

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

/X/ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 1999 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)

9.25% 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 X 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.

State the aggregate market value of the voting stock held by non-affiliates of the Registrant. (For this purpose only, the affiliates of the Registrant have been assumed to be the executive officers and directors of the Registrant and their associates.)

Common Stock, \$1.00 Par Value - \$105,274,448

(Based on \$10.88 per common share, the last reported sales price on The Nasdaq Stock Market on March 14, 2000. Reference is made to Part II, Item 5 for further information).

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Common stock, \$1.00 par value - 11,196,482 shares at March 14, 2000

Documents incorporated by reference
 Portions of the Registrant's definitive proxy statement, and appendix thereto dated March 15, 2000, relating to its

April 18, 2000 Annual Meeting of Shareholders are incorporated by reference into Part I, Part II and Part III of this form.

The Exhibit Index appears on Page 24

Included or incorporated by reference in this Form 10-K are certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based upon the beliefs of the Registrant's management as well as on assumptions made by and information currently available to the Registrant at the time such statements were made. Actual results could differ materially from those included in such forward-looking statements as a result of, among other things, the factors included in or incorporated by reference in this Report, general and certain economic and business factors, which may be beyond the control of the Registrant. Investors are cautioned that all forward-looking statements involve risks and uncertainty.

PART I

ITEM 1. BUSINESS

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

Aside from the stock of the Banks, the Registrant has no other substantial assets. The Registrant conducts no business except for the provision of certain management and operational services to the Banks, the collection of fees and dividends from the Banks and the payment of dividends to the Registrant's 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 the Registrant. The proportional costs of these plans are borne by each of the Banks and their respective subsidiaries.

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

The following table shows each of the Banks and their total loans and deposits as of December 31, 1999:

Bank ----	Main Office Location -----	Total Deposits -----	Total Loans -----
Independent Bank	Ionia	\$329,150,000	\$287,801,000
Independent Bank West Michigan	Rockford	259,744,000	273,733,000
Independent Bank South Michigan	Leslie	157,362,000	148,090,000
Independent Bank East Michigan	Caro	262,130,000	215,202,000
Independent Bank MSB	Bay City	304,184,000	378,765,000

Independent Bank (formerly First Security Bank) affiliated with the Registrant on June 1, 1974. Independent Bank consolidated with North Bank, the sole banking subsidiary of North Bank Corporation which was acquired by the Registrant effective May 31, 1996.

Independent Bank West Michigan is the result of a merger in 1985 of the First State Bank of Newaygo (acquired December 16, 1974), the Western State Bank, Howard City (acquired February 7, 1977), and the Bank of Rockford (organized by the Registrant as a new bank on August 18, 1975).

Independent Bank South Michigan is the result of a merger in 1985 of the Peoples Bank of Leslie (acquired February 16, 1981) and the Olivet State Bank (acquired on October 16, 1979).

ITEM 1. BUSINESS (Continued)

Independent Bank East Michigan is the result of the consolidation of the former American Home Bank (acquired October 8, 1993), Pioneer Bank (acquired October 15, 1993) and The Kingston State Bank (acquired March 7, 1994). On December 13, 1996 Independent Bank East Michigan purchased eight offices from First of America Bank--Michigan N.A..

Independent Bank MSB (formerly Mutual Savings Bank, f.s.b.) affiliated with the Registrant on September 15, 1999.

On November 7, 1996, the Registrant formed IBC Capital Finance, a Delaware statutory business trust ("IBC Capital"). IBC Capital's business and affairs are conducted by its property trustee, a Delaware trustee, and three individual administrative trustees who are employees or officers of or affiliated with the Registrant. IBC Capital exists for the sole purposes of selling and issuing its preferred and common securities, using the proceeds from the sale of those securities to acquire subordinated debentures issued by the Registrant and certain related services. As a result, the sole assets of IBC Capital are the subordinated debentures of the Registrant.

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

The Banks' activities cover all phases of commercial banking, including checking and savings accounts, commercial and agricultural lending, direct and indirect consumer financing, mortgage lending and deposit box services. The Banks' mortgage lending activities are primarily conducted through separate mortgage bank subsidiaries formed during 1998. The Banks also offer title insurance services through a separate subsidiary. The Banks do not offer trust services. The principal markets are the rural and suburban communities across lower Michigan that are served by the Banks' branch networks. The local economies of the communities served by the Banks are relatively stable and reasonably diversified. The Banks serve their markets through their five main offices and a total of 77 branch and 8 loan production offices.

The 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 the Registrant and the Banks and offer certain services that the Registrant and Banks do not currently provide. Such competitors may also have greater lending limits than the Banks. The number of competitors may increase as a result of the easing of restrictions on interstate banking effected under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Riegle-Neal Act"). In addition, non-bank competitors are generally not subject to the extensive regulations applicable to the Registrant and the Banks.

Price (the interest charged on loans and/or paid on deposits) remains a principal means of competition within the financial services industry. The Banks also compete on the basis of service and convenience, utilizing the strengths and benefits of the Registrant's decentralized structure to 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 income for the three most recent years are as follows:

	1999	1998	1997
	----	----	----
Interest and fees on loans	74.7%	70.5%	67.1%
Other interest income	13.1	16.3	23.6
Non-interest income	12.2	13.2	9.3
	-----	-----	-----
	100.0%	100.0%	100.0%
	=====	=====	=====

As of December 31, 1999, the Registrant and the Banks had 766 full-time employees and 259 part-time employees.

ITEM 1. BUSINESS (Continued)

Supervision and Regulation

The following is a summary of certain statutes and regulations affecting the Registrant and the Banks. 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 the Registrant, the Banks and the businesses of the Registrant and the Banks.

General

Financial institutions and their holding companies are extensively regulated under Federal and state law. Consequently, the growth and earnings performance of the Registrant and the Banks 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 Commissioner of the Michigan Financial Institutions Bureau ("Commissioner"), 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 the Registrant and the Banks establishes a comprehensive framework for their operations and is intended primarily for the protection of the FDIC's deposit insurance funds, the depositors of the Banks, and the public, rather than shareholders of the Registrant.

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

Recent Legislation

The Gramm-Leach-Bliley Act of 1999 (the "GLB Act"), modifies many of the principal federal laws which regulate financial institutions and removes large parts of a regulatory framework that had its origins in the Depression Era of the 1930s.

Effective March 11, 2000, new opportunities will be available for banking organizations, other depository institutions, insurance companies and securities firms to enter into combinations that permit a single financial services organization to offer customers more financial products and services. Specifically, the GLB Act provides two new vehicles through which a banking organization can engage in a variety of activities which, prior to the Act, they were not allowed to engage in. First, a bank holding company meeting certain requirements may elect to become a financial holding company ("FHC"). FHCs are generally authorized to engage in all "financial activities" and, under certain circumstances, to make equity investments in other companies (i.e., merchant banking). In order to be eligible to elect to become a FHC, a bank holding company and all of its depository financial institutions must: (1) be "well capitalized"; (2) be "well managed"; and (3) have a rating of "satisfactory" or better in their most recent Community Reinvestment Act examination. Both the bank holding company and all of its depository financial institutions must also continue to satisfy these requirements after the bank holding company elects to become a FHC or else the FHC will be subject to various restrictions. The Federal Reserve Board will be the umbrella regulator of FHCs, but functional regulation of a FHC's separately regulated subsidiaries will be conducted by their primary functional regulator.

Second, the GLB Act also provides that a national bank (and a state bank, so long as otherwise allowable under its state's law), which satisfies certain requirements, may own a new type of subsidiary called a financial subsidiary ("FS"). The GLB Act authorizes FSs to engage in many (but not all) of the activities that FHCs are authorized to engage in. In order to be eligible to own a FS, a bank must satisfy the three requirements noted above, plus several additional requirements.

The GLB Act also imposes several rules that are designed to protect the privacy of the customers of financial institutions. For example, the GLB Act requires financial institutions to adopt and disseminate annually a privacy

ITEM 1. BUSINESS (Continued)

policy and prohibits financial institutions from disclosing certain customer information to "non-affiliated third parties" for certain uses. All financial institutions, regardless of whether they elect to utilize FHCs or FSSs, are subject to the GLB Act's privacy provisions. The Registrant and the Banks are also subject to certain state laws that deal with the use and distribution of non-public personal information. In addition to its privacy provisions, the GLB Act also contains various other provisions that apply to banking organizations, regardless of whether they elect to utilize FHCs or FSSs.

The Registrant

General. The Registrant is a bank holding company and, as such, is registered with, and subject to regulation by, the Federal Reserve under the Bank Holding Company Act, as amended (the "BHCA"). Under the BHCA, the Registrant is subject to periodic examination by the Federal Reserve, and is required to file periodic reports of its 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 Commissioner deems a bank's capital to be impaired, the Commissioner 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 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 Commissioner 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, as of the day before the enactment of the GLB Act, 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

ITEM 1. BUSINESS (Continued)

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.

In evaluating a proposal to engage (either de novo or through the acquisition of a going concern) in a non-banking activity, the Federal Reserve will consider various factors, including among others the financial and managerial resources of the bank holding company, and the relative public benefits and adverse effects which may be expected to result from the performance of the activity by an affiliate of the bank holding company. The Federal Reserve may apply different standards to activities proposed to be commenced de novo and activities commenced by acquisition, in whole or in part, of a going concern.

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 organizations. For example, Federal Reserve regulations provide that additional 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. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (i.e., Tier 1 capital less all intangible assets), well above the minimum levels. The Federal Reserve has not advised the Registrant of any specific minimum Tier 1 Capital leverage ratio applicable to it.

FDICIA requires the Federal bank regulatory agencies 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. The Registrant is a corporation separate and distinct from the Banks. Most of the Registrant's revenues will be received by it in the form of dividends, if any, paid by the Banks. Thus, the Registrant's ability to pay dividends to its shareholders will indirectly be limited by statutory restrictions on the ability of its Banks to pay dividends. Further, the Federal Reserve has issued a policy statement on the payment of cash dividends by bank holding companies. In the policy statement, the Federal Reserve 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 weakened 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 payment of dividends by the Registrant for an insured bank 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. The Registrant does not have any holders of its preferred stock.

ITEM 1. BUSINESS (Continued)

The Banks

General. The Banks are Michigan banking corporations and their deposit accounts are principally insured by the Bank Insurance Fund ("BIF") of the FDIC. As BIF-insured Michigan chartered banks, the Banks are subject to the examination, supervision, reporting and enforcement requirements of the Commissioner, as the chartering authority for Michigan banks, and the FDIC, as administrator of the BIF. These agencies and the federal and state laws applicable to the 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 FDIC-insured institutions, banks are required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums, based upon their level of capital and supervisory evaluation. Institutions classified as well-capitalized and considered healthy pay the lowest premium while institutions that are less than adequately capitalized and considered of substantial supervisory concern pay the highest premium. Risk classification of all insured institutions is made by the FDIC for each semi-annual assessment period. FDICIA requires the FDIC to establish assessment rates at levels which will maintain the Deposit Insurance Fund at a mandated reserve ratio of not less than 1.25% of estimated insured deposits. Accordingly, the FDIC established the schedule of BIF insurance assessments, ranging from 0% of deposits for institutions in the lowest risk category to .27% of deposits for institutions in the highest risk category.

The FDIC may terminate the deposit insurance of any insured depository institution if the FDIC determines, after a hearing, that the institution or its directors have engaged or are engaging in unsafe or unsound practices, or have violated any applicable law, regulation, order, or any condition imposed in writing by, or written agreement with, the FDIC, or if the institution is in an unsafe or unsound condition to continue operations. The FDIC may also suspend deposit insurance temporarily during the hearing process for a permanent termination of insurance if the institution has no tangible capital.

Capital Requirements. The FDIC has established the following minimum capital standards for state-chartered, FDIC-insured non-member banks, such as the 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:

	TOTAL RISK-BASED CAPITAL RATIO -----	TIER 1 RISK-BASED CAPITAL RATIO -----	LEVERAGE RATIO -----
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 total assets of 2% or less

ITEM 1. BUSINESS (Continued)

At December 31, 1999, each of the Banks' ratios exceeded minimum requirements for the well-capitalized category. (See note 17 to the 1999 consolidated financial statements on pages A-29 through A-30 of the Appendix to the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (as filed with the commission and filed as exhibit 13 to this report on Form 10-K.))

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 rate 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.

Commissioner Assessments. Michigan banks are required to pay supervisory fees to the Commissioner to fund the operations of the Michigan Financial Institutions Bureau. The amount of supervisory fees paid by a bank is based upon the bank's total assets, as reported to the Commissioner.

FICO Assessments. The Banks, as members of BIF, are subject to assessments to cover the payments on outstanding obligations of the financing corporation ("FICO"). FICO was created in 1987 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 insures the deposits of thrift institutions. Through January 1, 2000, the FICO assessments made against BIF members may not exceed 20 percent of the amount of FICO assessments made against SAIF members. Through 1999, SAIF members paid FICO assessments at a rate equal to approximately 0.063 percent of deposits, while BIF members paid FICO assessments at a rate equal to approximately 0.013 percent of deposits. Between January 1, 2000, and the maturity of the outstanding FICO obligations in 2019, BIF members and SAIF members will share the cost of the interest on the FICO bonds on a pro rata basis. Such cost is anticipated to approximate .021 percent of deposits.

Dividends. Under Michigan law, banks are restricted as to the maximum amount of dividends they may pay on their common stock.

Banks may not pay dividends except out of net profits after deducting its 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. If the bank has a surplus less than the amount of its capital, it may not declare or pay any dividend until an amount equal to at least 10% of net profits for the preceding one-half year (in the case of quarterly or semi-annual dividends) or full-year (in the case of annual dividends) has been transferred to surplus. A Michigan state bank may, with the approval of the Commissioner, by vote of shareholders owning two thirds of the stock eligible to vote increase its capital stock by a declaration of a stock dividend, provided that after the increase the bank's surplus equals at least 20% of its capital stock, as increased. The bank may not declare or pay any dividend until the cumulative dividends on preferred stock (should any such stock be issued and outstanding) have been paid in full.

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.

ITEM 1. BUSINESS (Continued)

Insider Transactions. The Banks are subject to certain restrictions imposed by the Federal Reserve Act on "covered transactions" with the Registrant or its subsidiaries on investments in the stock or other securities of the Registrant or its subsidiaries and the acceptance of the stock or other securities of the Registrant or its subsidiaries as collateral for loans. Certain limitations and reporting requirements are also placed on extensions of credit by the banks to their directors and officers, to directors and officers of the Registrant and its subsidiaries, to principal shareholders of the Registrant, 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 a director or officer of the Registrant or one of its subsidiaries or a principal shareholder of the Registrant may obtain credit from banks with which the 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. In general, the guidelines prescribe the goals to be achieved in each area, and each institution will be responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. The preamble to the guidelines states that the agencies expect to require a compliance plan from an institution whose failure to meet one or more of the standards is of such severity that it could threaten the safe and sound operation of the institution. Failure to submit an acceptable compliance plan, or failure to adhere to a compliance plan that has been accepted by the appropriate regulator, would constitute grounds for further enforcement action.

State Bank Activities. Under FDICIA, as implemented by final regulations adopted by the FDIC, 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 the Banks.

Consumer Banking. The Banks' business includes making a variety of types of loans to individuals. In making these loans, the Banks are subject to State usury and regulatory laws and to various Federal statutes, such as 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 the banks, including the maintenance and operation of escrow accounts and the transfer of mortgage loan servicing. In receiving deposits, the 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 the Banks and their respective directors and officers.

Other. The Riegle-Neal Act allows bank holding companies to acquire banks located in any state in the United States without regard to geographic restrictions or reciprocity requirements imposed by state law, but subject to certain conditions, including limitations on the aggregate amount of deposits that may be held by the acquiring holding company and all of its insured depository institution affiliates. The Riegle-Neal Act also allows banks to establish interstate branch networks through acquisitions of other banks, subject to certain conditions that include limitations on the aggregate amount of deposits that may be held by the surviving bank and all of its insured depository institution affiliates. 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 by the Riegle-Neal Act only if specifically authorized by state law. The legislation allowed individual states to "opt-out" of certain provisions of the Riegle-Neal Act if appropriate legislation was enacted prior to June 1, 1997.

Michigan did not opt out of the Riegle-Neal Act, and now 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

ITEM 1. BUSINESS (Continued)

the Commissioner, (i) the acquisition of all or substantially all of the assets of a Michigan-chartered bank by an FDIC-insured bank, savings bank, or savings and loan association located in another state, (ii) the acquisition by a Michigan-chartered bank of all or substantially all of the assets of an FDIC-insured bank, savings bank or savings and loan association located in another state, (iii) the consolidation of one or more Michigan-chartered banks and FDIC-insured banks, savings banks or savings and loan associations located in other states having laws permitting such consolidation, with the resulting organization chartered by Michigan, (iv) the establishment by a foreign bank, which has not previously designated any other state as its home state under the International Banking Act of 1978, of branches located in Michigan, and (v) the establishment or acquisition 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 Michigan-chartered banks to establish branches in such jurisdiction. Further, the Michigan Banking Code permits, upon written notice to the Commissioner, (i) the acquisition by a Michigan-chartered bank of one or more branches (not comprising all or substantially all of the assets) of an FDIC-insured bank, savings bank or savings and loan association located in another state, the District of Columbia, or a U.S. territory or protectorate, (ii) the establishment by Michigan-chartered banks of branches located in other states, the District of Columbia, or U.S. territories or protectorates, and (iii) the consolidation of one or more Michigan-chartered banks and FDIC-insured banks, savings banks or savings and loan associations located in other states, with the resulting organization chartered by one of such other states.

In addition to the authorization of interstate banking discussed above, Michigan law permits banks to consolidate on a state-wide basis and to operate the offices of merged banks as branches of a surviving bank. Also, with the written approval of the Commissioner, banks may relocate their main office to any location in the state, establish and operate branch banks anywhere in the state and contract with other banks to act as branches thereof. To better serve their customers, the Banks have entered into interbank branching agreements, whereby each of the Banks may act as a branch of the other four Banks.

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" on page A-4 of the Appendix to the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (as filed with the commission and 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:

	1999 ----	1998 ----	1997 ----
	(in thousands)		
Held to maturity			
U.S. Government agencies			\$ 997
States and political subdivisions	\$ 11,148	\$ 16,563	18,353
Mortgage-backed securities	59,467	130,060	224,177
Other securities	500	14,678	390
	-----	-----	-----
Total	\$ 71,115	\$161,301	\$243,917
	=====	=====	=====
Available for sale			
U.S. Treasury	\$ 301	\$ 4,328	\$ 7,105
U.S. Government agencies	1,874	11,040	15,492
States and political subdivisions	115,120	42,326	26,849
Mortgage-backed securities	55,646	83,469	125,300
Other securities	22,359	14,461	8,176
	-----	-----	-----
Total	\$195,300	\$155,624	\$182,922
	=====	=====	=====

ITEM 1. BUSINESS -- STATISTICAL DISCLOSURE (Continued)
 II. INVESTMENT PORTFOLIO (Continued)

(B) The following table sets forth contractual maturities of securities at December 31, 1999 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)								
Held to Maturity								
States and political subdivisions	\$ 2,959	8.97%	\$6,652	9.43%	\$1,168	9.25%	\$369	10.45%
Mortgage-backed securities -- guaranteed or issued by U.S. Government agencies	56,608	5.46	2,630	6.22	212	8.94	17	9.94
Other securities	500	5.12						
Total	<u>\$60,067</u>	<u>5.63%</u>	<u>\$9,282</u>	<u>8.52%</u>	<u>\$1,380</u>	<u>9.20%</u>	<u>\$386</u>	<u>10.42%</u>
Tax equivalent adjustment for calculations of yield	\$93		\$220		\$38		\$14	
Available for sale								
U.S. Treasury	\$ 301	4.87%						
U.S. Government agencies					\$1,874	6.37%		
States and political subdivisions	1,036	8.91	\$6,857	8.89%	35,506	7.66	\$71,721	7.83%
Mortgage backed securities								
Guaranteed or issued by U.S. Government agencies	2,480	6.24	9,917	7.55	3,094	7.22	6,275	7.20
Other mortgage-backed securities	3,443	6.81	10,553	7.68	14,639	7.99	5,245	7.93
Other securities			7,965	6.74			14,394	7.58
Total	<u>\$7,260</u>	<u>6.83%</u>	<u>\$35,292</u>	<u>7.67%</u>	<u>\$55,113</u>	<u>7.68%</u>	<u>\$97,635</u>	<u>7.76%</u>
Tax equivalent adjustment for calculations of yield	\$32		\$213		\$952		\$1,965	

The rates set forth in the tables above for obligations of state and political subdivisions 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	Adjustment	Rate on Tax Equivalent Basis
Held to maturity			
Under 1 year	5.83%	3.14%	8.97%
1-5 years	6.13	3.30	9.43
5-10 years	6.01	3.24	9.25
After 10 years	6.79	3.66	10.45
Available for sale			
Under 1 year	5.79%	3.12%	8.91%
1-5 years	5.78	3.11	8.89
5-10 years	4.98	2.68	7.66
After 10 years	5.09	2.74	7.83

ITEM 1. BUSINESS -- STATISTICAL DISCLOSURE (Continued)

III. LOAN PORTFOLIO

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

	1999	1998	1997	1996	1995
	----	----	----	----	----
	(in thousands)				
Loans held for sale	\$ 12,950	\$ 45,699	\$ 23,625	\$ 12,599	\$ 18,453
Real estate mortgage	757,019	695,489	658,429	547,999	398,326
Commercial and agricultural	334,212	277,024	222,726	178,348	119,117
Installment	199,410	179,626	180,097	135,860	96,084
	-----	-----	-----	-----	-----
Total Loans	\$1,303,591	\$1,197,838	\$1,084,877	\$874,806	\$631,980
	=====	=====	=====	=====	=====

The loan portfolio is periodically and systematically reviewed and the results of these reviews are reported to the Boards of Directors of the Registrant and the 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, 1999:

	Due Within One Year	Due After One But Within Five Years	Due After Five Years	Total
	-----	-----	-----	-----
	(in thousands)			
Real estate mortgage	\$ 27,951	\$ 62,898	\$28,442	\$119,291
Commercial and agricultural	115,932	172,890	45,390	334,212
	-----	-----	-----	-----
Total	\$143,883	\$235,788	\$73,832	\$453,503
	=====	=====	=====	=====

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, 1999:

	Fixed Rate	Variable Rate	Total
	-----	-----	-----
	(in thousands)		
Due after one but within five years	\$183,611	\$52,177	\$235,788
Due after five years	56,826	17,006	73,832
	-----	-----	-----
Total	\$240,437	\$69,183	\$309,620
	=====	=====	=====

III. LOAN PORTFOLIO (Continued)

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

	1999 ----	1998 ----	1997 ----	1996 ----	1995 ----
	(in thousands)				
(a) Loans accounted for on a non-accrual basis (1, 2)	\$ 2,980	\$4,302	\$3,559	\$ 2,124	\$ 2,327
(b) Aggregate amount of loans ninety days or more past due (excludes loans in (a) above)	2,029	2,240	1,904	1,994	427
(c) Loans not included above which are "troubled debt restructurings" as defined in Statement of Financial Accounting Standards No. 15 (2)	270	295	184	197	247
	-----	-----	-----	-----	-----
Total non-performing loans	\$ 5,279	\$ 6,837	\$5,647	\$ 4,315	\$ 3,001
	=====	=====	=====	=====	=====

(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 \$571,000 would have been earned in 1999 had loans in categories (a) and (c) remained at their original terms, however, only \$280,000 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 \$1,000,000 at December 31, 1999. 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 the Banks.

At December 31, 1999, 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, 1999, 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, 1999.

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:

	1999 ----	1998 ----	1997 ----	1996 ----	1995 ----
	(dollars in thousands)				
Loans outstanding at the end of the year (net of unearned fees)	\$1,303,591 =====	\$1,197,838 =====	\$1,084,877 =====	\$874,807 =====	\$631,980 =====
Average loans outstanding for the year (net of unearned fees)	\$1,222,564 =====	\$1,124,847 =====	\$ 975,476 =====	\$738,421 =====	\$559,747 =====
Balance of allowance for loan losses at beginning of year	\$11,557 -----	\$ 9,639 -----	\$8,815 -----	\$6,966 -----	\$6,626 -----
Loans charged-off					
Real estate	100	84	96	44	24
Commercial and agricultural	176	410	262	79	196
Installment	1,704	1,871	1,383	1,066	575
Total loans charged-off	1,979 -----	2,365 -----	1,741 -----	1,189 -----	795 -----
Recoveries of loans previously charged-off					
Real estate	7	4	1	8	64
Commercial and agricultural	299	196	151	142	142
Installment	441	455	438	295	124
Total recoveries	746 -----	655 -----	590 -----	445 -----	330 -----
Net loans charged-off	1,233	1,710	1,151	744	465
Additions to allowance charged to operating expense	2,661	3,628	1,975	1,413	805
Allowance on loans acquired				1,180	
Balance at end of year	\$12,985 =====	\$11,557 =====	\$9,639 =====	\$ 8,815 =====	\$6,966 =====
Net loans charged-off as a percent of average loans outstanding for the year	.10%	.15%	.12%	.10%	.08%
Allowance for loan losses as a percent of loans outstanding at the end of the year	1.00	.96	.89	1.01	1.10

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

Further discussion of the provision and allowance for loan losses as well as non-performing loans is presented in Management's Discussion and Analysis of Financial Condition and Results of Operations, incorporated herein by reference to Item 7, Part II of this report.

ITEM 1. BUSINESS -- STATISTICAL DISCLOSURE (Continued)
 IV. SUMMARY OF LOAN LOSS EXPERIENCE (Continued)

(B) The 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:

	1999		1998		1997	
	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans
	(dollars in thousands)					
Commercial and agricultural	\$ 4,210	25.9%	\$ 3,774	23.4%	\$2,920	20.8%
Real estate mortgage	1,208	58.8	965	61.6	1,080	62.6
Installment	1,783	15.3	1,437	15.0	1,383	16.6
Unallocated	5,784		5,381		4,256	
Total	\$12,985	100.0%	\$11,557	100.0%	\$9,639	100.0%

	1996		1995	
	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans
	(dollars in thousands)			
Commercial and agricultural	\$3,129	20.4%	\$2,574	18.8%
Real estate mortgage	868	64.1	746	66.0
Installment	1,125	15.5	774	15.2
Unallocated	3,693		2,872	
Total	\$8,815	100.0%	\$6,966	100.0%

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:

	1999		1998		1997	
	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate
			(dollars in thousands)			
Non-interest bearing demand	\$ 125,936		\$ 107,403		\$ 91,440	
Savings and NOW	576,194	2.38%	525,638	2.65%	501,548	2.76%
Time deposits	578,294	5.26	535,861	5.47	490,382	5.47
Total	<u>\$1,280,424</u>	3.45%	<u>\$1,168,902</u>	3.70%	<u>\$1,083,370</u>	3.75%

The following table summarizes time deposits in amounts of \$100,000 or more by time remaining until maturity at December 31, 1999:

	(in thousands)
Three months or less	\$ 55,930
Over three through six months	14,742
Over six months through one year	13,442
Over one year	97,953
Total	<u>\$182,067</u>

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:

	1999	1998	1997	1996	1995
Net income as a percent of					
Average common equity	7.26%	10.72%	1.37%	7.80%	6.00%
Average total assets	.52	0.72	.09	.55	.41
Dividends declared per share as a percent of net income per share	60.00	31.43	223.08	36.62	45.10
Average shareholders' equity as a percent of average total assets	7.16	6.76	6.69	7.06	6.87

Additional performance ratios are set forth in Selected Consolidated Financial Data, incorporated herein by reference in Item 6, Part II of this report. 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, incorporated herein by reference in Item 7, Part II of this report.

VII. SHORT-TERM BORROWINGS

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

ITEM 2. PROPERTIES

The Registrant and the Banks operate a total of 93 facilities in Michigan. The individual properties are not materially significant to the Registrants' or the 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 their business, the 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.

During 1999 and 1997, the Registrant settled lawsuits against Mutual Savings Bank, f.s.b. for \$2.0 million and \$9.7 million, respectively. Such amounts were included in net income in the respective year. These lawsuits represent actions by shareholders of Mutual Savings Bank, f.s.b. which alleged certain violations of federal and state securities laws.

Currently, no material legal procedures are pending which involve the Registrant or the Banks.

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

Not applicable.

ADDITIONAL ITEM - EXECUTIVE OFFICERS

Executive officers of the Registrant are appointed annually by the Board of Directors at the meeting of Directors following the Annual Meeting of Shareholders. There are no family relationships among these officers and/or the Directors of the Registrant 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 the Registrant's executive officers and certain key officers of its subsidiaries (included for information purposes only) at December 31, 1999.

Name (Age) -----	Position with Registrant -----	First elected as an officer of the Registrant -----
Charles C. Van Loan (52)	President, Chief Executive Officer and Director	1984
William R. Kohls (42)	Executive Vice President and Chief Financial Officer	1985
Edward B. Swanson (46)	President and Chief Executive Officer - Independent Bank South Michigan	1989
Michael M. Magee, Jr. (44)	President and Chief Executive Officer - Independent Bank	1993
Ronald L. Long (40)	President and Chief Executive Officer - Independent Bank East Michigan	1993
David C. Reglin (40)	President and Chief Executive Officer - Independent Bank West Michigan	1998
Robert N. Shuster (42)	President and Chief Executive Officer - Independent Bank MSB	1999
Peter R. Graves (42)	Senior Vice President, Commercial Loans - Independent Bank Corporation	1999
Richard E. Butler (48)	Senior Vice President, Operations - Independent Bank Corporation	1998

Prior to being named President and Chief Executive Officer in 1998, Mr. Reglin was Senior Vice President of Independent Bank West Michigan since 1991.

Prior to being named President and Chief Executive Officer in 1999, Mr. Shuster was President and CEO of Mutual Savings Bank, f.s.b since 1994.

The President and Chief Executive Officer of each of the Registrant's subsidiary banks serve as members of various committees of the Registrant.

Prior to being named Senior Vice President in 1999, Mr. Graves was Vice President of the Registrants commercial loan services department.

Mr. Butler joined the Registrant in 1998 as Senior Vice President. Prior to that time Mr. Butler was Vice President, Mortgage Servicing Operations at The former First of America Bank - Michigan, N.A.

PART II.

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information set forth under the caption "Quarterly Summary " on Page A-34 of the Appendix to the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (as filed with the commission and as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information set forth under the caption "Selected Consolidated Financial Data" on Page A-12 of the Appendix to the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (as filed with the commission and 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" on pages A-2 through A-11 of the Appendix to the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (as filed with the commission and 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 the caption "Asset/liability management" on pages A-10 through A-11 of the Appendix to the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (as filed with the commission and filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of the Registrant and the independent auditor's report are set forth on pages A-13 through A-33 of the Appendix to the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 20, 2000 Annual Meeting of Shareholders (as filed with the commission and as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

Independent Auditor's Report

Consolidated Statements of Financial Condition at
December 31, 1999 and 1998

Consolidated Statements of Operations for the years ended
December 31, 1999, 1998 and 1997

Consolidated Statements of Cash Flows for the years ended
December 31, 1999, 1998 and 1997

Consolidated Statements of Shareholders' Equity
for the years ended December 31, 1999, 1998 and 1997

Consolidated Statements of Comprehensive Income
for the years ended December 31, 1999, 1998 and 1997

Notes to Consolidated Financial Statements

PART II.

The supplementary data required by this item set forth under the caption "Quarterly Financial Data" on page A-34 of the Appendix to the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (as filed with the commission and as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

The portions of the Appendix to the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (as filed with the commission and 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

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS - The information with respect to Directors of the Registrant, set forth under the caption "Election of Directors" on pages 2 through 4 of the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (as filed with the commission) is incorporated herein by reference.

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

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the captions "Summary Compensation Table", "Option Grants in 1999" and "Aggregated Stock Option Exercises in 1999 and Year End Option Values" on pages 11 through 13 of the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (as filed with the commission) is incorporated herein by reference. Information under the caption "Committee Report on Executive Compensation" on pages 9 through 10 of the definitive proxy statement is not incorporated by reference herein and is not deemed to be filed with the Securities and Exchange Commission.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the captions "Voting Securities and Record Date", "Election of Directors" and "Securities Ownership of Management" on pages 1, 2 and 11, respectively, of the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (as filed with the commission) is incorporated herein by reference. Information under the captions "Shareholder Return Performance Graph" and "Committee Report on Executive Compensation" on pages 8 through 10 of the definitive proxy statement is not incorporated by reference herein and is not deemed to be filed with the Securities and Exchange Commission.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under the caption "Transactions Involving Management" on page 13 of the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (as filed with the commission) is incorporated herein by reference.

PART IV.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a)
1. Financial Statements All financial statements of the Registrant are incorporated herein by reference as set forth in the Appendix to the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders (filed as exhibit 13 to this report on Form 10-K.)
 2. Financial Statement Schedules Not applicable
 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.
- (b) Reports on Form 8-K A report of Form 8-K was filed on November 15, 1999, under items 2 and 7, including the required financial statements relating to acquisition of Mutual Savings Bank, f.s.b.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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, dated March 14, 2000.

INDEPENDENT BANK CORPORATION

s/Charles C. Van Loan -----	Charles C. Van Loan, President and Chief Executive Officer (Principal Executive Officer)
s/William R. Kohls -----	William R. Kohls, Executive Vice President and Chief Financial Officer (Principal Financial Officer)
s/James J. Twarozynski -----	James J. Twarozynski, Vice President and Controller (Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. Each director of the Registrant, who's signature appears below hereby appoints Charles C. Van Loan and William R. Kohls and each of them severally, as his attorney-in-fact, to sign in his name and on his behalf, as a director of the Registrant, and to file with the Commission any and all amendments to this Report on Form 10-K.

Keith E. Bazaire, Director	s/Keith E. Bazaire -----
Terry L. Haske, Director	s/Terry L. Haske -----
Thomas F. Kohn, Director	s/Thomas F. Kohn -----
Robert J. Leppink, Director	s/Robert J. Leppink -----
Charles A. Palmer, Director	-----
Charles C. Van Loan, Director	s/Charles C. Van Loan -----
Arch V. Wright, Jr., Director	s/Arch V. Wright, Jr. -----
Jeffrey A. Bratsburg, Director	s/Jeffrey A. Bratsburg -----

EXHIBIT INDEX

Exhibit number and description

EXHIBITS FILED HEREWITH

- 13 Appendix to the Registrant's definitive proxy statement, dated March 15, 2000, relating to the April 18, 2000 Annual Meeting of Shareholders. This appendix was filed with the Commission as part of the Company's proxy statement and was delivered to the Company's shareholders in compliance with Rule 14(a)-3 of the Securities Exchange Act of 1934, as amended.
- 21 List of Subsidiaries.
- 23 Consent of Independent Accountants
- 24 Power of Attorney (Included on page 22).
- 27 Financial Data Schedule

EXHIBITS INCORPORATED BY REFERENCE

- 2 Agreement and plan of reorganization between Independent Bank Corporation and Mutual Savings Bank, f.s.b., dated March 24, 1999 (incorporated herein by reference to Exhibit 2.1 to the Registrant's Form S-4 Registration Statement dated May 28, 1999, filed under Registration No. 333-79679).
- 3.1 Restated Articles of Incorporation (incorporated herein by reference to Exhibit 3(i) to the Registrant's report on Form 10-Q for the quarter ended June 30, 1994).
- 3.2 Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3(ii) to the Registrant's report on Form 10-Q for the quarter ended June 30, 1994).
- 4 Automatic Dividend Reinvestment and Stock Purchase Plan, as amended (incorporated herein by reference to the Registrant's Form S-3 Registration Statement dated September 17, 1998, filed under Registration No. 3380088).
- 4.1 Form of Indenture, dated as of December 17, 1996 (incorporated herein by reference to the Registrant's Form S-2 Registration Statement dated December 6, 1996, filed under Registration No. 33-14507).
- 4.2 Form of Subordinated Debenture (included as an exhibit to Exhibit 4.1), (incorporated herein by reference to the Registrant's Form S-2 Registration Statement dated December 6, 1996, filed under Registration No. 33-14507).
- 4.3 Certificate of Trust of IBC Capital Finance (incorporated herein by reference to the Registrant's Form S-2 Registration Statement dated December 6, 1996, filed under Registration No. 33-14507).
- 4.4 Trust Agreement of IBC Capital Finance dated as of November 7, 1996 (incorporated herein by reference to the Registrant's Form S-2 Registration Statement dated December 6, 1996, filed under Registration No. 33-14507).
- 4.5 Form of Amended and Restated Trust Agreement of IBC Capital Finance dated as of December 17, 1996 (incorporated herein by reference to the Registrant's Form S-2 Registration Statement dated December 6, 1996, filed under Registration No. 33-14507).
- 4.6 Form of Preferred Security Certificate of IBC Capital Finance (included as an exhibit to Exhibit 4.5.), (incorporated herein by reference to the Registrant's Form S-2 Registration Statement dated December 6, 1996, filed under Registration No. 33-14507).

EXHIBIT INDEX (Continued)

- 4.7 Form of Preferred Securities Guarantee Agreement for IBC Capital Finance (incorporated herein by reference to the Registrant's Form S-2 Registration Statement dated December 6, 1996, filed under Registration No. 33-14507).
- 4.8 Form of Agreement as to Expenses and Liabilities (included as an exhibit to Exhibit 4.5), (incorporated herein by reference to the Registrant's Form S-2 Registration Statement dated December 6, 1996, filed under Registration No. 33-14507).
- 10.1* Deferred Benefit Plan for Directors (incorporated herein by reference to Exhibit 10(C) to the Registrant's report on Form 10-K for the year ended December 31, 1984).
- 10.2 The form of Indemnity Agreement approved by the Registrant's 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 the Registrant's report on Form 10-K for the year ended December 31, 1988).
- 10.3* Incentive Share Grant Plan, as amended, approved by the Registrant's shareholders at its April 21, 1992 Annual Meeting (incorporated herein by reference to Exhibit 10 to the Registrant's report on Form 10-K for the year ended December 31, 1992).
- 10.4* Non-Employee Director Stock Option Plan, as amended, approved by the Registrant's shareholders at its April 15, 1997 Annual Meeting (incorporated herein by reference to Exhibit 4 to the Registrant's Form S-8 Registration Statement dated July 28, 1997, filed under registration No. 333-32269).
- 10.5* Employee Stock Option Plan, as amended, approved by the Registrant's shareholders at its April 15, 1997 Annual Meeting (incorporated herein by reference to Exhibit 4 to the Registrant's Form S-8 Registration Statement dated July 28, 1997, filed under registration No. 333-32267).
- 10.6 The form of Management Continuity Agreement as executed with executive officers and certain senior managers (incorporated herein by reference to Exhibit 10 to the Registrant's report on Form 10-K for the year ended December 31, 1998).

* Represents a compensation plan.

APPENDIX

Independent Bank Corporation is a bank holding company with total assets of \$1.7 billion. Its five subsidiary banks (the "Banks") principally serve suburban and rural communities located across Michigan's Lower Peninsula.

The Banks emphasize service and convenience as the principal means of competing in the delivery of financial services. Accordingly, the Company's community banking philosophy vests discretion and authority in the Banks' management while providing financial incentives to align the interests of such managers with those of its shareholders.

To support the Banks' service and sales efforts, while providing the internal controls that are consistent with its decentralized structure, the Company has consolidated the Banks' operations and provides administrative and operation services to the Banks.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those projected in such forward-looking statements.

The following section presents additional information to assess the financial condition and results of operations of the Company and its subsidiary banks (the "Banks"). This section should be read in conjunction with the consolidated financial statements and the supplemental financial data contained elsewhere in this appendix.

ACQUISITIONS

On September 15, 1999, the Company completed its acquisition of Mutual Savings Bank, f.s.b. ("MSB"). On that date, MSB's assets and shareholders' equity totaled approximately \$580 million and \$44 million, respectively. The markets served by MSB's 22 offices are located within the Lower Peninsula of Michigan and are generally contiguous to markets that are served by the remaining Banks.

Consideration consisted of 3,436,000 shares of common stock (3,608,000 shares adjusted for a 5% stock dividend.) The transaction qualifies as a "pooling of interests" and the Company's results of operations for 1999 include MSB's revenues and expenses since January 1, 1999. The Company's results of operations for 1998 and 1997 as well as its statement of financial condition at December 31, 1998, have been restated to include the accounts of MSB. Restructuring and other non-recurring charges totaled approximately \$8,000,000 before federal income tax.

On April 17, 1998, the Company purchased the outstanding capital stock of First Home Financial, Inc. ("FHF"), an originator of manufactured home loans. Aggregate consideration consisted of 76,000 shares of common stock (adjusted for stock splits and dividends). Goodwill totaled approximately \$2.0 million. FHF operates as a subsidiary of one the Banks and substantially all of the loans originated by FHF are sold to non-affiliated banks and finance companies.

On June 12, 1998, one of the Banks purchased two branches from Great Lakes National Bank (the "GLNB Offices"). On that date, the GLNB Offices had deposits totaling \$18.3 million and the Bank recorded an intangible asset of \$1.3 million. The Bank also purchased certain real and personal property and net cash proceeds from the transaction totaled \$16.2 million.

RESULTS OF OPERATIONS

SUMMARY. Net income totaled \$8,669,000 in 1999 compared to \$11,949,000 and \$1,469,000 in 1998 and 1997, respectively. The Company's results of operation for 1999 reflect certain non-recurring, merger-related charges, which include a net loss on the sale of securities as well as settlement costs relating to a shareholder suit against MSB. Net income for 1997 also reflects a charge to settle a similar lawsuit against MSB. These non-recurring charges, net of federal income taxes, totaled \$5,750,000 in 1999 and \$8,125,000 in 1997. (See "Non-interest income" and "Non-interest expense.")

NON-RECURRING CHARGES	Year Ended December 31, 1999

Litigation settlement.....	\$ 2,025,000
Data processing termination and conversion costs.....	1,677,000
Legal and professional.....	1,133,000
Severance.....	683,000
Write-off of fixed assets.....	910,000
Loss on sale of securities.....	772,000
Other.....	800,000

Total non-recurring charges.....	8,000,000
Federal income tax benefit.....	(2,250,000)

Net non-recurring charges.....	\$ 5,750,000
	=====

Excluding consideration of these non-recurring charges, the Company's earnings would have increased by 21% to \$14,419,000 in 1999. A year earlier, net income would have increased by 25% to \$11,949,000 from \$9,594,000 in 1997. These increases principally reflect increases in net interest income. The increase in operating earnings during 1999 also reflects a decline in the provision for loan losses.

OPERATING EARNINGS	Year Ended December 31,		
	1999	1998	1997
Net income	\$ 8,669,000	\$11,949,000	\$ 1,469,000
Non-recurring charges	8,000,000		9,650,000
Federal income tax benefit	(2,250,000)		(1,525,000)
Operating earnings	<u>\$14,419,000</u>	<u>\$11,949,000</u>	<u>\$ 9,594,000</u>

KEY PERFORMANCE RATIOS	Year ended December 31,		
	1999	1998	1997
Net income to			
Average equity	7.26%	10.72%	1.37%
Average assets .....	.52	.72	.09
Net income per share			
Basic	\$.76	\$ 1.06	\$.13
Diluted .....	.75	1.05	.13
Operating earnings to(1)			
Average equity	12.08%	10.72%	8.92%
Average assets .....	.87	.72	.60
Operating earnings per share(1)			
Basic	\$1.27	\$ 1.06	\$.86
Diluted	1.25	1.05	.86

(1) Operating earnings exclude certain merger-related charges and settlement costs associated with lawsuits against the former Mutual Savings Bank, f.s.b. incurred during 1999 and 1997.

NET INTEREST INCOME. Tax equivalent net interest income totaled \$69,222,000 during 1999, compared to \$62,792,000 and \$55,301,000 during 1998 and 1997, respectively. Tax equivalent net interest income was equal to 4.47% of average earning assets in 1999 compared to 4.08% and 3.66% in 1998 and 1997. These increases may be attributed to the scheduled maturity of certain low-yield assets and high-cost liabilities at MSB. Increases in loans, excluding loans held for sale ("Portfolio Loans"), as a percent of average earning assets also contributed to the increase in tax equivalent net interest income. Management believes that the implementation of new loan and deposit pricing strategies as well as its efforts to restructure MSB's securities portfolios also had a positive impact on tax equivalent net interest income in 1999.

AVERAGE BALANCES AND TAX EQUIVALENT RATES	1999			1998			1997		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate	Average Balance	Interest	Rate
(dollars in thousands)									
ASSETS									
Loans--all domestic(1,2)....	\$ 1,222,564	\$ 106,233	8.69%	\$ 1,124,847	\$ 101,852	9.05%	\$ 975,476	\$ 88,322	9.05%
Taxable securities.....	215,550	12,808	5.94	334,927	19,282	5.76	460,225	26,982	5.86
Tax-exempt securities(2)....	90,185	7,334	8.13	55,056	4,665	8.47	52,139	4,423	8.48
Other investments.....	19,627	1,577	8.03	24,557	1,660	6.76	22,865	1,592	6.96
Interest earning assets...	1,547,926	127,952	8.27	1,539,387	127,459	8.28	1,510,705	121,319	8.03
Cash and due from banks....	44,910			37,289			33,608		
Other assets, net.....	73,660			72,298			64,754		
Total assets.....	\$ 1,666,496			\$ 1,648,974			\$ 1,609,067		
LIABILITIES									
Savings and NOW.....	\$ 576,194	13,704	2.38	\$ 525,638	13,912	2.65	\$ 501,548	13,825	2.76
Time deposits.....	578,294	30,402	5.26	535,861	29,291	5.47	490,382	26,834	5.47
Long-term debt.....	4,245	268	6.31	6,749	457	6.77	8,245	602	7.30
Other borrowings.....	243,519	14,356	5.90	329,525	21,007	6.37	387,692	24,757	6.39
Interest bearing liabilities.....	1,402,252	58,730	4.19	1,397,773	64,667	4.63	1,387,867	66,018	4.76
Demand deposits.....	125,936			107,403			91,440		
Other liabilities.....	18,937			32,316			22,165		
Shareholders' equity.....	119,371			111,482			107,595		
Total liabilities and shareholders' equity...	\$ 1,666,496			\$ 1,648,974			\$ 1,609,067		
Net interest income.....		\$ 69,222			\$ 62,792			\$ 55,301	
Net interest income as a percent of earning assets.....			4.47%			4.08%			3.66%

(1)Interest on loans includes net origination fees totaling \$6,301,000, \$6,244,000 and \$3,911,000 in 1999, 1998 and 1997, respectively.

(2)Interest on tax-exempt securities has been adjusted to reflect preferential taxation. The adjustment assumes a marginal tax rate of 35%. For purposes of analysis, tax-exempt loans are included in tax-exempt securities.

CHANGE IN TAX EQUIVALENT NET INTEREST INCOME	1999 compared to 1998			1998 compared to 1997		
	Volume	Rate	Net	Volume	Rate	Net
(in thousands)						
Increase (decrease) in interest income(1)						
Loans--all domestic.....	\$ 8,604	\$(4,223)	\$ 4,381	\$ 13,525	\$ 5	\$ 13,530
Taxable securities.....	(7,075)	601	(6,474)	(7,222)	(478)	(7,700)
Tax-exempt securities(2).....	2,864	(195)	2,669	247	(5)	242
Other investments.....	(366)	283	(83)	115	(47)	68
Total interest income.....	4,027	(3,534)	493	6,665	(525)	6,140
Increase (decrease) in interest expense(1)						
Savings and NOW.....	1,272	(1,480)	(208)	650	(563)	87
Time deposits.....	2,261	(1,150)	1,111	2,485	(28)	2,457
Long-term debt.....	(160)	(29)	(189)	(104)	(41)	(145)
Other borrowings.....	(5,163)	(1,488)	(6,651)	(3,707)	(43)	(3,750)
Total interest expense.....	(1,790)	(4,147)	(5,937)	(676)	(675)	(1,351)
Net interest income.....	\$ 5,817	\$ 613	\$ 6,430	\$ 7,341	\$ 150	\$ 7,491

(1)The change in interest due to changes in both balance and rate has been allocated to change due to balance and change due to rate in proportion to the relationship of the absolute dollar amounts of change in each.

(2)Interest on tax-exempt securities has been adjusted to reflect preferential taxation. The adjustment assumes a marginal tax rate of 35%.

Average earning assets totaled \$1.55 billion in 1999 compared to \$1.54 billion and \$1.51 billion in 1998 and 1997, respectively. The moderate increases in average earning assets principally reflect efforts to restructure the balance sheet and manage capital resources at MSB.

COMPOSITION OF AVERAGE EARNING ASSETS AND INTEREST PAYING LIABILITIES	Year Ended December 31,		
	1999	1998	1997
As a percent of average earning assets			
Loans--all domestic.....	79.0%	73.1%	64.6%
Other earning assets.....	21.0	26.9	35.4
Average earning assets.....	100.0%	100.0%	100.0%
Savings and NOW.....	37.2%	34.1%	33.2%
Time deposits.....	33.0	32.6	32.2
Brokered CDs.....	4.4	2.3	0.3
Other borrowings and long-term debt.....	16.0	21.8	26.2
Average interest bearing liabilities.....	90.6%	90.8%	91.9%
Earning asset ratio	92.9%	93.4%	93.9%
Free-funds ratio	9.4	9.2	8.1

PROVISION FOR LOAN LOSSES. The provision for loan losses was \$2,661,000 during 1999 compared to \$3,628,000 and \$1,975,000 during 1998 and 1997, respectively. The decrease in the provision reflects Management's assessment of the allowance for loan losses, which is based upon the composition of the loan portfolio, an evaluation of specific credits, historical loss experience as well as the level of non-performing and impaired loans. (See "Portfolio loans and asset quality.")

NON-INTEREST INCOME. Non-interest income totaled \$17,323,000 during 1999 compared to \$19,118,000 and \$12,288,000 in 1998 and 1997. The \$1,795,000 decline in non-interest income during 1999 principally reflects a decrease in net gains on the sale of real estate mortgage loans. A net loss on the sale of securities, which was principally related to the restructuring of MSB's securities portfolios also contributed to the decline in non-interest income. Increases in service charges on deposit accounts and fees associated with the origination of manufactured home loans partially offset the decline. The \$6,830,000 increase in non-interest income during 1998 principally reflects an increase in net gains on the sale of real estate mortgage loans as well as the purchase of FHF.

NON-INTEREST INCOME	Year Ended December 31,		
	1999	1998	1997
Service charges on deposit accounts.....	\$ 5,696,000	\$ 4,554,000	\$ 3,692,000
Net gains (losses) on asset sales			
Real estate mortgage loans.....	4,247,000	7,052,000	2,899,000
Securities.....	(912,000)	267,000	273,000
FHF origination fees and commissions.....	2,009,000	1,304,000	
Title insurance fees.....	844,000	872,000	585,000
Mutual fund and annuity commissions.....	1,370,000	941,000	551,000
Real estate mortgage loan servicing fees.....	1,300,000	1,154,000	1,647,000
Other.....	2,769,000	2,974,000	2,641,000
Total non-interest income.....	\$17,323,000	\$19,118,000	\$ 12,288,000

Service charges on deposit accounts increased by 25% to \$5,696,000 during 1999 and by 23% to \$4,554,000 during 1998. These increases principally reflect the impact of certain deposit account promotions, which include direct mail solicitations, at two of the Banks.

The Banks realized net gains of \$4,247,000 on the sale of real estate mortgage loans totaling \$271.1 million during 1999. During 1998 and 1997, the Banks realized net gains of \$7,052,000 and \$2,899,000 on the sale of loans totaling \$500.9 million and \$181.0 million, respectively.

NET GAINS ON THE SALE OF REAL ESTATE MORTGAGE LOANS	Year ended December 31,		
	1999	1998	1997
Real estate mortgage loans originated.....	\$ 508,700,000	\$804,000,000	\$ 401,300,000
Real estate mortgage loans sold.....	271,100,000	500,900,000	181,000,000
Real estate mortgage loan servicing rights sold.....	20,800,000	56,200,000	24,200,000
Net gains on the sale of real estate mortgage loans.....	4,247,000	7,052,000	2,899,000
Net gains as a percent of real estate mortgage loans sold.....	1.57%	1.41%	1.60%

The volume of loans sold is dependent upon the Banks' ability to originate real estate mortgage loans. The demand for real estate mortgage loans is particularly sensitive to the absolute level of interest rates. In 1998, approximately 60% of the \$804.0 million of loans originated was the result of refinancing activity. Management estimates that refinancing activities accounted for approximately 38% and 35% of the real estate mortgage loans originated during 1999 and 1997, respectively.

The volume of loans sold is further dependent upon the demand for fixed-rate obligations and other loans that the Banks cannot profitably fund within established interest-rate risk parameters. (See "Portfolio loans and asset quality.") Net gains on the sale of real estate mortgage loans are also dependent upon economic and competitive factors as well as the Banks' ability to effectively manage exposure to changes in interest rates. Given a decline in loans held for sale, together with a substantial decline in refinancing activity, net gains on the sale of real estate mortgage loans during subsequent periods may not be commensurate with the amount recorded during 1999.

The Banks recognized a net loss on the sale of securities totaling \$912,000 during 1999, compared to net gains of \$267,000 and \$273,000 during 1998 and 1997, respectively. Approximately \$772,000 of the net losses in 1999 relate to balance sheet restructuring efforts at MSB. (See "Securities.")

NON-INTEREST EXPENSE. Merger-related restructuring charges and the cost to settle shareholder suits against MSB are included in non-interest expense. Such expenses totaled \$7,228,000 and \$9,650,000 in 1999 and 1997, respectively. Excluding these non-recurring charges, non-interest expense totaled \$62,252,000 in 1999 compared to \$59,726,000 in 1998 and \$51,152,000 in 1997.

NON-INTEREST EXPENSE	Year ended December 31,		
	1999	1998	1997
Salaries.....	\$23,788,000	\$ 21,544,000	\$ 18,289,000
Performance-based compensation and benefits.....	5,166,000	5,960,000	4,241,000
Other benefits.....	5,335,000	4,845,000	3,985,000
Salaries and benefits.....	34,289,000	32,349,000	26,515,000
Occupancy, net.....	4,607,000	4,194,000	3,906,000
Furniture and fixtures.....	4,230,000	3,659,000	3,354,000
Computer processing.....	3,356,000	2,912,000	2,411,000
Advertising.....	2,545,000	2,176,000	1,905,000
Communications.....	2,257,000	2,160,000	1,826,000
Amortization of intangible assets.....	1,742,000	1,692,000	1,523,000
Supplies.....	1,661,000	1,431,000	1,185,000
FDIC insurance.....	1,392,000	1,410,000	1,536,000
Loan and collection.....	1,348,000	1,554,000	1,146,000
Merger-related.....	5,203,000		
Litigation settlement.....	2,025,000		9,650,000
Other.....	4,825,000	6,189,000	5,845,000
Total non-interest expense.....	\$69,480,000	\$ 59,726,000	\$ 60,802,000

In addition to increases in salaries and benefits, increases in non-interest expense reflect direct-mail and other marketing expenses related to deposit account promotions at two of the Banks. Management is considering the introduction of similar promotions at the remaining Banks. Costs associated with FHF and the operation of the GLNB offices also contributed to the increase in non-interest expense.

The Company and each of the Banks maintain performance-based compensation plans. In addition to commissions and cash incentive awards, such plans include its employee stock ownership and employee stock option plans and, prior to 1999, the Incentive Share Grant Plan. Management believes that these equity-based plans help align the interests of the Company's officers and employees with those of its shareholders.

During 1999, the Board of Directors elected to replace the Incentive Share Grant Plan with a combination of cash payments and the grant of incentive stock options. The Board believes that such cash payments and option grants provide the Company's executives with a greater incentive and means of retaining the Company's common stock as compared to the Incentive Share Grant Plan. This action by the Board of Directors during the fourth quarter of 1999, accounts for \$350,000 of the \$794,000 decline in performance-based compensation. A decline in commissions paid in conjunction with the origination of real estate mortgage loans also contributed to the decline in performance-based compensation.

FINANCIAL CONDITION

SUMMARY. Portfolio Loans increased by 12% to \$1.29 billion at December 31, 1999. An increase in residential real estate mortgage loans accounts for 44% of the \$138.5 million increase in Portfolio Loans. Commercial and agricultural loans and installment loans accounted for 41% and 15% of the increase, respectively. (See "Portfolio loans and asset quality.")

An increase in deposits and a decline in loans held for sale principally funded the increase in Portfolio Loans. Proceeds from the sale or maturity of securities also funded a portion of the increase in Portfolio Loans. (See "Securities.")

Deposits grew by 4% to \$1.31 billion at December 31, 1999. Time deposit accounts grew by \$35.8 million and account for the majority of the \$55.1 million increase in total deposits. The increase in time deposits reflects the Banks' use of brokered certificates of deposits. (See "Deposits and borrowings.")

SECURITIES. The Banks maintain diversified securities portfolios that include obligations of the U.S. Treasury and government-sponsored agencies as well as securities issued by states and political subdivisions, corporate securities and mortgage-backed securities. Management continually evaluates the Banks' asset/liability management needs and attempts to maintain a portfolio structure that provides sufficient liquidity and cash flow. (See "Asset/liability management.")

SECURITIES	Amortized Cost	Unrealized Gains	Losses	Fair Value

Securities available for sale				
December 31, 1999	\$198,764,000	\$ 1,234,000	\$ 4,698,000	\$195,300,000
December 31, 1998	152,622,000	3,131,000	129,000	155,624,000
Securities held to maturity				
December 31, 1999	\$ 71,115,000	\$ 237,000	\$ 866,000	\$ 70,486,000
December 31, 1998	161,301,000	762,000	119,000	161,944,000

The purchase or sale of securities is dependent upon Management's assessment of reinvestment opportunities as well as the Banks' asset/liability management needs. The Banks sold securities with an aggregate market value of \$112.9 million during the year ended December 31, 1999, compared to \$11.3 million during 1998. The increase in the sale of securities principally relates to Management's efforts to restructure MSB's securities portfolios.

Mortgage pass-thru securities issued by government-sponsored agencies comprise the majority of the securities sold during 1999. Such securities had a weighted-average life of approximately 2 years and have been sold to yield approximately 6.34%. Proceeds have been utilized to fund increases in Portfolio Loans or to purchase higher-yielding securities, including securities issued by states and political subdivisions and corporate securities.

PORTFOLIO LOANS AND ASSET QUALITY. Management believes that the Company's decentralized structure provides important advantages in serving the credit needs of the Banks' principal lending markets. In addition to the communities served by the Banks' branch networks, principal lending markets include nearby communities and metropolitan areas. Subject to established underwriting criteria, the Banks also participate in commercial lending transactions with certain non-affiliated banks and may also purchase real estate mortgage loans from third-party originators.

LOAN PORTFOLIO COMPOSITION

	December 31,	
	1999	1998

Real estate		
Residential first mortgages	\$ 603,714,000	\$ 587,246,000
Residential home equity and other junior mortgages	138,682,000	100,069,000
Construction and land development	130,373,000	104,660,000
Other(1)	230,005,000	171,262,000
Consumer	108,054,000	110,216,000
Commercial	60,637,000	57,093,000
Agricultural	19,176,000	21,593,000
	-----	-----
Total loans	\$1,290,641,000	\$1,152,139,000
	=====	=====

(1) Includes loans secured by multi-family residential and non-farm, non-residential property.

Although the Management and Board of Directors of each Bank retain authority and responsibility for credit decisions, each of the Banks has adopted uniform underwriting standards. The Company's loan committee as well as the centralization of commercial loan credit services and loan review functions promote compliance with such established underwriting standards. The centralization of retail loan services also provides for consistent service quality and facilitates compliance with consumer protection laws and regulations.

Management has determined that the retention of certain real estate mortgage loans, generally 15- and 30-year fixed-rate obligations, is inconsistent with its goal to maintain profitable leverage or the Banks' interest-rate risk profiles. Accordingly, the majority of such loans is sold to mitigate exposure to changes in interest rates. Adjustable-rate and balloon real estate mortgage loans may often be profitably funded within established risk parameters. The retention of such loans, together with commercial and agricultural loans, has been a principal focus of the Banks' balance sheet management strategies. (See "Asset/liability management.")

NON-PERFORMING ASSETS

	1999	December 31, 1998	1997
Non-accrual loans	\$2,980,000	\$4,302,000	\$3,559,000
Loans 90 days or more past due and still accruing interest	2,029,000	2,240,000	1,904,000
Restructured loans	270,000	295,000	184,000
Total non-performing loans	5,279,000	6,837,000	5,647,000
Other real estate	1,315,000	1,265,000	523,000
Total non-performing assets	\$6,594,000	\$8,102,000	\$6,170,000
As a percent of Portfolio Loans			
Non-performing loans .....	.41%	.59%	.53%
Non-performing assets .....	.51	.70	.57
Allowance for loan losses	1.01	1.00	.91
Allowance for loan losses as a percent of non-performing loans	246	169	171

Residential real estate mortgages and home equity loans comprise a substantial portion of the Banks' lending activities. The increase in residential real estate mortgage loans reflects an increase in the relative demand for adjustable-rate and balloon loans that accompanied the increase in interest rates. A decline in prepayment rates also contributed to the increase in residential real estate mortgage loans. (See "Non-interest income.")

ALLOWANCE FOR LOAN LOSSES

	1999	Year ended December 31, 1998	1997
Balance at beginning of period	\$ 11,557,000	\$ 9,639,000	\$ 8,815,000
Provision charged to operating expense	2,661,000	3,628,000	1,975,000
Recoveries credited to allowance	746,000	655,000	590,000
Loans charged against allowance	(1,979,000)	(2,365,000)	(1,741,000)
Balance at end of period	\$ 12,985,000	\$ 11,557,000	\$ 9,639,000
Net loans charged against the allowance to average Portfolio Loans	0.10%	.15%	.12%

Management's assessment of the allowance for loan losses is based on the composition of the loan portfolio, an evaluation of specific credits, historical loss experience as well as the level of non-performing and impaired loans. Loans charged against the allowance for loan losses, net of recoveries, were equal to .10% of average loans during 1999 compared to .15% and .12% during 1998 and 1997, respectively. (See "Provision for loan losses.")

DEPOSITS AND BORROWINGS. The Banks' competitive position within many of the markets served by the branch networks limits the ability to materially increase deposits without adversely impacting the weighted-average cost of core deposits. Accordingly, Management employs pricing tactics that are intended to enhance the value of core deposits and the Banks' have implemented funding strategies that incorporate other borrowings and Brokered CDs to finance a portion of the Portfolio Loans. The use of such alternate sources of funds is also an integral part of the Banks' asset/liability management efforts.

AVERAGE CORE DEPOSIT BALANCES

	1999	Year ended December 31, 1998	1997
Demand	\$ 125,936,000	\$ 107,403,000	\$ 91,440,000
Savings and Now	576,194,000	525,638,000	501,548,000
Time, excluding brokered certificates of deposits	510,034,000	501,225,000	486,303,000
Total average Core Deposits	\$1,212,164,000	\$1,134,266,000	\$1,079,291,000

Average deposits, excluding brokered certificates of deposit ("Core Deposits"), grew to \$1.21 billion during 1999 from \$1.13 billion and \$1.08 billion in 1998 and 1997, respectively. Savings and Now increased by 10% to \$576.2 million and accounts for 65% of the \$77.9 million increase in total average Core Deposits during 1999. During that period, average demand deposits grew by 17% to \$125.9 million.

ALTERNATE SOURCES OF FUNDS

	1999			December 31, 1998		
	Amount	Average Maturity	Rate	Amount	Average Maturity	Rate
Brokered CDs	\$101,029,000	6.0 years	6.24%	\$ 54,885,000	4.4 years	5.64%
Fixed-rate FHLB advances(1)	131,592,000	3.2 years	5.98	103,854,000	4.3 years	6.04
Variable-rate FHLB advances(2)	59,056,000	0.4 years	4.63	68,500,000	.5 years	5.21

(1)Advances totaling \$20 million and \$28 million, at December 31, 1999 and 1998, respectively, have provisions that allow the FHLB to convert fixed-rate advances to adjustable rates prior to stated maturity.

(2)The rate paid on variable-rate advances at December 31, 1999, reflects overnight advances totaling \$39 million with an average rate of 4.05%. The rate paid on such advances averaged 5.54% during January of 2000.

Other borrowed funds, principally advances from the Federal Home Loan Bank (the "FHLB"), totaled \$224.6 million at December 31, 1999, compared to \$229.2 million a year earlier. The decline in other borrowed funds reflects the competitive cost of Brokered CDs as well as Management's efforts to diversify the Banks' funding sources. Brokered CDs totaled \$101.0 million and \$54.9 million at December 31, 1999 and 1998, respectively. Derivative financial instruments are employed to reduce the cost of alternate funding sources and to manage the Banks' exposure to changes in interest rates. (See "Asset/liability management.")

INTEREST-RATE DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 1999			Swaps	
	Caps	Floors	Collars	Pay Fixed	Pay Variable
Notional amount	\$ 29,000,000	\$ 8,000,000	\$ 7,000,000	\$ 69,500,000	\$ 81,000,000
Weighted-average maturity	4.0 years	2.3 years	1.0 years	2.7 years	7.4 years
Cap strike	6.51%		6.38%		
Floor strike		5.17%	5.75		
Rate paying				5.51%	5.96%
Rate receiving				6.10	6.40
Premium paid	\$ 958,000	\$ 31,000			
Annual cost .....	.50%	.14%			
Amortized cost	\$ 792,000	\$ 27,000			
Fair value	900,000	9,000	\$ 13,000	\$ 1,485,000	\$ (2,446,000)

LIQUIDITY AND CAPITAL RESOURCES. Effective management of the Company's capital resources is critical to Management's mission to create value for the Company's shareholders. The cost of capital is an important factor in creating shareholder value and, accordingly, the Company's capital structure includes unsecured debt and trust preferred securities. To profitably deploy capital within existing markets, the Banks have implemented balance sheet management strategies that combine efforts to originate Portfolio Loans with disciplined funding strategies.

On October 21, 1999, the Company announced that its board of directors had adopted a share repurchase plan. The plan authorizes the Company to acquire up to 325,000 shares of its common stock in open market transactions. The Company's authority to purchase shares of its common stock expires on March 15, 2000.

CAPITALIZATION	December 31,	
	1999	1998
Unsecured debt	\$ 12,500,000	\$ 10,000,000
Trust preferred securities	17,250,000	17,250,000
Shareholders' equity		
Common stock	11,235,000	10,815,000
Capital surplus	71,672,000	66,406,000
Retained earnings	33,921,000	38,639,000
Accumulated other comprehensive income (loss)	(2,283,000)	1,981,000
Unearned employee stock ownership plan shares	(799,000)	(799,000)
Total shareholders' equity	113,746,000	117,042,000
Total capitalization	\$ 143,496,000	\$ 144,292,000

Shareholders' equity totaled \$113.7 million at December 31, 1999, a \$3.3 million decrease from \$117.0 million at December 31, 1998. Unrealized losses on securities available for sale and the purchase of common stock pursuant to the Company's share repurchase plan account for the decline in shareholders' equity. The retention of earnings and the issuance of common stock pursuant to various equity-based incentive compensation plans limited the decline in shareholders' equity. Shareholders' equity was equal to 6.59% of total assets at December 31, 1999, compared to 7.05% at December 31, 1998.

CAPITAL RATIOS	December 31,	
	1999	1998
Equity capital	6.59%	7.05%
Average shareholders' equity to average assets	7.16	6.76
Tier 1 leverage (tangible equity capital)	6.52	6.65
Tier 1 risk-based capital	9.33	9.97
Total risk-based capital	10.41	11.04

ASSET/LIABILITY MANAGEMENT. Interest-rate risk is created by differences in the cash flow characteristics of the Banks' assets and liabilities. Options embedded in certain financial instruments, including caps on adjustable-rate loans as well as borrowers' rights to prepay fixed-rate loans also create interest-rate risk.

The asset/liability management efforts of the Company and the Banks identify and evaluate opportunities to structure the balance sheet in a manner that is consistent with Management's mission to maintain profitable financial leverage within established risk parameters. Management's evaluations of various opportunities and alternate balance sheet strategies carefully consider the likely impact on the Banks' risk profile as well as the anticipated contribution to earnings. The marginal cost of funds is a principal consideration in the implementation of the Banks' balance sheet management strategies, but such evaluations further consider interest-rate and liquidity risk as well as other pertinent factors.

The Banks have established parameters for interest-rate risk. Management continually monitors the Banks' interest-rate risk and reports quarterly to the respective Bank's board of directors.

Management employs simulation analyses to monitor the Banks' interest-rate risk profiles and evaluate potential changes in the Banks' net interest income and market value of portfolio equity that result from changes in interest rates. The purpose of these simulations is to identify sources of interest-rate risk inherent in the Banks' balance sheets. The simulations do not anticipate any actions that Management might initiate in response to changes in interest rates and, accordingly, the simulations do not provide a reliable forecast of anticipated results. The simulations are predicated on immediate, permanent and parallel shifts in interest rates and generally assume that current loan and deposit pricing relationships remain constant. The simulations further incorporate assumptions relating to changes in customer behavior, including changes in repayment rates on certain assets and liabilities.

CHANGES IN MARKET VALUE OF PORTFOLIO EQUITY AND NET INTEREST INCOME

Change in Interest Rates	Market Value of Portfolio Equity(1)	Percent Change	Net Interest Income(2)	Percent Change
400 basis point rise	\$ 84,700,000	(45.53)%	\$ 52,600,000	(18.58)%
300 basis point rise	101,700,000	(34.60)	56,400,000	(12.69)
200 basis point rise	120,700,000	(22.38)	60,200,000	(6.81)
100 basis point rise	140,100,000	(9.90)	62,700,000	(2.94)
Base-rate scenario	155,500,000		64,600,000	
100 basis point decline	165,600,000	6.50	66,000,000	2.17
200 basis point decline	170,000,000	9.32	67,600,000	4.64
300 basis point decline	171,000,000	9.97	68,900,000	6.66
400 basis point decline	175,000,000	12.54	70,500,000	9.13

(1) Simulation analyses calculate the change in the net present value of the Company's assets and liabilities under parallel shifts in interest rates by discounting the estimated future cash flows using a market-based discount rate. Cash flow estimates incorporate anticipated changes in prepayment speeds and other embedded options.

(2) Simulation analyses calculate the change in net interest income under parallel shifts in interest rates over the next twelve months, are based upon a static balance sheet and do not consider loan fees.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS

The Financial Accounting Standards Board adopted Statement of Financial Accounting Standards, No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS #133") in June 1998.

SFAS #133, which has been subsequently amended by SFAS #137, requires companies to record derivatives on the balance sheet as assets and liabilities measured at fair value. The accounting for increases and decreases in the value of those derivatives will depend upon the use of those derivatives and whether or not they qualify for hedge accounting.

This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 with earlier application allowed and is to be applied prospectively. Management does not believe that the adoption of the SFAS #133 during 2001 will have a material impact on the Company's consolidated financial statements.

SELECTED CONSOLIDATED FINANCIAL DATA

	Year Ended December 31,				
	1999	1998(1)	1997(1)	1996(1)	1995(1)
(dollars in thousands, except per share amounts)					
SUMMARY OF OPERATIONS					
Interest income	\$ 125,510	\$ 125,908	\$ 119,911	\$ 102,350	\$ 93,558
Interest expense	58,730	64,667	66,018	56,984	54,368
Net interest income	66,780	61,241	53,893	45,366	39,190
Provision for loan losses	2,661	3,628	1,975	1,413	805
Net gains on the sale of real estate mortgage loans	4,247	7,052	2,899	2,480	1,337
Other non-interest income	13,848	12,066	9,389	6,950	4,694
Non-recurring charges	8,000		9,650		
Other non-interest expenses	62,252	59,726	51,152	42,365	36,792
Income before federal income tax expense	11,962	17,005	3,404	11,018	7,624
Federal income tax expense	3,293	5,056	1,935	3,239	2,040
Net income	\$ 8,669	\$ 11,949	\$ 1,469	\$ 7,779	\$ 5,584
PER COMMON SHARE DATA (2)					
Income					
Basic	\$.76	\$ 1.06	\$.13	\$.71	\$.51
Diluted .....	.75	1.05	.13	.71	.51
Cash dividends declared .....	.45	.33	.29	.26	.23
Book value	10.12	10.31	9.35	9.36	8.92
Cash basis income (3)					
Basic .....	.89	1.18	.24	.76	.54
Diluted .....	.88	1.17	.24	.75	.53
SELECTED BALANCES					
Assets	\$1,725,205	\$1,660,893	\$1,640,879	\$1,564,307	\$1,321,813
Loans	1,290,641	1,152,139	1,061,252	862,207	613,527
Allowance for loan losses	12,985	11,557	9,693	8,815	6,966
Deposits	1,310,602	1,255,544	1,121,298	1,082,841	838,747
Shareholders' equity	113,746	117,042	104,625	103,367	98,007
Long-term debt	1,000	3,000	5,000	7,000	
SELECTED RATIOS					
Tax equivalent net interest income to average earning assets	4.47%	4.08%	3.66%	3.46%	3.09%
Net income to					
Average equity	7.26	10.72	1.37	7.80	6.00
Average assets .....	.52	.72	.09	.55	.41
Cash basis income to (3)					
Average tangible equity	9.94	14.31	3.01	8.99	6.49
Average tangible assets .....	.61	.82	.17	.59	.44
Average shareholders' equity to average assets	7.16	6.76	6.69	7.06	6.87
Tier 1 leverage (tangible equity capital) ratio	6.52	6.65	6.11	6.40	7.04
Non-performing loans to Portfolio Loans .....	.41	.59	.53	.50	.49

(1) Restated to reflect an acquisition accounted for as a pooling of interests.
(See note 2 to consolidated financial statements.)

(2) Per share data has been adjusted for three-for-two stock splits in 1998 and 1997 and 5% stock dividends in each of the years presented.

(3) Cash basis financial data excludes intangible assets and the related amortization expense.

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Independent Bank Corporation
Ionia, Michigan

We have audited the accompanying consolidated statements of financial condition of Independent Bank Corporation and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Independent Bank Corporation and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ KPMG LLP

KPMG LLP
Detroit, Michigan
February 4, 2000

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	1999	1998
Assets		
Cash and due from banks	\$ 58,646,000	\$ 53,943,000
Securities available for sale	195,300,000	155,624,000
Securities held to maturity (fair value of \$70,486,000 at December 31, 1999 and \$161,944,000 at December 31, 1998)	71,115,000	161,301,000
Federal Home Loan Bank stock, at cost	19,612,000	19,612,000
Loans held for sale	12,950,000	45,699,000
Loans		
Commercial and agricultural	334,212,000	277,024,000
Real estate mortgage	757,019,000	695,489,000
Installment	199,410,000	179,626,000
Total Loans	1,290,641,000	1,152,139,000
Allowance for loan losses	(12,985,000)	(11,557,000)
Net Loans	1,277,656,000	1,140,582,000
Property and equipment, net	37,582,000	35,272,000
Accrued income and other assets	52,344,000	48,860,000
Total Assets	<u>\$ 1,725,205,000</u>	<u>\$ 1,660,893,000</u>
Liabilities and Shareholders' Equity		
Deposits		
Non-interest bearing	\$ 135,868,000	\$ 127,669,000
Savings and NOW	567,108,000	556,049,000
Time	607,626,000	571,826,000
Total Deposits	1,310,602,000	1,255,544,000
Federal funds purchased	42,350,000	22,650,000
Other borrowings	224,570,000	229,249,000
Guaranteed preferred beneficial interests in Company's subordinated debentures	17,250,000	17,250,000
Accrued expenses and other liabilities	16,687,000	19,158,000
Total Liabilities	1,611,459,000	1,543,851,000
Commitments and contingent liabilities		
Shareholders' Equity		
Preferred stock, no par value-200,000 shares authorized; none issued or outstanding		
Common stock, \$1.00 par value-14,000,000 shares authorized; issued and outstanding: 11,235,088 shares at December 31, 1999 and 10,814,723 shares at December 31, 1998	11,235,000	10,815,000
Capital surplus	71,672,000	66,406,000
Retained earnings	33,921,000	38,639,000
Accumulated other comprehensive income (loss)	(2,283,000)	1,981,000
Unearned employee stock ownership plan shares	(799,000)	(799,000)
Total Shareholders' Equity	113,746,000	117,042,000
Total Liabilities and Shareholders' Equity	<u>\$ 1,725,205,000</u>	<u>\$ 1,660,893,000</u>

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	1999	1998	1997
Interest Income			
Interest and fees on loans	\$ 106,733,000	\$ 102,227,000	\$ 88,674,000
Securities available for sale	10,246,000	10,506,000	13,824,000
Securities held to maturity			
Taxable	6,127,000	10,433,000	14,615,000
Tax-exempt	827,000	1,082,000	1,206,000
Other investments	1,577,000	1,660,000	1,592,000
Total Interest Income	125,510,000	125,908,000	119,911,000
Interest Expense			
Deposits	44,106,000	43,203,000	40,659,000
Other borrowings	14,624,000	21,464,000	25,359,000
Total Interest Expense	58,730,000	64,667,000	66,018,000
Net Interest Income	66,780,000	61,241,000	53,893,000
Provision for loan losses	2,661,000	3,628,000	1,975,000
Net Interest Income After Provision for Loan Losses	64,119,000	57,613,000	51,918,000
Non-interest Income			
Service charges on deposit accounts	5,696,000	4,554,000	3,692,000
Net gains (losses) on asset sales			
Real estate mortgage loans	4,247,000	7,052,000	2,899,000
Securities	(912,000)	267,000	273,000
Other income	8,292,000	7,245,000	5,424,000
Total Non-interest Income	17,323,000	19,118,000	12,288,000
Non-interest Expense			
Salaries and employee benefits	34,289,000	32,349,000	26,515,000
Occupancy, net	4,607,000	4,194,000	3,906,000
Furniture and fixtures	4,230,000	3,659,000	3,354,000
Merger-related	5,203,000		
Settlement of lawsuits	2,025,000		9,650,000
Other expenses	19,126,000	19,524,000	17,377,000
Total Non-interest Expense	69,480,000	59,726,000	60,802,000
Income Before Federal Income Tax	11,962,000	17,005,000	3,404,000
Federal income tax expense	3,293,000	5,056,000	1,935,000
Net Income	\$ 8,669,000	\$ 11,949,000	\$ 1,469,000
Income per common share			
Basic	\$.76	\$ 1.06	\$.13
Diluted	\$.75	\$ 1.05	\$.13
Cash dividends declared per common share	\$.45	\$.33	\$.29

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1999	1998	1997
Net Income	\$ 8,669,000	\$ 11,949,000	\$ 1,469,000
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH			
FROM OPERATING ACTIVITIES			
Proceeds from sales of loans held for sale	275,364,000	507,944,000	183,943,000
Disbursements for loans held for sale	(238,368,000)	(525,202,000)	(191,918,000)
Provision for loan losses	2,661,000	3,628,000	1,975,000
Deferred federal income tax expense (credit)	913,000	(688,000)	(314,000)
Deferred loan fees	443,000	163,000	472,000
Depreciation, amortization of intangible assets and premiums and accretion of discounts on securities and loans	6,134,000	4,886,000	5,278,000
Net gains on sales of real estate mortgage loans	(4,247,000)	(7,052,000)	(2,899,000)
Net (gains) losses on sales of securities	912,000	(267,000)	(273,000)
Increase in accrued income and other assets	(6,133,000)	(1,096,000)	(407,000)
Increase (decrease) in accrued expenses and other liabilities	(109,000)	(6,845,000)	10,371,000
Total Adjustments	37,570,000	(24,529,000)	6,228,000
Net Cash from Operating Activities	46,239,000	(12,580,000)	7,697,000
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from the sale of securities available for sale	86,136,000	11,271,000	59,727,000
Proceeds from the maturity of securities available for sale	35,045,000	28,973,000	4,053,000
Proceeds from the sale of securities held to maturity	26,735,000		
Proceeds from the maturity of securities held to maturity	572,356,000	929,517,000	173,466,000
Principal payments on securities available for sale	16,628,000	20,579,000	11,643,000
Principal payments on securities held to maturity	5,690,000	1,723,000	799,000
Purchases of securities available for sale	(187,255,000)	(31,257,000)	(51,035,000)
Purchases of securities held to maturity	(512,330,000)	(850,057,000)	(78,750,000)
Portfolio loans made to customers, net of principal payments	(142,250,000)	(86,342,000)	(173,683,000)
Portfolio loans purchased		(18,916,000)	(29,758,000)
Principal payments on portfolio loans purchased	2,073,000	14,695,000	2,572,000
Acquisition of branch offices, less cash received		16,168,000	
Acquisition of business		1,459,000	
Capital expenditures	(6,542,000)	(8,852,000)	(6,186,000)
Net Cash from Investing Activities	(103,714,000)	28,961,000	(87,152,000)
CASH FLOW FROM FINANCING ACTIVITIES			
Net increase in total deposits	55,058,000	125,308,000	25,675,000
Net increase (decrease) in other borrowings	8,693,000	(52,686,000)	(27,114,000)
Proceeds from Federal Home Loan Bank advances	236,751,000	124,463,000	187,079,000
Payments of Federal Home Loan Bank advances	(228,423,000)	(198,652,000)	(117,529,000)
Retirement of long-term debt	(2,000,000)	(2,000,000)	(2,000,000)
Dividends paid	(4,587,000)	(3,587,000)	(3,186,000)
Repurchase of common stock	(4,331,000)		
Proceeds from issuance of common stock	1,017,000	948,000	806,000
Net Cash from Financing Activities	62,178,000	(6,206,000)	63,731,000
Net Increase (Decrease) in Cash and Cash Equivalents	4,703,000	10,175,000	(15,724,000)
Cash and Cash Equivalents at Beginning of Period	53,943,000	43,768,000	59,492,000
Cash and Cash Equivalents at End of Period	\$ 58,646,000	\$ 53,943,000	\$ 43,768,000
Cash paid during the period for			
Interest	\$ 58,627,000	\$ 64,445,000	\$ 66,432,000
Income taxes	2,600,000	5,300,000	3,743,000
Transfer of loans to other real estate	1,534,000	1,151,000	705,000
Transfer of portfolio loans to held for sale			10,000,000

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Compre- hensive Income (Loss)	Unearned ESOP Shares	Total Shareholders' Equity
Balances at January 1, 1997	\$ 4,231,000	\$47,352,000	\$ 53,160,000	\$ (25,000)	\$ (1,351,000)	\$103,367,000
Net income for 1997			1,469,000			1,469,000
Cash dividends declared, \$.29 per share ..			(3,261,000)			(3,261,000)
5% stock dividend	326,000	10,356,000	(10,703,000)			(21,000)
Issuance of 68,250 shares of common stock	68,000	1,369,000				1,437,000
Three-for-two stock split	2,134,000	(2,142,000)				(8,000)
Net change in unrealized loss on securities available for sale, net of \$726,000 of related tax effect				1,410,000		1,410,000
ESOP loan guarantee payment and valuation adjustment		(116,000)			348,000	232,000
Balances at December 31, 1997	6,759,000	56,819,000	40,665,000	1,385,000	(1,003,000)	104,625,000
Net income for 1998			11,949,000			11,949,000
Cash dividends declared, \$.33 per share ..			(3,688,000)			(3,688,000)
5% stock dividend	514,000	9,759,000	(10,287,000)			(14,000)
Issuance of 112,613 shares of common stock	113,000	3,373,000				3,486,000
Three-for-two stock split	3,429,000	(3,442,000)				(13,000)
Net change in unrealized gain on securities available for sale, net of \$307,000 of related tax effect				596,000		596,000
ESOP loan guarantee payment and valuation adjustment		(103,000)			204,000	101,000
Balances at December 31, 1998	10,815,000	66,406,000	38,639,000	1,981,000	(799,000)	117,042,000
Net income for 1999			8,669,000			8,669,000
Cash dividends declared, \$.45 per share ..			(5,181,000)			(5,181,000)
5% stock dividend	546,000	7,651,000	(8,206,000)			(9,000)
Issuance of 142,774 shares of common stock	143,000	1,725,000				1,868,000
Repurchase of 268,736 shares of common stock	(269,000)	(4,062,000)				(4,331,000)
Net change in unrealized gain on securities available for sale, net of \$2,196,000 of related tax effect				(4,264,000)		(4,264,000)
ESOP loan valuation adjustment		(48,000)				(48,000)
Balances at December 31, 1999	\$11,235,000	\$71,672,000	\$ 33,921,000	\$(2,283,000)	\$ (799,000)	\$113,746,000

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	1999	1998	1997
Net income	\$ 8,669,000	\$11,949,000	\$ 1,469,000
Other comprehensive income			
Net change in unrealized gain (loss) on securities available for sale, net of related tax effect	(4,264,000)	596,000	1,410,000
Comprehensive income	\$ 4,405,000	\$12,545,000	\$ 2,879,000

See notes to consolidated financial statements

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies and practices of Independent Bank Corporation and subsidiaries conform with generally accepted accounting principles and prevailing practices within the banking industry. The following summaries describe the significant accounting and reporting policies that are employed in the preparation of the consolidated financial statements.

The Banks transact business in the single industry segment of commercial banking. The Banks' activities cover traditional phases of commercial banking, including checking and savings accounts, commercial and agricultural lending, direct and indirect consumer financing, mortgage lending and deposit box services. The principal markets are the rural and suburban communities across lower Michigan that are served by the Banks' branches and loan production offices. The economies of these communities are relatively stable and reasonably diversified. Subject to established underwriting criteria, the Banks also participate in commercial lending transactions with certain non-affiliated banks and purchase real estate mortgage loans from third-party originators. At December 31, 1999, approximately 85% of the Banks' loan portfolios were secured by real estate.

Management is required to make estimates and assumptions in the preparation of the financial statements which affect the amounts reported. Material estimates that are particularly susceptible to changes in the near-term relate to the evaluation of the allowance for loan losses. While Management uses relevant information to recognize losses on loans, additional provisions for related losses may be necessary based on changes in economic conditions and customer circumstances.

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of Independent Bank Corporation and its subsidiaries. The income, expenses, assets and liabilities of the subsidiaries are included in the respective accounts of the consolidated financial statements, after elimination of all material intercompany accounts and transactions.

STATEMENTS OF CASH FLOWS - For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are sold for one-day periods. The Company reports net cash flows for customer loan and deposit transactions.

COMPREHENSIVE INCOME - The Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," (SFAS #130) on January 1, 1998. SFAS #130 establishes standards for reporting comprehensive income, which consists of unrealized gains and losses on securities available for sale. The net change in unrealized gain or loss on securities available for sale in 1999 reflect net realized losses of \$912,000 and net realized gains of \$267,000 and \$273,000, in 1998 and 1997, respectively. The reclassification of these amounts from comprehensive income resulted in federal income tax benefit of \$319,000 in 1999 and federal income tax expense of \$93,000 and \$95,000 in 1998 and 1997, respectively.

LOANS HELD FOR SALE - Loans held for sale are carried at the lower of aggregate amortized cost or market value. Lower of cost or market value adjustments, as well as realized gains and losses, are recorded in current earnings. The Banks recognize as separate assets the rights to service mortgage loans for others. The fair value of originated mortgage servicing rights has been determined based upon market value indications for similar servicing. These mortgage servicing rights are amortized in proportion to and over the period of estimated net loan servicing income. The Banks assess mortgage servicing rights for impairment based on the fair value of those rights. For purposes of measuring impairment, the characteristics used by the Banks include interest rate, term and type.

SECURITIES - The Company classifies its securities as trading, held to maturity or available for sale. Trading securities are bought and held principally for the purpose of selling them in the near-term and are reported at fair value with realized and unrealized gains and losses included in earnings. The Company does not have any trading securities. Securities held to maturity represent those securities for which the Banks have the positive intent and ability to hold until maturity and are reported at cost, adjusted for amortization of premiums and accretion of discounts computed on the level yield method. Securities available for sale represent those securities not classified as trading or held to maturity and are reported at fair value with unrealized gains and losses, net of applicable income taxes reported as a separate component of shareholders' equity. Gains and losses realized on the sale of securities available for sale are determined using the specific identification method and are recognized on a trade-date basis. Premiums and discounts are recognized in interest income computed on the level yield method.

LOAN REVENUE RECOGNITION - Interest on loans is accrued based on the principal amounts outstanding. 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. A non-accrual loan may be restored to accrual status when interest and principal payments are current and the loan appears otherwise collectible.

Certain loan fees and direct loan origination costs, are deferred and recognized as an adjustment of yield over the life of the related loan. Fees received in connection with loan commitments are deferred until the loan is advanced and are then recognized over the life of the loan as an adjustment of yield. Fees on commitments that expire unused are recognized at expiration. Fees received for a letter of credit are recognized as revenue over its life.

ALLOWANCE FOR LOAN LOSSES - Some loans will not be repaid in full. Therefore, an allowance for loan losses is maintained at a level which management has determined is adequate to absorb inherent losses. Management's assessment of the allowance is based on the aggregate amount and composition of the loan portfolios, as well as an evaluation of specific commercial and agricultural loans, historical loss experience and the level of non-performing and impaired loans. Increases in the allowance are recorded by a provision for loan losses charged to expense and, although Management periodically allocates portions of the allowance to specific loans and loan portfolios, the entire allowance is available for any losses which occur. Collection efforts may continue and future recoveries may occur after a loan is charged against the allowance.

The Company measures its investment in an impaired loan based on one of three methods: the loan's observable market price, the fair value of the collateral or the present value of expected future cash flows discounted at the loan's effective interest rate. The Company does not measure impairment on homogenous residential mortgage and installment loans.

PROPERTY AND EQUIPMENT - Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using both straight-line and accelerated methods over the estimated useful lives of the related assets.

OTHER REAL ESTATE - Other real estate represents properties acquired through foreclosure or by acceptance of a deed in lieu of foreclosure. The carrying values of these properties are periodically evaluated and are adjusted to the lower of cost or fair value minus estimated costs to sell. Other real estate and repossessed assets totaling \$1,315,000 and \$1,265,000 at December 31, 1999 and 1998, respectively, are included in other assets.

INTANGIBLE ASSETS - Goodwill, which represents the excess of the purchase price over the fair value of net tangible assets acquired, is amortized on a straight-line basis over the period of expected benefit, generally 12 to 20 years. Goodwill totaled \$8,282,000 and \$9,015,000 as of December 31, 1999 and 1998, respectively. Other intangible assets, including core deposit intangibles, are amortized using both straight-line and accelerated methods over 10 to 15 years. Other intangible assets amounted to \$8,719,000 and \$9,728,000 as of December 31, 1999 and 1998, respectively.

INCOME TAXES - The Company employs the asset and liability method of accounting for income taxes. This method establishes deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at tax rates expected to be in effect when such amounts are realized or settled. Under this method, the effect of a change in tax rates is recognized in the period that includes the enactment date. The deferred tax asset is subject to a valuation allowance for that portion of the asset for which it is more likely than not that it will not be realized.

The Company and its subsidiaries file a consolidated federal income tax return. Intercompany tax liabilities are settled as if each subsidiary filed a separate return.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE - Securities sold under agreements to repurchase are treated as debt and the obligations to repurchase securities sold are reflected as a liability in the consolidated statements of financial condition. The book value of securities pledged to secure the repurchase agreements remains in the securities portfolio.

DERIVATIVE FINANCIAL INSTRUMENTS - Derivative financial instruments are employed to reduce the cost of certain liabilities as well as to manage interest-rate risk. Such instruments include interest-rate swaps, collars, floors and caps. Provided these instruments meet specific criteria they are considered hedges and accounted for using the accrual or deferral methods of accounting. Fees paid on caps and floors are amortized over the life of the derivative financial instrument and included in interest expense.

COMMON STOCK - At December 31, 1999, 228,028 shares of common stock were reserved for issuance under the Incentive Share Grant Plan, 288,614 shares of common stock were reserved for issuance under the dividend reinvestment plan and 714,663 shares of common stock were reserved for issuance under stock option plans.

RECLASSIFICATION - Certain amounts in the 1998 and 1997 financial statements have been reclassified to conform with the 1999 presentation.

NOTE 2 - ACQUISITIONS

On September 15, 1999, the Company acquired Mutual Savings Bank, f.s.b, ("MSB"). On that date MSB's total assets and shareholders' equity approximated \$580 million and \$44 million, respectively. The Company issued 3,608,000 shares of common stock in exchange for all the outstanding common stock of MSB. The acquisition was accounted for as a pooling of interests and, accordingly, the accompanying financial statements have been restated to include the accounts and operations of MSB for all periods prior to the acquisition.

Separate results of operations of the combining entities as of December 31, follows:

	1999	1998	1997
Net interest income after provision for loan losses			
Independent Bank Corporation	\$ 55,212,000	\$ 46,190,000	\$ 40,889,000
Mutual Savings Bank, f.s.b.(1)	8,907,000	11,423,000	11,029,000
Total	\$ 64,119,000	\$ 57,613,000	\$ 51,918,000
Net income			
Independent Bank Corporation	\$ 7,035,000	\$ 10,221,000	\$ 8,924,000
Mutual Savings Bank, f.s.b.(1)(2)	1,634,000	1,728,000	(7,455,000)
Total	\$ 8,669,000	\$ 11,949,000	\$ 1,469,000

(1) Amounts are through the acquisition date of September 15, 1999.

(2) Federal income tax expense or benefit has been adjusted to reflect the estimated tax expense or benefit that would have been recognized by Mutual Savings Bank, f.s.b. if no deferred tax asset valuation allowance had been recognized during the periods presented.

The Company expensed approximately \$5.2 million in merger-related costs relating to the acquisition of MSB, which are classified as such in the financial statements. Such costs included data-processing and related costs, legal and professional, severance and write-off of duplicate fixed assets. As of December 31, 1999, substantially all of these costs have been paid.

On April 17, 1998, the Company purchased the outstanding capital stock of First Home Financial, Inc., an originator of manufactured home loans. Aggregate consideration consisted of 76,000 shares of common stock with an aggregate value of \$1,783,000. The assets purchased and liabilities assumed have been recorded at fair value. Goodwill totaled approximately \$2,000,000 and is being amortized over 15 years.

On June 12, 1998, one of the Banks purchased the real and personal property and assumed the deposit liabilities associated with two offices of Great Lakes National Bank. On that date, deposits totaled \$18,300,000 and the Bank recorded an intangible asset of \$1,300,000 which is being amortized over 10 years. The assets purchased and the liabilities assumed have been recorded at fair value.

NOTE 3 - RESTRICTIONS ON CASH AND DUE FROM BANKS

The Banks' legal reserve requirements were satisfied by average vault cash of \$10,932,000 during 1999. During 1998, such requirements were satisfied by average vault cash and by maintaining non-interest earning balances with the Federal Reserve Bank of \$10,450,000 and \$2,745,000, respectively. The Banks do not maintain compensating balances with correspondent banks.

NOTE 4-SECURITIES

Securities available for sale consist of the following at December 31:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
1999				
U.S. Treasury	\$ 303,000		\$ 2,000	\$ 301,000
U.S. Government agencies	1,970,000	\$ 30,000	126,000	1,874,000
Mortgage-backed securities	55,148,000	824,000	326,000	55,646,000
Obligations of states and political subdivisions	118,955,000	320,000	4,155,000	115,120,000
Other securities	22,388,000	60,000	89,000	22,359,000
Total	\$198,764,000	\$ 1,234,000	\$ 4,698,000	\$195,300,000
1998				
U.S. Treasury	\$ 4,301,000	\$ 27,000		\$ 4,328,000
U.S. Government agencies	10,665,000	375,000		11,040,000
Mortgage-backed securities	82,526,000	1,047,000	\$ 104,000	83,469,000
Obligations of states and political subdivisions	40,826,000	1,525,000	25,000	42,326,000
Other securities	14,304,000	157,000		14,461,000
Total	\$152,622,000	\$ 3,131,000	\$ 129,000	\$155,624,000

Securities held to maturity consist of the following at December 31:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
1999				
Mortgage-backed securities	\$ 59,467,000	\$ 1,000	\$ 865,000	\$ 58,603,000
Obligations of states and political subdivisions	11,148,000	236,000	1,000	11,383,000
Other securities	500,000			500,000
Total	<u>\$ 71,115,000</u>	<u>\$ 237,000</u>	<u>\$ 866,000</u>	<u>\$ 70,486,000</u>
1998				
Mortgage-backed securities	\$130,060,000	\$ 80,000	\$ 119,000	\$130,021,000
Obligations of states and political subdivisions	16,563,000	682,000		17,245,000
Other securities	14,678,000			14,678,000
Total	<u>\$161,301,000</u>	<u>\$ 762,000</u>	<u>\$ 119,000</u>	<u>\$161,944,000</u>

The amortized cost and approximate fair value of securities at December 31, 1999, by contractual maturity, follow. The actual maturity will differ from the contractual maturity because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available For Sale Amortized Cost	Fair Value	Held To Maturity Amortized Cost	Fair Value
Maturing within one year	\$ 1,350,000	\$ 1,337,000	\$ 2,959,000	\$ 2,978,000
Maturing after one year but within five years	14,757,000	14,822,000	6,652,000	6,798,000
Maturing after five years but within ten years	37,801,000	37,380,000	1,168,000	1,212,000
Maturing after ten years	86,205,000	82,612,000	369,000	395,000
	140,113,000	136,151,000	11,148,000	11,383,000
Mortgage-backed securities	55,148,000	55,646,000	59,467,000	58,603,000
Other securities	3,503,000	3,503,000	500,000	500,000
Total	<u>\$198,764,000</u>	<u>\$195,300,000</u>	<u>\$ 71,115,000</u>	<u>\$ 70,486,000</u>

A summary of proceeds from the sale of securities and realized gains and losses follows:

	Proceeds	Realized Gains	Realized Losses
1999	\$112,871,000	\$ 23,000	\$ 935,000
1998	11,271,000	267,000	
1997	59,727,000	354,000	81,000

During 1999, proceeds from the sale of securities held to maturity approximated \$26,700,000 and are included in the table above. Such sales occurred in conjunction with the acquisition of MSB to address its interest-rate risk position.

Securities with a book value of \$56,388,000 and \$86,760,000 at December 31, 1999 and 1998, respectively, were pledged to secure public deposits and for other purposes as required by law.

There were no investment obligations of state and political subdivisions that were payable from or secured by the same source of revenue or taxing authority that exceeded 10% of consolidated shareholders' equity at December 31, 1999 or 1998.

NOTE 5 - LOANS

An analysis of the allowance for loan losses for the years ended December 31 follows:

	1999	1998	1997
Balance at beginning of period	\$ 11,557,000	\$ 9,639,000	\$ 8,815,000
Provision charged to operating expense	2,661,000	3,628,000	1,975,000
Recoveries credited to allowance	746,000	655,000	590,000
Loans charged against allowance	(1,979,000)	(2,365,000)	(1,741,000)
	-----	-----	-----
Balance at end of period	\$ 12,985,000	\$ 11,557,000	\$ 9,639,000
	=====	=====	=====

Loans are presented net of deferred fees of \$1,993,000 at December 31, 1999, and \$1,683,000 at December 31, 1998.

Loans on non-accrual status, 90 days or more past due and still accruing interest, or restructured amounted to \$5,279,000, \$6,837,000 and \$5,647,000 at December 31, 1999, 1998 and 1997, respectively. If these loans had continued to accrue interest in accordance with their original terms, approximately \$571,000, \$588,000, and \$442,000 of interest income would have been realized in 1999, 1998 and 1997, respectively. Interest income realized on these loans was approximately \$280,000, \$229,000 and \$222,000 in 1999, 1998 and 1997, respectively.

Impaired loans totaled approximately \$3,400,000, \$4,000,000 and \$3,200,000 at December 31, 1999, 1998 and 1997, respectively. The Banks' average investment in impaired loans was approximately \$3,300,000, \$4,300,000 and \$3,700,000 in 1999, 1998 and 1997, respectively. Cash receipts on impaired loans on non-accrual status are generally applied to the principal balance. Interest income recognized on impaired loans in 1999, 1998 and 1997 was approximately \$160,000, \$199,000 and \$197,000, respectively. Certain impaired loans with a balance of approximately \$1,200,000, \$1,800,000 and \$1,700,000 had specific allocations of the allowance for loan losses calculated in accordance with SFAS #114 totaling approximately \$400,000, \$300,000 and \$500,000 at December 31, 1999, 1998 and 1997, respectively.

The Banks capitalized approximately \$2,009,000, \$3,451,000 and \$1,057,000 of servicing rights relating to loans that were originated and sold during the years ended December 31, 1999, 1998 and 1997, respectively. Amortization of capitalized servicing rights during those years was \$1,243,000, \$1,014,000 and \$389,000, respectively. The book value of capitalized mortgage servicing rights was \$4,712,000 at December 31, 1999. The fair value of capitalized servicing rights at that same date was approximately \$8,000,000, and therefore, no valuation allowance was considered necessary. The capitalized servicing rights relate to approximately \$760,000,000 of loans sold and serviced at December 31, 1999.

At December 31, 1999, 1998 and 1997, the Banks serviced loans totaling approximately \$995,000,000, \$905,000,000 and \$749,000,000, respectively, for the benefit of third parties.

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

	1999	1998
Land	\$ 5,663,000	\$ 5,442,000
Buildings	32,152,000	28,982,000
Equipment	24,969,000	21,836,000
	-----	-----
Accumulated depreciation and amortization	62,784,000	56,260,000
	(25,202,000)	(20,988,000)
	-----	-----
Property and equipment, net	\$ 37,582,000	\$ 35,272,000
	=====	=====

NOTE 7 - DEPOSITS

A summary of interest expense on deposits for the years ended December 31 follows:

	1999	1998	1997
Savings and NOW	\$13,704,000	\$13,912,000	\$13,825,000
Time deposits under \$100,000	22,227,000	24,415,000	24,259,000
Time deposits of \$100,000 or more	8,175,000	4,876,000	2,575,000
	-----	-----	-----
Total	\$44,106,000	\$43,203,000	\$40,659,000
	=====	=====	=====

Aggregate certificates of deposit and other time deposits in denominations of \$100,000 or more amounted to \$182,067,000, \$117,286,000, and \$61,531,000 at December 31, 1999, 1998 and 1997, respectively.

A summary of the maturity of certificates of deposit at December 31, 1999 follows:

2000	\$378,046,000
2001	91,259,000
2002	35,400,000
2003	11,535,000
2004	20,935,000
2005 and thereafter	70,451,000
Total	<u>\$607,626,000</u>

NOTE 8 - OTHER BORROWINGS

A summary of other borrowings at December 31 follows:

	1999	1998
Advances from Federal Home Loan Bank	\$190,648,000	\$172,354,000
Repurchase agreements	20,000,000	45,000,000
Notes payable	12,500,000	10,000,000
U.S. Treasury demand notes	1,380,000	1,883,000
Other	42,000	12,000
Total	<u>\$224,570,000</u>	<u>\$229,249,000</u>

Advances from the Federal Home Loan Bank ("FHLB") are secured by the Banks' unencumbered qualifying mortgage loans as well as U.S. Treasury and government agency securities equal to at least 160% of outstanding advances. Advances are also secured by FHLB stock owned by the Banks. Interest expense on advances amounted to \$9,031,000, \$13,953,000 and \$13,793,000 for the years ending December 31, 1999, 1998 and 1997, respectively.

As members of the FHLB, the Banks must own FHLB stock equal to the greater of 1.0% of the unpaid principal balance of residential mortgage loans, 0.3% of its total assets, or 5.0% of its outstanding advances. At December 31, 1999, the Banks were in compliance with the FHLB stock ownership requirements.

Certain fixed-rate advances have provisions that allow the FHLB to convert the advance to an adjustable rate prior to stated maturity. At December 31, 1999, advances totaling \$10,000,000, with a stated maturity in 2002, are convertible in 2000 and advances totaling \$10,000,000, with a stated maturity in 2008, are convertible in 2003.

The maturity and weighted average interest rates of FHLB advances at December 31 follow:

	1999		1998	
	Amount	Rate	Amount	Rate
Fixed-rate advances				
1999			\$ 8,059,000	5.97%
2000	\$ 84,580,000	6.11%	59,895,000	6.21
2001	3,230,000	5.90	2,000,000	5.86
2002	10,000,000	5.65		
2003	9,515,000	5.36	9,515,000	5.36
2005 and thereafter	24,267,000	5.95	24,385,000	5.95
Total fixed-rate advances	<u>131,592,000</u>	<u>5.98</u>	<u>103,854,000</u>	<u>6.04</u>
Variable-rate advances				
1999			68,500,000	5.21
2000	59,056,000	4.63		
Total variable-rate advances	<u>59,056,000</u>	<u>4.63</u>	<u>68,500,000</u>	<u>5.21</u>
Total advances	<u>\$190,648,000</u>	<u>5.56%</u>	<u>\$172,354,000</u>	<u>5.71%</u>

Repurchase agreements are secured by mortgage-backed securities with book values of approximately \$20.7 million and \$47.4 million at December 31, 1999 and 1998, respectively. Such mortgage-backed securities were delivered to the primary dealers, including Merrill Lynch and Lehman Brothers, who arranged or were parties to the transactions.

Repurchase agreements averaged \$40.8 million and \$64.5 million during 1999 and 1998. The maximum amounts outstanding at any month end during 1999 and 1998 were \$45.0 million and \$85.0 million, respectively. Interest expense on repurchase agreements totaled to \$2,423,000, \$3,925,000 and \$7,251,000 for the years ending 1999, 1998 and 1997, respectively.

The maturity and weighted average interest rates of repurchase agreements at December 31 follow:

	1999		1998	
	Amount	Rate	Amount	Rate
2000			\$10,000,000	5.69%
2001			15,000,000	5.99
2002	\$20,000,000	5.69%	20,000,000	5.69
	-----	-----	-----	-----
Total repurchase agreements	\$20,000,000	5.69%	\$45,000,000	5.79%
	=====	=====	=====	=====

At December 31, 1999 and 1998, the \$20,000,000 repurchase agreement with a stated maturity in 2002 has an initial call by the other party of June 1998, followed by quarterly call options thereafter.

The Company has established a \$20,000,000 unsecured credit facility comprised of a \$10,000,000 five-year term loan, payable in equal quarterly installments and a \$10,000,000 revolving credit agreement. At December 31, 1999, the term note and the revolving credit facility had unpaid principal balances of \$3,000,000 and \$9,500,000, respectively. The term note and the revolving credit facility accrue interest at LIBOR, plus 1.00% and federal funds, plus .75%, respectively.

The maturity of the notes payable at December 31, 1999 follow:

2000	\$ 11,500,000
2001	1,000,000

Total	\$ 12,500,000
	=====

NOTE 9 - GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S SUBORDINATED DEBENTURES

IBC Capital Finance, a trust subsidiary of the Company, has issued and outstanding, 690,000 shares of cumulative trust preferred securities ("Preferred Securities") with a liquidation preference of \$25 per security. The preferred securities represent an interest in the Company's subordinated debentures, which have terms that are similar to the Preferred Securities. Distributions on the securities are payable quarterly at the annual rate of 9.25% of the liquidation preference and are included in interest expense in the consolidated financial statements.

The Preferred Securities are subject to mandatory redemption at the liquidation preference, in whole or in part, upon repayment of the subordinated debentures at maturity or their earlier redemption. The subordinated debentures are redeemable prior to the maturity date of December 31, 2026, at the option of the Company on or after December 31, 2001, in whole at any time or in part from time to time. The subordinated debentures are also redeemable at any time, in whole, but not in part, upon the occurrence of specific events defined within the trust indenture. The Company has the option to defer distributions on the subordinated debentures from time to time for a period not to exceed 20 consecutive quarters.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

The Company and the Banks are routinely engaged in legal proceedings and regulatory matters that have occurred in the ordinary course of business and do not involve amounts in the aggregate that are believed by management to be material to the financial condition of the Company.

During 1999 and 1997, the Company settled lawsuits against MSB for \$2.0 million and \$9.7 million, respectively. Such amounts were included in net income in the respective year. These lawsuits represent actions by shareholders of MSB which alleged certain violations of federal and state securities laws.

NOTE 11 - EARNINGS PER SHARE

A reconciliation of basic and diluted earnings per share for the years ended December 31 follows:

	1999	1998	1997
Net income	\$ 8,669,000	\$ 11,949,000	\$ 1,469,000
	=====	=====	=====
Shares outstanding(1)	11,417,000	11,312,000	11,156,000
ESOP shares not committed to be released	(32,000)	(42,000)	(55,000)
	-----	-----	-----
Shares outstanding for calculation of basic earnings per share	11,385,000	11,270,000	11,101,000
Effect of stock options	125,000	157,000	83,000
	-----	-----	-----
Shares outstanding for calculation of diluted earnings per share(1)	11,510,000	11,427,000	11,184,000
	=====	=====	=====
Earning per share			

Basic .....	\$	.76	\$	1.06	\$	.13
		=====		=====		=====
Diluted .....	\$	.75	\$	1.05	\$	.13
		=====		=====		=====

(1) Shares outstanding have been adjusted for three-for-two stock splits in 1998 and 1997 and 5% stock dividends in each year.

NOTE 12 - FEDERAL INCOME TAX

The composition of federal income tax expense for the years ended December 31 follows:

	1999	1998	1997
Current	\$ 2,380,000	\$ 5,744,000	\$ 2,249,000
Deferred	913,000	(688,000)	(314,000)
Federal income tax expense	<u>\$ 3,293,000</u>	<u>\$ 5,056,000</u>	<u>\$ 1,935,000</u>

A reconciliation of federal income tax expense to the amount computed by applying the statutory federal income tax rate of 35% in 1999, 1998 and 1997 to income before federal income tax for the years ended December 31 follows:

	1999	1998	1997
Statutory rate applied to income before federal income tax	\$ 4,187,000	\$ 5,952,000	\$ 1,191,000
Tax-exempt interest income	(1,506,000)	(961,000)	(906,000)
Amortization of goodwill	265,000	270,000	226,000
Non-deductible costs	466,000		1,504,000
Other, net	(119,000)	(205,000)	(80,000)
Federal income tax expense	<u>\$ 3,293,000</u>	<u>\$ 5,056,000</u>	<u>\$ 1,935,000</u>

The deferred federal income tax expense of \$913,000 in 1999 and the deferred federal income tax benefit of \$688,000 and \$314,000 in 1998 and 1997, respectively, resulted from the tax effect of temporary differences. There was no impact for changes in tax laws and rates or changes in the valuation allowance for deferred tax assets.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 follow:

	1999	1998
Deferred tax assets		
Net operating loss carryforward	\$10,707,000	\$11,429,000
Allowance for loan losses	3,967,000	3,479,000
Unrealized loss on securities available for sale	1,180,000	
Deferred compensation	695,000	856,000
Alternative minimum tax credit carryforwards	617,000	617,000
Purchase discounts	462,000	415,000
Deferred credit life premiums	117,000	206,000
Other	736,000	744,000
Gross deferred tax assets	<u>18,481,000</u>	<u>17,746,000</u>
Deferred tax liabilities		
Mortgage servicing rights	1,569,000	1,297,000
Fixed assets	402,000	452,000
Deferred loan fees	342,000	96,000
Unrealized gain on securities available for sale		1,020,000
Gross deferred tax liabilities	<u>2,313,000</u>	<u>2,865,000</u>
Net deferred tax assets	<u>\$16,168,000</u>	<u>\$14,881,000</u>

At December 31, 1999, the Company had a net operating loss ("NOL") carryforward of approximately \$31,500,000 which, if not used against taxable income, will expire as follows:

2004	\$ 4,429,000
2007	164,000
2008	15,260,000
2009	81,000
2010	6,779,000
2011	929,000
2012	411,000
2018	3,437,000
Total	<u>\$31,490,000</u>

The use of the \$31,500,000 NOL carryforward, which was acquired from MSB, is limited to \$2,900,000 per year. Such limitations are the result of changes in control as defined in the Internal Revenue Code.

Management believes that the tax benefits associated with the deferred tax assets acquired from MSB will more likely than not be realized, and therefore no valuation allowance is considered necessary. As a result, and in conjunction with pooling of interests accounting, prior period financial statements have been restated as if no valuation allowance had been recognized by MSB.

NOTE 13 - EMPLOYEE BENEFIT PLANS

The Company maintains stock option plans for its non-employee directors as well as certain officers of the Company and the Banks. An aggregate of 945,000 shares of common stock has been authorized for issuance under the plans. Certain option grants are contingent upon the approval of additional authorized shares by the Company's shareholders. Options that were granted under these plans are exercisable not earlier than one year after the date of grant, at a price equal to the fair market value of the common stock on the date of grant, and expire not more than ten years after the date of grant.

The Company has elected to provide pro forma disclosures for its net income and earnings per share as if it had adopted the fair value accounting method for stock-based compensation.

The per share weighted-average fair value of stock options was obtained using the Black Scholes options pricing model. A summary of the assumptions used and values obtained follows:

	1999	1998	1997
Expected dividend yield	3.35%	1.98%	2.86%
Risk-free interest rate	5.04	5.65	6.76
Expected life	5 years	5 years	5 years
Expected volatility	15.52%	23.78%	14.41%
Per share weighted-average fair value	\$4.21	\$6.12	\$2.81

The Company applies APB Opinion No. 25 in accounting for its plans and, accordingly, no compensation cost has been recognized for its stock options in the financial statements. The following table summarizes the impact on the Company's net income had compensation cost included the fair value of options at the grant date:

	1999	1998	1997
Net income			
As reported	\$ 8,669,000	\$ 11,949,000	\$ 1,469,000
Pro-forma	8,353,000	11,424,000	1,255,000
Income per share			
Basic			
As reported	\$.76	\$ 1.06	\$.13
Pro-forma .....	.73	1.01	.11
Diluted			
As reported	\$.75	\$ 1.05	\$.13
Pro-forma .....	.73	1.00	.11

A summary of outstanding stock option grants and transactions follows:

	Number Of Shares	Average Exercise Price
Outstanding at January 1, 1997	506,837	\$ 9.66
Granted	117,039	15.04
Exercised	(81,768)	6.34
Outstanding at December 31, 1997	542,108	11.32
Granted	132,034	21.58
Exercised	(43,066)	6.85
Outstanding at December 31, 1998	631,076	13.77
Granted	115,298	15.95
Exercised	(89,883)	6.18
Outstanding at December 31, 1999	656,491	\$15.19

At December 31, 1999, the range of exercise prices of outstanding options was \$5.21 to \$23.89.

The Company maintains 401(k) and employee stock ownership plans covering substantially all full-time employees of the Company and its subsidiaries. The Company matches employee contributions to the 401(k) up to a maximum of 3% of participating employees' eligible wages. At December 31, 1999, the Company is in the process of merging the employee stock ownership plan of MSB ("MSB ESOP") with the Company's plan. The merger of these plans is dependent upon the receipt of a favorable determination by the Internal Revenue Service, which is expected to be received during 2000. Upon merger of these plans, the outstanding loan balance of the MSB ESOP, which is shown as a reduction to shareholders' equity at December 31, 1999 and 1998, will be retired. Contributions to the employee stock ownership plan are determined annually and require approval of the Company's Board of Directors. During 1999, 1998 and 1997, \$1,388,000, \$1,564,000 and \$1,389,000 respectively, was expensed for these retirement plans.

Officers of the Company and subsidiaries participate in various performance-based compensation plans. Prior to 1999, the Company maintained the Incentive Share Grant Plan which provided that the Board of Directors, at its sole discretion, may award restricted shares of common stock to the participants in the Management Incentive Compensation Plan in lieu of cash bonuses. The market value of such incentive shares at the date of grant was equal to twice the amount of the cash incentive otherwise payable. The Incentive Share Grant plan was terminated during 1999 in favor of cash incentive payments and stock option grants. Amounts expensed for all incentive plans totaled \$1,920,000, \$1,943,000, and \$1,639,000, in 1999, 1998 and 1997, respectively.

Substantially all salaried employees of MSB were covered by the multi-employer Financial Institutions Retirement Fund ("FIRF"). Effective January 1, 2000, MSB withdrew as a participant in the FIRF and all employees became 100% vested. As of June 30, 1999, the aggregate market value of the assets held by the FIRF exceeded the value of the vested benefits.

There was no pension expense or required contribution for 1999, 1998 or 1997. The FIRF does not segregate the assets, liabilities or costs by participating employer. Significant actuarial assumptions include a 5.5% rate of compensation increase for 1999, 1998 and 1997. The return on assets held by the FIRF and the weighted-average discount rate was 8% in 1999, 1998 and 1997.

The Company also provides certain health care and life insurance programs to substantially all full-time employees. These insurance programs are available to retired employees at their expense.

NOTE 14 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Banks enter into financial instruments with off-balance sheet risk to meet the financing needs of customers or to reduce exposure to fluctuations in interest rates. These financial instruments may include commitments to extend credit, standby letters of credit and interest-rate derivatives. Financial instruments involve varying degrees of credit and interest-rate risk in excess of amounts reflected in the consolidated balance sheets. Exposure to credit risk in the event of non-performance by the counterparties to the financial instruments for loan commitments to extend credit and letters of credit is represented by the contractual amounts of those instruments. Management does not, however, anticipate material losses as a result of these financial instruments.

A summary of financial instruments with off-balance sheet risk at December 31 follows:

	1999	1998
Financial instruments whose risk is represented by contract amounts		
Commitments to extend credit	\$ 134,103,000	\$ 192,463,000
Standby letters of credit	26,518,000	32,924,000
Interest-rate derivative financial instruments		
Interest-rate cap agreements		
Notional amount	\$ 29,000,000	\$ 26,000,000
Strike(1)	6.51%	6.69%
Weighted-average maturity	4.0 years	1.2 years
Amortized cost	\$ 792,000	\$ 70,000
Fair value	900,000	10,000
Interest-rate floor agreements		
Notional amount	\$ 8,000,000	
Strike(1)	5.17%	
Weighted-average maturity	2.3 years	
Amortized cost	\$ 27,000	
Fair value	9,000	
Interest-rate collar agreements		
Notional amount	\$ 7,000,000	\$ 10,000,000
Cap strike(1)	6.38%	6.42%
Floor strike(1)	5.75	5.71
Weighted-average maturity	1.0 years	1.7 years
Fair value	\$ 13,000	\$ (137,000)
Interest-rate swap agreements (pay fixed)		
Notional amount	\$ 69,500,000	\$ 54,500,000
Rate paying	5.51%	5.28%
Rate receiving	6.10	5.27
Weighted-average maturity	2.7 years	2.7 years
Fair value	\$ 1,485,000	\$ (401,000)
Interest-rate swap agreements (pay variable)		
Notional amount	\$ 81,000,000	\$ 25,000,000
Rate paying	5.96%	5.10%
Rate receiving	6.40	5.89
Weighted-average maturity	7.4 years	9.0 years
Fair value	\$ (2,446,000)	\$ (118,000)

(1) The index used for the strike price is 3 or 6 month LIBOR.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and generally require payment of a fee. Since commitments may expire without being drawn upon, the commitment amounts do not represent future cash requirements. Commitments are issued subject to similar underwriting standards, including collateral requirements, as are generally involved in the extension of credit facilities.

Standby letters of credit are written conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in such transactions is essentially the same as that involved in extending loan facilities and, accordingly, standby letters of credit are issued subject to similar underwriting standards, including collateral requirements, as are generally involved in the extension of credit facilities.

NOTE 15 - RELATED PARTY TRANSACTIONS

Certain directors and executive officers of the Company and the Banks, including companies in which they are officers or have significant ownership, were loan customers of the Banks during 1999 and 1998.

A summary of loans to directors and executive officers whose borrowing relationship exceeds \$60,000, and to entities in which they own a 10% or more voting interest for the years ended December 31 follows:

	1999	1998
Balance at beginning of period	\$ 13,872,000	\$ 3,754,000
New loans and advances	16,099,000	13,859,000
Repayments	(13,142,000)	(3,741,000)
Balance at end of period	\$ 16,829,000	\$ 13,872,000

NOTE 16 - OTHER NON-INTEREST EXPENSES

Other non-interest expenses for the years ended December 31 follow:

	1999	1998	1997
Computer processing	\$ 3,356,000	\$ 2,912,000	\$ 2,411,000
Advertising	2,545,000	2,176,000	1,905,000
Communications	2,257,000	2,160,000	1,826,000
Amortization of intangible assets	1,742,000	1,692,000	1,523,000
Supplies	1,661,000	1,431,000	1,185,000
FDIC insurance	1,392,000	1,410,000	1,536,000
Loan and collection	1,348,000	1,554,000	1,146,000
Other	4,825,000	6,189,000	5,845,000
Total non-interest expense	\$19,126,000	\$19,524,000	\$17,377,000

NOTE 17 - REGULATORY MATTERS

Capital guidelines adopted by Federal and State regulatory agencies and restrictions imposed by law limit the amount of cash dividends the Banks can pay to the Company. At December 31, 1999, using the most restrictive of these conditions for each Bank, the aggregate cash dividends that the Banks can pay the Company without prior approval is approximately \$43,800,000. It is not the intent of Management to have dividends paid in amounts which would reduce the capital of the Banks to levels below those which are considered prudent by Management and in accordance with guidelines of regulatory authorities.

The Company and the Banks are also subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly discretionary, actions by regulators that could have a material effect on the Company's financial statements. Under capital adequacy guidelines, the Company and the Banks must meet specific capital requirements that involve quantitative measures as well as qualitative judgments by the regulators. Quantitative measures established by regulation to ensure capital adequacy require minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets and Tier 1 capital to average assets.

Actual capital amounts and ratios for the Company and the Banks at December 31, 1999 follow:

	Actual		Minimum Ratios For Adequately Capitalized Institutions		Minimum Ratios For Well-Capitalized Institutions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio

Total capital to risk-weighted assets						
Consolidated	\$124,749,000	10.41%	\$ 95,853,000	8.00%	\$119,817,000	10.00%
Independent Bank	30,780,000	10.20	24,124,000	8.00	30,178,000	10.00
Independent Bank West Michigan	24,668,000	10.64	18,552,000	8.00	23,190,000	10.00
Independent Bank South Michigan	14,607,000	10.23	11,424,000	8.00	14,280,000	10.00
Independent Bank East Michigan	22,510,000	10.91	16,506,000	8.00	20,633,000	10.00
Independent Bank MSB	31,614,000	10.36	24,418,000	8.00	30,522,000	10.00
Tier 1 capital to risk-weighted assets						
Consolidated	\$111,764,000	9.33%	\$ 47,927,000	4.00%	\$ 71,890,000	6.00%
Independent Bank	27,272,000	9.04	12,071,000	4.00	18,107,000	6.00
Independent Bank West Michigan	21,766,000	9.39	9,276,000	4.00	13,914,000	6.00
Independent Bank South Michigan	12,819,000	8.96	5,712,000	4.00	8,568,000	6.00
Independent Bank East Michigan	20,358,000	9.87	8,253,000	4.00	12,380,000	6.00
Independent Bank MSB	29,403,000	9.63	12,209,000	4.00	18,313,000	6.00
Tier 1 capital to average assets						
Consolidated	\$111,764,000	6.56%	\$ 68,162,000	4.00%	\$ 85,203,000	5.00%
Independent Bank	27,272,000	6.78	16,092,000	4.00	20,115,000	5.00
Independent Bank West Michigan	21,766,000	6.97	12,497,000	4.00	15,622,000	5.00
Independent Bank South Michigan	12,819,000	6.98	7,341,000	4.00	9,176,000	5.00
Independent Bank East Michigan	20,358,000	7.04	11,565,000	4.00	14,457,000	5.00
Independent Bank MSB	29,403,000	5.64	20,846,000	4.00	26,057,000	5.00

NOTE 18 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Most of the Company's assets and liabilities are considered financial instruments. Many of these financial instruments lack an available trading market and it is the Company's general practice and intent to hold the majority of its financial instruments to maturity. Significant estimates and assumptions were used to determine the fair value of financial instruments. These estimates are subjective in nature, involving uncertainties and matters of judgment, and therefore, fair values cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimated fair values have been determined using available data and methodologies that are considered suitable for each category of financial instrument. For instruments with adjustable-interest rates which reprice frequently and without significant credit risk, it is presumed that estimated fair values approximate the recorded book balances.

Financial instrument assets actively traded in a secondary market, such as securities, have been valued using quoted market prices while recorded book balances have been used for cash and due from banks.

The fair value of loans is calculated by discounting estimated future cash flows using estimated market discount rates that reflect credit and interest-rate risk inherent in the loans.

Financial instruments with a stated maturity, such as certificates of deposit, have been valued based on the discounted value of contractual cash flows using a discount rate approximating current market rates for liabilities with a similar maturity.

Financial instrument liabilities without a stated maturity, such as demand deposits, savings, NOW and money market accounts, have a fair value equal to the amount payable on demand.

The estimated fair values and recorded book balances at December 31 follow:

	1999		1998	
	Estimated Fair Value	Recorded Book Balance	Estimated Fair Value	Recorded Book Balance
----- (in thousands) -----				
ASSETS				
Cash and due from banks	\$ 58,600	\$ 58,600	\$ 53,900	\$ 53,900
Securities available for sale	195,300	195,300	155,600	155,600
Securities held to maturity	70,500	71,100	161,900	161,300
Net loans and loans held for sale	1,267,000	1,290,600	1,201,500	1,186,300
LIABILITIES				
Deposits with no stated maturity	\$ 703,000	\$ 703,000	\$ 683,700	\$ 683,700
Deposits with stated maturity	604,200	607,600	575,800	571,800
Other borrowings	281,200	284,200	274,500	269,100

The fair values for commitments to extend credit and standby letters of credit are estimated to approximate their aggregate book balance.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale the entire holdings of a particular financial instrument.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business, the value of future earnings attributable to off-balance sheet activities and the value of assets and liabilities that are not considered financial instruments.

Fair value estimates for deposit accounts do not include the value of the substantial core deposit intangible asset resulting from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market.

NOTE 19 - OPERATING SEGMENTS

The Company's reportable segments are based upon legal entities. The Company has five reportable segments: Independent Bank ("IB"), Independent Bank West Michigan ("IBWM"), Independent Bank South Michigan ("IBSM"), Independent Bank East Michigan ("IBEM") and Independent Bank MSB ("IBMSB"). The accounting policies of the segments are the same as those described in Note 1 to the Consolidated Financial Statements. The Company evaluates performance based principally on net income of the respective reportable segments.

A summary of selected financial information for the Company's reportable segments follows:

	IB	IBWM	IBSM	IBEM	IBMSB	Other(1)	Total
(in thousands)							
1999							
Total assets	\$ 410,744	\$323,847	\$ 196,665	\$ 308,733	\$ 475,475	\$ 9,741	\$ 1,725,205
Interest income	29,039	25,958	13,562	20,470	36,456	25	125,510
Net interest income	17,740	16,182	8,203	12,495	14,311	(2,151)	66,780
Provision for loan losses ..	600	540	220	615	686		2,661
Income (loss) before income tax	6,573	6,069	3,074	3,944	(4,104)	(3,594)	11,962
Net income (loss)	4,640	4,198	2,345	3,040	(2,966)	(2,588)	8,669
1998							
Total assets	\$ 361,936	\$276,385	\$ 174,396	\$ 268,559	\$ 575,635	\$ 3,982	\$ 1,660,893
Interest income	28,439	24,825	13,764	19,012	39,835	33	125,908
Net interest income	17,022	15,107	8,010	11,428	12,008	(2,334)	61,241
Provision for loan losses ..	940	1,050	340	713	585		3,628
Income (loss) before income tax	6,363	5,456	3,019	3,276	2,658	(3,767)	17,005
Net income (loss)	4,401	3,814	2,205	2,397	1,728	(2,596)	11,949
1997							
Total assets	\$ 346,765	\$231,729	\$ 152,694	\$ 246,815	\$ 657,062	\$ 5,814	\$ 1,640,879
Interest income	27,184	20,105	12,179	17,920	42,497	26	119,911
Net interest income	15,740	12,286	6,835	10,294	11,254	(2,516)	53,893
Provision for loan losses ..	820	260	265	405	225		1,975
Income (loss) before income tax	5,988	4,588	2,652	2,907	(9,155)	(3,576)	3,404
Net income (loss)	4,129	3,225	1,938	2,102	(7,455)	(2,470)	1,469

(1) Includes items relating to the Company and certain insignificant operations.

NOTE 20 - INDEPENDENT BANK CORPORATION (PARENT COMPANY ONLY) FINANCIAL INFORMATION

Presented below are condensed financial statements for the parent company.

CONDENSED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	1999	1998
ASSETS		
Cash and due from banks	\$ 2,268,000	\$ 1,543,000
Investment in subsidiaries	137,810,000	140,945,000
Other assets	7,157,000	5,381,000
Total Assets	\$147,235,000	\$147,869,000
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable	\$ 12,500,000	\$ 10,000,000
Subordinated debentures	17,783,000	17,783,000
Other liabilities	3,206,000	3,044,000
Shareholders' equity	113,746,000	117,042,000
Total Liabilities and Shareholders' Equity	\$147,235,000	\$147,869,000

CONDENSED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	1999	1998	1997
OPERATING INCOME			
Dividends from subsidiaries	\$ 9,100,000	\$ 8,175,000	\$ 7,400,000
Management fees from subsidiaries and other income	10,242,000	8,444,000	6,755,000
Total Operating Income	19,342,000	16,619,000	14,155,000
OPERATING EXPENSES			
Interest expense	2,176,000	2,367,000	2,542,000
Administrative and other expenses	12,078,000	9,962,000	7,871,000
Total Operating Expenses	14,254,000	12,329,000	10,413,000
Income Before Federal Income Tax and Undistributed Net Income of Subsidiaries	5,088,000	4,290,000	3,742,000
Federal income tax credit	1,209,000	1,289,000	1,188,000
Income Before Equity in Undistributed Net Income of Subsidiaries	6,297,000	5,579,000	4,930,000
Equity in undistributed net income of subsidiaries	2,372,000	6,370,000	(3,461,000)
Net Income	\$ 8,669,000	\$ 11,949,000	\$ 1,469,000

CONDENSED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1999	1998	1997
Net Income	\$ 8,669,000	\$ 11,949,000	\$ 1,469,000
ADJUSTMENTS TO RECONCILE NET INCOME			
TO NET CASH FROM OPERATING ACTIVITIES			
Depreciation, amortization of intangible assets and premiums, and accretion of discounts on securities and loans	787,000	540,000	437,000
(Increase) decrease in other assets	993,000	(559,000)	(238,000)
Increase in other liabilities	213,000	2,975,000	478,000
Equity in undistributed net income of subsidiaries	(2,372,000)	(6,370,000)	3,461,000
Total Adjustments	(379,000)	(3,414,000)	4,138,000
Net Cash from Operating Activities	8,290,000	8,535,000	5,607,000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of securities available for sale		(100,000)	
Maturity of securities available for sale	100,000		
Capital expenditures	(2,264,000)	(2,264,000)	(807,000)
Investment in subsidiaries		(3,383,000)	
Net Cash from Investing Activities	(2,164,000)	(5,747,000)	(807,000)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	4,500,000		
Retirement of long-term debt	(2,000,000)	(2,000,000)	(2,000,000)
Dividends paid	(4,587,000)	(3,587,000)	(3,186,000)
Repurchase of common stock	(4,331,000)		
Proceeds from issuance of common stock	1,017,000	948,000	806,000
Net Cash from Financing Activities	(5,401,000)	(4,639,000)	(4,380,000)
Net Increase (Decrease) in Cash and Cash Equivalents	725,000	(1,851,000)	420,000
Cash and Cash Equivalents at Beginning of Period	1,543,000	3,394,000	2,974,000
Cash and Cash Equivalents at End of Period	\$ 2,268,000	\$ 1,543,000	\$ 3,394,000

QUARTERLY SUMMARY

	Reported Sale Prices of Common Shares						Cash Dividends Declared	
	1999			1998			1999	1998
	High	Low	Close	High	Low	Close		
First quarter	\$ 20.11	\$ 14.76	\$ 15.18	\$ 26.91	\$ 22.83	\$ 23.58	\$.09	\$.08
Second quarter	16.61	13.75	16.55	28.73	22.38	26.60	.09	.08
Third quarter	17.14	14.05	14.58	26.53	18.82	20.07	.13	.08
Fourth quarter	17.31	12.75	14.63	23.33	17.14	19.29	.14	.09

The Company has approximately 2,400 holders of record of its common stock. The common stock trades on the Nasdaq stock market under the symbol "IBCP". The prices shown above are supplied by Nasdaq and reflect the inter-dealer prices and may not include retail markups, markdowns or commissions. There may have been transactions or quotations at higher or lower prices of which the Company is not aware.

In addition to the provisions of the Michigan Business Corporations Act, the Company's ability to pay dividends is limited by its ability to obtain funds from the Banks and by regulatory capital guidelines applicable to the Company. (See Note 17 to the Consolidated Financial Statements.)

QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of selected quarterly results of operations for the years ended December 31 follows:

	March 31,	Three Months Ended June 30,	September 30,	December 31,
1999				
Interest income	\$ 30,779,000	\$ 30,894,000	\$ 31,764,000	\$ 32,073,000
Net interest income	16,176,000	16,552,000	17,139,000	16,913,000
Non-recurring charges			6,743,000	1,257,000
Provision for loan losses	666,000	655,000	645,000	695,000
Income (loss) before income tax expense (benefit)	4,667,000	4,978,000	(1,564,000)	3,881,000
Net income (loss)	3,271,000	3,501,000	(1,179,000)	3,076,000
Income (loss) per share				
Basic	\$.29	\$.30	\$ (.10)	\$.27
Diluted .....	.28	.30	(.10)	.27
1998				
Interest income	\$ 31,197,000	\$ 31,672,000	\$ 31,635,000	\$ 31,404,000
Net interest income	14,675,000	15,201,000	15,476,000	15,889,000
Provision for loan losses	743,000	790,000	1,035,000	1,060,000
Income before income tax expense	3,967,000	4,167,000	4,275,000	4,596,000
Net income	2,786,000	2,923,000	3,019,000	3,221,000
Income per share				
Basic	\$.25	\$.26	\$.27	\$.28
Diluted .....	.25	.26	.26	.28

SHAREHOLDER INFORMATION

HOW TO ORDER FORM 10-K

Shareholders may obtain, without charge, a copy of Form 10-K, the 1999 Annual Report to the Securities and Exchange Commission, by writing to William R. Kohls, Chief Financial Officer, Independent Bank Corporation, P.O. Box 491, Ionia, Michigan 48846.

PRESS RELEASES

The Company's press releases, including earnings and dividend announcements as well as other financial information, are available on the Company's website at www.ibcp.com.

NOTICE OF ANNUAL MEETING

The Company's Annual Meeting of Shareholders will be held at 3:00 p.m. on April 18, 2000, in the Ionia Theater located at 205 West Main Street, Ionia, Michigan, 48846.

TRANSFER AGENT AND REGISTRAR

State Street Bank & Trust Company, (c/o EquiServe Limited Partnership, P.O. Box 8200, Boston, Massachusetts 02266-8200, #800/426-5523, www.equiserve.com) serves as transfer agent and registrar of the Company's common stock.

DIVIDEND REINVESTMENT

The Company maintains an Automatic Dividend Reinvestment and Stock Purchase Plan which provides an opportunity for shareholders of record to reinvest cash dividends into the Company's common stock. Optional cash purchases up to \$5,000 per quarter are also permitted. A prospectus is available by writing to the Company's Chief Financial Officer.

EXECUTIVE OFFICERS AND DIRECTORS

EXECUTIVE OFFICERS

Charles C. Van Loan, President and Chief Executive Officer, Independent Bank Corporation
 Jeffrey A. Bratsburg, Chairman of the Board, Independent Bank West Michigan
 Ronald L. Long, President and Chief Executive Officer, Independent Bank East Michigan
 Michael M. Magee, Jr., President and Chief Executive Officer, Independent Bank
 David C. Reglin, President and Chief Executive Officer, Independent Bank West Michigan
 Robert N. Shuster, President and Chief Executive Officer, Independent Bank MSB
 Edward B. Swanson, President and Chief Executive Officer, Independent Bank South Michigan
 William R. Kohls, Executive Vice President and Chief Financial Officer, Independent Bank Corporation

DIRECTORS

Keith E. Bazaire, President, Carter's Food Center, Inc., Retail Grocer, Charlotte
 Terry L. Haske, President, Ricker & Haske, C.P.A.s, P.C., Marlette
 Thomas F. Kohn, Chief Executive Officer, Belco Industries, Inc., Manufacturer, Belding
 Robert J. Leppink, President, Leppink's Inc., Retail Grocer, Belding
 Charles A. Palmer, Professor of Law, Thomas M. Cooley Law School, Lansing
 Charles C. Van Loan, President and Chief Executive Officer, Independent Bank Corporation, Ionia
 Arch V. Wright, Jr., President, Charlevoix Development Company, Real Estate Development, Charlevoix

INDEPENDENT BANK CORPORATION
Subsidiaries of the Registrant

	State of Incorporation
IBC Capital Finance Ionia, Michigan	Delaware
Independent Bank Ionia, Michigan	Michigan
Independent Bank West Michigan Rockford, Michigan	Michigan
Independent Bank South Michigan Leslie, Michigan	Michigan
Independent Bank East Michigan Caro, Michigan	Michigan
Independent Bank MSB Bay City, Michigan	Michigan
IBC Financial Services, Inc. (a subsidiary of Independent Bank) Ionia, Michigan	Michigan
Independent Title Services, Inc. (a subsidiary of Independent Bank, Independent Bank West Michigan, Independent Bank South Michigan and Independent Bank East Michigan) Rockford, Michigan	Michigan
First Home Financial (a subsidiary of Independent Bank) Grand Rapids, Michigan	Michigan
MSB Investment and Insurance Services, Inc. (a subsidiary of Independent Bank MSB) Bay City, Michigan	Michigan
MSB Service Corporation (a subsidiary of Independent Bank MSB) Bay City, Michigan	Michigan
Independent Mortgage Company-Central Michigan (a subsidiary of Independent Bank) South Ionia, Michigan	Michigan
Independent Mortgage Company-West Michigan (a subsidiary of Independent Bank West Michigan) Rockford, Michigan	Michigan
Independent Mortgage Company-South Michigan (a subsidiary of Independent Bank South Michigan) Leslie, Michigan	Michigan
Independent Mortgage Company-East Michigan (a subsidiary of Independent Bank East Michigan) Caro, Michigan	Michigan

The Board of Directors
Independent Bank Corporation:

We consent to incorporation by reference in the registration statements (No. 33-80088) on Form S-3 and (Nos. 333-32267 and 333-32269) on Forms S-8 of Independent Bank Corporation of our report dated February 4, 2000, relating to the consolidated statements of financial condition of Independent Bank Corporation and subsidiaries as of December 31, 1999, and 1998, and the related consolidated statements of operations, shareholders' equity, comprehensive income and cash flows for each of the years in the three-year period ended December 31, 1999, which report is incorporated by reference in the December 31, 1999 annual report on Form 10-K of Independent Bank Corporation.

/s/ KPMG LLP
Detroit, Michigan
March 28, 2000

12-MOS
DEC-31-1999
DEC-31-1999 58,646
0
0
0
195,300
71,115
70,486
1,290,641
12,985
1,725,205
1,310,602
264,420
16,687
19,750
0
0
11,235
102,511
1,725,205
106,733
17,200
1,577
125,510
44,106
58,730
66,780
2,661
(912)
69,480
11,962
11,962
0
0
8,669
0.76
0.75
4.47
2,980
2,029
270
3,400
11,557
1,979
746
12,985
7,201
0
5,784