

INDEPENDENT BANK CORP /MI/

Form 8-K

July 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): July 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 July 23, 2003.

Item 9. Regulation FD Disclosure.

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

This information furnished under "Item 9. Regulation FD Disclosure" is intended to be furnished under "Item 12. Results of Operations and Financial Condition" in accordance with SEC Release No. 33-8216.

The information in this Form 8-K and the attached Exhibit shall not be deemed filed for purposes of Section 18 of the Securities 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 July 23, 2003

By s/ Robert N. Shuster

Robert N. Shuster, Principal Financial Officer

Date July 23, 2003

By s/ James J. Twarozynski

James J. Twarozynski, Principal Accounting Officer

INDEPENDENT BANK CORPORATION AND
SUBSIDIARIES
Consolidated Statements of Financial Condition

Exhibit 99

		June 30, 2003
		----- (u) -----
Assets		(in
Cash and due from banks	\$	73,114
Securities available for sale		429,606
Federal Home Loan Bank stock, at cost		12,032
Loans held for sale		131,174
Loans		
Commercial		581,832
Real estate mortgage		607,968
Installment		235,907
Finance Receivables		108,704

	Total Loans	1,534,411
Allowance for loan losses		(17,880)

	Net Loans	1,516,531
Property and equipment, net		42,260
Bank owned life insurance		36,184
Goodwill		16,244
Other intangibles		8,510
Accrued income and other assets		34,626

	Total Assets \$	2,300,281
		=====
Liabilities and Shareholders' Equity		
Deposits		
Non-interest bearing	\$	218,936
Savings and NOW		679,919
Time		754,541

	Total Deposits	1,653,396
Federal funds purchased		42,300
Other borrowings		341,459
Guaranteed preferred beneficial interests in Company's subordinated debentures		50,600
Accrued expenses and other liabilities		59,018

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	Total Liabilities	2,146,773
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Shareholders' Equity		
Preferred stock, no par value--200,000 shares authorized; none outstanding		
Common stock, \$1.00 par value--30,000,000 shares authorized; issued and outstanding: 17,880,811 shares at June 30, 2003 and 17,822,090 shares at December 31, 2002		17,881
Capital surplus		74,352
Retained earnings		54,351
Accumulated other comprehensive income		6,924
	Total Shareholders' Equity	153,508
	Total Liabilities and Shareholders' Equity \$	2,300,281

INDEPENDENT BANK CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

	Three Months Ended June 30,		Six
	2003	2002	2003
	(unaudited)		(u
	(in thousands, except per share)		
Interest Income			
Interest and fees on loans	\$ 30,444	\$ 26,849	\$ 57,
Securities available for sale			
Taxable	2,949	3,315	5,
Tax-exempt	1,930	1,757	3,
Other investments	135	334	
	Total Interest Income	32,255	67,
Interest Expense			
Deposits	7,430	9,042	14,
Other borrowings	4,561	2,970	8,
	Total Interest Expense	12,012	22,
	Net Interest Income	20,243	44,
Provision for loan losses	710	1,166	1,
	Net Interest Income After Provision for Loan Losses	19,077	42,
Non-interest Income			
Service charges on deposit accounts	3,677	3,241	6,
Net gains on asset sales			
Real estate mortgage loans	4,317	1,238	8,
Securities	47	210	
Title insurance fees	907	464	1,
Manufactured home loan origination fees			

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and commissions	389	493	
Real estate mortgage loan service fees, net	(1,047)	273	(1,
Other income	2,121	1,666	3,
	-----	-----	-----
Total Non-interest Income	10,411	7,585	20,
	-----	-----	-----
Non-interest Expense			
Compensation and employee benefits	10,795	9,262	20,
Occupancy, net	1,626	1,344	3,
Furniture and fixtures	1,424	1,144	2,
Other expenses	6,802	4,754	12,
	-----	-----	-----
Total Non-interest Expense	20,647	16,504	38,
	-----	-----	-----
Income Before Income Tax	12,521	10,158	24,
Income tax expense	3,390	2,870	6,
	-----	-----	-----
Net Income	\$ 9,131	\$ 7,288	\$ 17,
	=====	=====	=====
Net Income Per Share			
Basic	\$.51	\$.39	\$ 1
Diluted	.50	.39	
Dividends Per Common Share			
Declared	\$.16	\$.11	\$
Paid	.16	.11	

2

Non-performing assets

	June 30, 2003	December 31, 2002
	-----	-----
	(dollars in thousands)	
Non-accrual loans	\$4,816	\$5,738
Loans 90 days or more past due and still accruing interest	3,201	3,961
Restructured loans	161	270
	-----	-----
Total non-performing loans	8,178	9,969
Other real estate	3,320	3,908
	-----	-----
Total non-performing assets	\$11,498	\$13,877
	=====	=====
As a percent of Portfolio Loans		
Non-performing loans	0.53 %	0.72 %
Allowance for loan losses	1.17	1.21
Non-performing assets to total assets	0.50	0.67
Allowance for loan losses as a percent of non-performing loans	219	168

Allowance for loan losses

	Six months ended June 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	1,710	2,093
Recoveries credited to allowance	564	395
Loans charged against the allowance	(1,616)	(1,161)
	-----	-----
Balance at end of period	\$17,880	\$17,494
	=====	=====
 Net loans charged against the allowance to average Portfolio Loans (annualized)	 0.15 %	 0.11 %

	June 30, 2003			December 31, 2002	
	Amount	Average Maturity	Rate	Amount	Average Maturity

	(dollars in thousands)				
Brokered CDs(1)	\$346,830	1.8 years	2.46%	\$278,012	1.9 years
Fixed rate FHLB advances(1)	78,786	6.2 years	4.96	62,861	7.9 years
Variable rate FHLB advances(1)	123,300	0.4 years	1.37	131,200	0.3 years
Securities sold under agreements to Repurchase(1)	136,116	0.2 years	1.33	98,712	0.1 years
Federal funds purchased	42,300	1 day	1.48	23,840	1 day
	-----			-----	
Total	\$727,332	1.6 years	2.28%	\$594,625	1.8 years
	=====			=====	

(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

	June 30, 2003	December 31, 2002

	(in thousands)	
Unsecured debt		\$12,

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Preferred Securities	\$ 50,600	17,
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Shareholders' Equity		
Preferred stock, no par value	17,881	17,
Common Stock, par value \$1.00 per share	74,352	75,
Capital surplus	54,351	41,
Retained earnings	6,924	3,
Accumulated other comprehensive income (loss)		
<hr/>		
Total shareholders' equity	153,508	138,
<hr/>		
Total capitalization	\$204,108	\$167,
<hr/> <hr/>		

Non-Interest Income

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002

	(in thousands)			
Service charges on deposit accounts	\$3,677	\$3,241	\$6,948	\$5,9
Net gains on asset sales				
Real estate mortgage loans	4,317	1,238	8,349	3,0
Securities	47	210	559	1
Title insurance fees	907	464	1,650	1,0
Bank owned life insurance	364		742	
Manufactured home loan origination fees and commissions	389	493	747	9
Mutual fund and annuity commissions	334	349	590	5
Real estate mortgage loan servicing fees, net	(1,047)	273	(1,397)	5
Other	1,423	1,317	2,638	2,3
<hr/>				
Total non-interest income	\$10,411	\$7,585	\$20,826	\$14,7
<hr/> <hr/>				

	Three months ended June 30,		S
	2003	2002	200

	(in thousands)		
Real estate mortgage loans originated	\$363,083	\$152,759	\$62
Real estate mortgage loans sold	242,508	91,500	47

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Real estate mortgage loans sold with servicing rights released	13,958	9,158	3
Net gains on the sale of real estate mortgage loans	4,317	1,238	
Net gains as a percent of real estate mortgage loans sold ("Loan Sale Margin")	1.78%	1.35%	
SFAS #133 adjustments included in the Loan Sale Margin	0.15%	(0.22)%	

Non-Interest Expense

	Three months ended June 30,		Six months June 30,
	2003	2002	2003
	(in thousands)		
Salaries	\$ 6,972	\$ 6,312	\$13,263
Performance-based compensation and benefits	1,586	1,359	2,890
Other benefits	2,237	1,591	4,283
Compensation and employee benefits	10,795	9,262	20,436
Occupancy, net	1,626	1,344	3,224
Furniture and fixtures	1,424	1,144	2,744
Data processing	973	714	1,896
Communications	712	567	1,396
Advertising	974	565	1,743
Loan and collection	889	710	1,831
Supplies	495	338	959
Amortization of intangible assets	458	246	734
Other	2,301	1,614	3,739
Total non-interest expense	\$20,647	\$16,504	\$38,702

Average Balances and Tax Equivalent Rates

			Three Months Ended June 30,
			2003
Average Balance	Interest	Rate	Average Balance
-----	-----	-----	-----

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		(dollars in thousands)			
Assets					
Taxable loans (1)	\$ 1,597,452	\$ 30,289	7.60	%	\$ 1,376,83
Tax-exempt loans (1,2)	11,802	238	8.09		11,37
Taxable securities	250,058	2,949	4.73		226,41
Tax-exempt securities (2)	168,758	3,063	7.28		142,97
Other investments	11,847	135	4.57		21,52
	-----	-----			-----
Interest Earning Assets	2,039,917	36,674	7.20		1,779,11
		-----			-----
Cash and due from banks	49,960				38,88
Other assets, net	120,133				64,82
	-----				-----
Total Assets	\$ 2,210,010				\$ 1,882,82
	=====				=====
Liabilities					
Savings and NOW	\$ 683,172	1,377	0.81		\$ 633,07
Time deposits	749,204	6,053	3.24		686,77
Other borrowings	396,414	4,561	4.61		250,79
	-----	-----			-----
Interest Bearing Liabilities	1,828,790	11,991	2.63		1,570,64
		-----			-----
Demand deposits	175,549				149,04
Other liabilities	55,363				26,59
Shareholders' equity	150,308				136,55
	-----				-----
Total liabilities and shareholders' equity	\$ 2,210,010				\$ 1,882,82
	=====				=====
Tax Equivalent Net Interest Income		\$ 24,683			
		=====			
Tax Equivalent Net Interest Income as a Percent of Earning Assets			4.85	%	
			=====		

- (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

		2003			Six Months Ended June 30,
		Average Balance	Interest	Rate	Average Balance
		-----	-----	-----	-----
(dollars in thousands)					
Assets					
Taxable loans (1)	\$ 1,532,855	\$ 56,793	7.44	%	\$ 1,391,21

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Tax-exempt loans (1,2)	11,894	480	8.14	11,50
Taxable securities	230,193	5,848	5.12	204,10
Tax-exempt securities (2)	167,006	6,100	7.37	138,03
Other investments	10,983	277	5.09	21,55
	-----	-----		-----
Interest Earning Assets	1,952,931	69,498	7.15	1,766,40
	-----	-----		-----
Cash and due from banks	45,379			38,46
Other assets, net	112,760			65,25
	-----			-----
Total Assets	\$ 2,111,070			\$ 1,870,13
	=====			=====
Liabilities				
Savings and NOW	\$ 681,282	2,797	0.83	\$ 628,46
Time deposits	706,156	11,804	3.37	663,54
Long-term debt				
Other borrowings	366,713	8,203	4.51	269,52
	-----	-----		-----
Interest Bearing Liabilities	1,754,151	22,804	2.62	1,561,53
	-----	-----		-----
Demand deposits	167,646			145,97
Other liabilities	43,115			26,80
Shareholders' equity	146,158			135,80
	-----			-----
Total liabilities and shareholders' equity	\$ 2,111,070			\$ 1,870,13
	=====			=====
Tax Equivalent Net Interest Income		\$ 46,694		
		=====		
Tax Equivalent Net Interest Income as a Percent of Earning Assets			4.80 %	
			=====	

- (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%