1.04
Dividends Per Common Share					
	Declared	\$.16	\$.10	\$.43	\$.31
	Paid	.16	.10	.43	.31

Non-performing assets

	September 30, 2003	December 31, 2002
	(dollars in thousands)	
Non-accrual loans	\$ 5,047	\$ 5,738
Loans 90 days or more past due and still accruing interest	3,619	3,961
Restructured loans	286	270
	<u>8,952</u>	<u>9,969</u>
Other real estate	3,080	3,908
	<u>\$12,032</u>	<u>\$13,877</u>
As a percent of Portfolio Loans		
Non-performing loans	0.55 %	0.72 %
Allowance for loan losses	1.10	1.21
Non-performing assets to total assets	0.52	0.67
Allowance for loan losses as a percent of non-performing loans	199	168

Allowance for loan losses

	Nine months ended September 30, 2003	2002
	(in thousands)	
Balance at beginning of period	\$ 16,705	\$ 16,167
Additions (deduction)		
Allowance on loans acquired	517	
Provision charged to operating expense	2,279	2,845
Recoveries credited to allowance	795	551
Loans charged against the allowance	(2,448)	(1,865)
	<u>\$ 17,848</u>	<u>\$ 17,698</u>
Net loans charged against the allowance to average Portfolio Loans (annualized)	0.15 %	0.12 %

September 30, 2003

December 31, 2002

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	Amount	Average Maturity	Rate	Amount	Average Maturity	Rate
	(dollars in thousands)					
Brokered CDs ⁽¹⁾	\$354,503	2.2 years	2.43%	\$278,012	1.9 years	3.03%
Fixed rate FHLB advances ⁽¹⁾	61,684	7.1 years	5.04	62,861	7.9 years	5.83
Variable rate FHLB advances ⁽¹⁾	147,550	0.3 years	1.32	131,200	0.3 years	1.50
Securities sold under agreements to Repurchase ⁽¹⁾	133,961	0.1 years	1.26	98,712	0.1 years	1.74
Federal funds purchased	67,460	1 day	1.29	23,840	1 day	1.38
Total	\$765,158	1.7 years	2.12%	\$594,625	1.8 years	2.71%

⁽¹⁾ Certain of these items have had their average maturity and rate altered through the use of derivative instruments, including pay-fixed and pay-variable interest rate swaps.

Capitalization

	September 30, 2003	December 31, 2002
	(in thousands)	
Unsecured debt		\$ 12,600
Preferred Securities	\$ 50,600	17,250
Shareholders' Equity		
Preferred stock, no par value		
Common Stock, par value \$1.00 per share	19,526	17,822
Capital surplus	119,434	75,076
Retained earnings	11,094	41,785
Accumulated other comprehensive income (loss)	4,595	3,364
Total shareholders' equity	154,649	138,047
Total capitalization	\$205,249	\$167,897

Non-Interest Income

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Service charges on deposit accounts	\$ 3,855	\$ 3,457	\$ 10,803	\$ 9,410
Net gains (losses) on asset sales				
Real estate mortgage loans	5,652	1,280	14,001	4,324
Securities	(1,314)	550	(755)	726
Title insurance fees	983	580	2,633	1,667
Bank owned life insurance	360	8	1,102	8
Manufactured home loan origination fees and commissions	535	445	1,282	1,442
Mutual fund and annuity commissions	319	203	909	781
Real estate mortgage loan servicing	201	(1,118)	(1,196)	(550)
Other	1,223	1,276	3,861	3,583
Total non-interest income	\$ 11,814	\$ 6,681	\$ 32,640	\$ 21,391

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	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
	(in thousands)			
Real estate mortgage loans originated	\$ 344,999	\$ 251,695	\$970,210	\$ 545,174
Real estate mortgage loans sold	299,502	105,613	771,754	348,933
Real estate mortgage loans sold with servicing rights released	12,802	53,828	43,517	75,323
Net gains on the sale of real estate mortgage loans	5,652	1,280	14,001	4,324
Net gains as a percent of real estate mortgage loans sold ("Loan Sale Margin")	1.89%	1.21%	1.81%	1.24%
SFAS #133 adjustments included in the Loan Sale Margin	(0.16)%	(0.56)%	0.05%	(0.24)%

Non-Interest Expense

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
	(in thousands)			
Salaries	\$ 7,183	\$ 6,435	\$20,446	\$18,565
Performance-based compensation and benefits	1,670	1,325	4,560	3,874
Other benefits	2,388	1,860	6,671	5,231
Compensation and employee benefits	11,241	9,620	31,677	27,670
Occupancy, net	1,611	1,371	4,835	4,021
Furniture and fixtures	1,381	1,123	4,125	3,373
Data processing	1,025	766	2,921	2,193
Advertising	1,151	663	2,894	1,840
Loan and collection	824	659	2,655	1,874
Communications	738	592	2,134	1,805
Supplies	461	463	1,420	1,134
Legal and professional	584	302	1,415	801
Amortization of intangible assets	492	244	1,226	736
Loss on prepayment of borrowings	983		983	59
Other	1,803	1,274	4,711	3,817
Total non-interest expense	\$22,294	\$17,077	\$60,996	\$49,323

**Average Balances and Tax
Equivalent Rates**

	Three Months Ended September 30,					
	2003			2002		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
Assets	(dollars in thousands)					
Taxable loans (1)	\$1,698,405	\$30,797	7.22%	\$1,428,149	\$27,456	7.65%
Tax-exempt loans (1,2)	11,236	228	7.98	11,541	246	8.46
Taxable securities	246,360	2,727	4.39	221,333	3,223	5.78
Tax-exempt securities (2)	188,775	3,376	7.10	145,557	2,801	7.63
Other investments	13,414	165	4.88	21,521	340	6.27
Interest Earning						
Assets	2,158,190	37,293	6.87	1,828,101	34,066	7.41
Cash and due from banks	55,626			40,513		
Other assets, net	121,333			87,496		
Total Assets	\$2,335,149			\$1,956,110		
Liabilities						
Savings and NOW	\$ 696,523	1,070	0.61	\$ 637,858	1,878	1.17
Time deposits	771,731	5,699	2.93	712,287	7,116	3.96
Other borrowings	452,372	3,943	3.46	277,199	2,957	4.23
Interest Bearing						
Liabilities	1,920,626	10,712	2.21	1,627,344	11,951	2.91
Demand deposits	204,480			157,227		
Other liabilities	57,121			29,580		
Shareholders' equity	152,922			141,959		
Total liabilities and shareholders' equity	\$2,335,149			\$1,956,110		
Tax Equivalent Net Interest Income		\$ 26,581			\$ 22,115	
Tax Equivalent Net Interest Income as a Percent of Earning Assets			4.90%			4.82%

(1) All domestic

(2) Interest on tax-exempt loans and securities is presented on a fully tax equivalent basis assuming a marginal tax rate of 35%

**Average Balances and Tax
Equivalent Rates**

	Nine Months Ended September 30,					
	2003			2002		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
Assets	(dollars in thousands)					
Taxable loans (1)	\$1,588,440	\$87,590	7.36%	\$1,403,633	\$81,047	7.71%
Tax-exempt loans (1,2)	11,674	708	8.11	11,541	726	8.41
Taxable securities	235,641	8,575	4.87	212,014	9,249	5.83
Tax-exempt securities (2)	174,344	9,476	7.27	138,465	8,163	7.88
Other investments	11,802	442	5.01	21,547	987	6.12
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Interest Earning						
Assets	2,021,901	106,791	7.06	1,787,200	100,172	7.49
Cash and due from banks	48,897			39,163		
Other assets, net	117,029			72,747		
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Total Assets	\$2,187,827			\$1,899,110		
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Liabilities						
Savings and NOW	\$ 686,418	3,867	0.75	\$ 631,633	5,778	1.22
Time deposits	728,254	17,503	3.21	679,968	20,884	4.11
Other borrowings	395,579	12,146	4.11	272,111	9,555	4.69
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Interest Bearing						
Liabilities	1,810,251	33,516	2.48	1,583,712	36,217	3.06
Demand deposits	179,975			149,775		
Other liabilities	49,090			27,741		
Shareholders' equity	148,511			137,882		
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Total liabilities and shareholders' equity	\$2,187,827			\$1,899,110		
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Tax Equivalent Net Interest Income		\$ 73,275			\$ 63,955	
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Tax Equivalent Net Interest Income as a Percent of Earning Assets			4.84%			4.78%
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(1) All domestic

(2) Interest on tax-exempt loans and securities is presented on a fully tax equivalent basis assuming a marginal tax rate of 35%

