

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

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2004 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
(State or other jurisdiction of incorporation)

38-2032782
(I.R.S. employer identification no.)

230 W. Main St., P.O. Box 491,
Ionia, Michigan
(Address of principal executive offices)

48846
(Zip Code)

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$1.00 Par Value
(Title of class)

8.25% Cumulative Trust Preferred Securities, \$25.00 Liquidation Amount
(Title of class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2)

Yes No

The aggregate market value of common stock held by non-affiliates of the Registrant as of June 30, 2004, was \$485,637,027.

The number of shares outstanding of the Registrant's common stock as of March 8, 2005 was 21,250,291.

Documents incorporated by reference

Portions of our definitive proxy statement, and appendix thereto, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders are incorporated by reference into Part I, Part II and Part III of this annual report.

The Exhibit Index appears on Page 24

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

PART I

ITEM 1. BUSINESS

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

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

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

The following table shows each of our Banks and their total deposits and loans as of December 31, 2004:

Bank	Main Office Location	Total Deposits	Total Loans	
Independent Bank	Bay City	\$1,017,930,000	\$1,066,267,000	
Independent Bank	West Michigan	Rockford	383,460,000	387,825,000
Independent Bank	South Michigan	Leslie	303,428,000	276,735,000
Independent Bank	East Michigan	Caro	486,463,000	494,463,000

ITEM 1. BUSINESS (Continued)

On July 1, 2004 we completed the acquisition of North Bancorp, Inc. North was a commercial bank headquartered in Northern Michigan. North was merged into Independent Bank.

On May 31, 2004 we completed the acquisition of Midwest Guaranty Bancorp, Inc. Midwest was a commercial bank headquartered in southeast Michigan. Midwest was merged in Independent Bank East Michigan.

On April 15, 2003 we completed the acquisition of Mepco Insurance Premium Financing, Inc. Mepco is a 40-year old Chicago-based company that specializes in financing insurance premiums for businesses and extended automobile warranties for consumers. Mepco is operated as a wholly owned subsidiary of Independent Bank.

During 2003, we formed IBC Capital Finance II, a Delaware statutory business trust ("IBC Capital II"). IBC Capital II'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 us. IBC Capital II 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 us and certain related services. As a result, the sole assets of IBC Capital II are our subordinated debentures. Prior to 2004 the trust was consolidated in our financial statements and the common securities and subordinated debentures were eliminated in consolidation. Under new accounting guidance, FASB Interpretation No. 46, as revised in December 2003 ("FIN 46R"), the trust is no longer consolidated with Independent Bank Corporation. The effect of no longer consolidating the trust had no material impact on our operating results.

In connection with our acquisition of Midwest, we assumed all of the duties, warranties and obligations of Midwest as the sponsor and sole holder of the common securities of Midwest Guaranty Trust I ("MGT"). In 2002, MGT, a special purpose entity, issued common securities to Midwest and trust preferred securities as part of a pooled offering. Midwest issued subordinated debentures to the trust in exchange for the proceeds of the offering, which debentures represent the sole asset of MGT.

In connection with our acquisition of North, we assumed all of the duties, warranties and obligations of North as the sole general partner of Gaylord Partners, Limited Partnership ("GPLP"), a special purpose entity. In 2002, North contributed to the capital of GPLP and GPLP issued floating rate cumulative preferred securities as part of a private placement offering. North issued subordinated debentures to GPLP in exchange for the proceeds of the offering, which debentures represent the sole asset of GPLP.

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

Our Banks' activities cover all phases of commercial banking, including checking and savings accounts, commercial lending, direct and indirect consumer financing, mortgage lending, insurance premium and automobile warranty financing and safe deposit box services. Our Banks' mortgage lending activities are primarily conducted through separate mortgage bank subsidiaries. Insurance premium and automobile warranty financing activity is conducted through a separate subsidiary owned by one of our Banks. Our Banks also offer title insurance services through a separate subsidiary and provide investment and insurance services through a third party agreement with PrimeVest Financial Services, Inc. Our Banks do not offer trust services. Our principal markets are the rural and suburban communities across lower Michigan that are served by our Banks' branch networks. The local economies of the communities served by our Banks are relatively stable and reasonably diversified. Our Banks serve their markets through their four main offices and a total of 88 branches, 4 drive-thru facilities and 14 loan production offices.

Our Banks compete with other commercial banks, savings and loan associations, credit unions, mortgage banking companies, securities brokerage companies, insurance companies, and money market mutual funds. Many of these competitors have substantially greater resources than we do and offer certain services that we do not currently provide. Such competitors may also have greater lending limits than our Banks. Competition may increase as a result of the Gramm-Leach-Bliley Act of 1999 (the "GLB Act"), and 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 us.

ITEM 1. BUSINESS (Continued)

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

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

	2004	2003	2002
	----	----	----
Interest and fees on loans	69.8%	65.3%	68.0%
Other interest income	11.3	11.3	12.8
Non-interest income	18.9	23.4	19.2
	-----	-----	-----
	100.0%	100.0%	100.0%
	=====	=====	=====

As of March 8, we had 1,089 full-time employees and 287 part-time employees.

Supervision and Regulation

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

General

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

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

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

Independent Bank Corporation

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

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

In addition, if the OFIS deems a bank's capital to be impaired, the OFIS may require a bank to restore its capital by special assessment upon a bank holding company, as the bank's sole shareholder. If the bank holding company were

ITEM 1. BUSINESS (Continued)

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 OFIS under Michigan banking laws, may be required.

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

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

ITEM 1. BUSINESS (Continued)

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

Included in our Tier 1 capital is \$62.4 million of trust preferred securities (classified on our balance sheet as "Subordinated debentures"). In March 2005, the Federal Reserve Board issued a final rule that would retain trust preferred securities in the Tier 1 capital of bank holding companies. After a transition period ending March 31, 2009, the aggregate amount of trust preferred securities and certain other capital elements would be limited to 25 percent of Tier 1 capital elements, net of goodwill (less any associated deferred tax liability). The amount of trust preferred securities and certain other elements in excess of the limit could be included in the Tier 2 capital, subject to restrictions. Based upon our existing levels of Tier 1 capital, trust preferred securities and goodwill, this final Federal Reserve Board rule would have reduced our Tier 1 capital to average assets ratio by approximately 25 basis points at December 31, 2004 (this calculation assumes no transition period).

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

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

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

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

ITEM 1. BUSINESS (Continued)

Our Banks

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

Deposit Insurance. As 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.

The Federal Deposit Insurance Corporation Improvement Act ("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. If the actual reserve drops below the current mandated reserve of 1.25% then our BIF insurance assessments may increase.

FICO Assessments. Our Banks, as members of BIF, are subject to assessments to cover the payments on outstanding obligations of the financing corporation ("FICO"). FICO was created to finance the recapitalization of the Federal Savings and Loan Insurance Corporation, the predecessor to the FDIC's Savings Association Insurance Fund (the "SAIF"), which insures the deposits of thrift institutions. From now until 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. It is estimated that FICO assessments during this period will be less than 0.025% of deposits.

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

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

ITEM 1. BUSINESS (Continued)

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

At December 31, 2004, each of our Bank's ratios exceeded minimum requirements for the well-capitalized category.

Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: requiring the submission of a capital restoration plan; placing limits on asset growth and restrictions on activities; requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; restricting transactions with affiliates; restricting the interest 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.

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

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

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

ITEM 1. BUSINESS (Continued)

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

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

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

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

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

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

Mepco Insurance Premium Financing, Inc.

Our subsidiary, Mepco Insurance Premium Financing, Inc., is engaged in the business of insurance premium financing and the financing of extended vehicle service contracts throughout the United States. Most States specifically regulate premium financing, including requiring premium finance companies to be licensed, limiting the amount of finance and other charges that can be imposed on borrowings and regulating the refund of unearned premiums. In addition to being subject to these laws, Mepco is subject to other federal and state laws generally applicable to lending and related activities.

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

ITEM 1. BUSINESS -- STATISTICAL DISCLOSURE

I. (A) DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY;

(B) INTEREST RATES AND INTEREST DIFFERENTIAL

(C) INTEREST RATES AND DIFFERENTIAL

The information set forth in the tables captioned "Average Balances and Tax Equivalent Rates" and "Change in Tax Equivalent Net Interest Income" of the Appendix to our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders (filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

II. INVESTMENT PORTFOLIO

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

	2004	2003	2002
	-----	-----	-----
	(in thousands)		
Available for sale			
U.S. Treasury	\$ 9,924	\$ 301	\$ 306
States and political subdivisions	244,488	197,791	162,917
Mortgage-backed	222,454	138,986	84,923
Other asset-backed	23,577	33,130	42,138
Trust preferred	19,916	31,078	33,211
Preferred stock	25,913	30,263	26,297
Corporate	2,000	21,909	20,817
Other	2,636	538	637
	-----	-----	-----
Total	\$550,908	\$453,996	\$371,246
	=====	=====	=====

ITEM 1. BUSINESS -- STATISTICAL DISCLOSURE (Continued)

II. INVESTMENT PORTFOLIO (Continued)

(B) The following table sets forth contractual maturities of securities at December 31, 2004 and the weighted average yield of such securities:

	Maturing Within One Year		Maturing After One But Within Five Years		Maturing After Five But Within Ten Years		Maturing After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(dollars in thousands)								
Available for sale								
U.S. Treasury			\$ 9,924	3.07%				
States and political subdivisions	8,412	7.65	43,158	7.27	\$ 65,046	7.26%	\$127,872	6.33%
Mortgage-backed	3,689	4.31	157,615	4.49	60,932	5.83	218	6.40
Other asset-backed	3,983	7.40	17,089	6.30	2,505	7.72		
Trust preferred					19,916	6.29		
Preferred stock			2,044	7.86		23,869	4.88	
Corporate	2,000	5.21						
Other securities			99	3.20		2,537	5.83	
Total	\$18,084	6.64%	\$229,929	5.11%	\$128,483	6.59%	\$174,412	6.12%
Tax equivalent adjustment for calculations of yield	\$ 225		\$ 1,153		\$ 1,547		\$ 3,141	

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

Available for sale	Tax-Exempt Rate	Rate on Tax Adjustment	Equivalent Basis
Under 1 year	4.97%	2.68%	7.65%
1-5 years	4.82	2.55	7.37
5-10 years	4.72	2.54	7.26
After 10 years	4.01	2.07	6.08

ITEM 1. BUSINESS -- STATISTICAL DISCLOSURE (Continued)

III. LOAN PORTFOLIO

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

	2004	2003	2002	2001	2000
(in thousands)					
Loans held for sale	\$ 38,756	\$ 32,642	\$ 129,577	\$ 77,220	\$ 20,817
Real estate mortgage	773,609	681,602	601,799	661,462	772,223
Commercial	931,251	603,558	536,715	482,046	381,066
Installment	266,042	234,562	242,928	241,176	226,375
Finance receivables	254,388	147,671			
Total Loans	\$2,264,046	\$1,700,035	\$1,511,019	\$1,461,904	\$1,400,481

The loan portfolio is periodically and systematically reviewed and the results of these reviews are reported to our Boards of Directors. 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, 2004:

	Due			Total
	Due Within One Year	After One But Within Five Years	Due After Five Years	
(in thousands)				
Real estate mortgage	\$ 72,759	\$ 59,412	\$ 4,588	\$ 136,759
Commercial	522,626	341,189	67,436	931,251
Finance receivables	194,184	60,204		254,388
Total	\$789,569	\$460,805	\$72,024	\$1,322,398

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, 2004:

	Fixed Rate	Variable Rate	Total
	(in thousands)		
Due after one but within five years	\$401,900	\$58,905	\$460,805
Due after five years	71,651	373	72,024
Total	\$473,551	\$59,278	\$532,829

ITEM 1. BUSINESS -- STATISTICAL DISCLOSURE (Continued)

III. LOAN PORTFOLIO (Continued)

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

	2004	2003	2002	2001	2000
	-----	-----	-----	-----	-----
	(in thousands)				
(a) Loans accounted for on a non-accrual basis (1, 2)	\$11,804	\$ 9,122	\$5,738	\$5,990	\$5,200
(b) Aggregate amount of loans ninety days or more past due (excludes loans in (a) above)	3,123	3,284	3,961	2,771	1,571
(c) Loans not included above which are "troubled debt restructurings" as defined in Statement of Financial Accounting Standards No. 15(2)	218	335	270	285	260
Total non-performing loans	----- \$15,145	----- \$12,741	----- \$9,969	----- \$9,046	----- \$7,031
	=====	=====	=====	=====	=====

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

(2) Interest in the amount of \$1,089,000 would have been earned in 2004 had loans in categories (a) and (c) remained at their original terms; however, only \$278,000 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 \$7,900,000 at December 31, 2004. These loans involve circumstances which have caused management to place increased scrutiny on the credits and may, in some instances, represent an increased risk of loss to our Banks.

At December 31, 2004, 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, 2004, 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, 2004.

ITEM 1. BUSINESS -- STATISTICAL DISCLOSURE (Continued)

IV. SUMMARY OF LOAN LOSS EXPERIENCE (Continued)

	2001 -----	2000 -----
	(dollars in thousands)	
Total loans outstanding at the end of the year (net of unearned fees)	\$1,461,904	\$1,400,481
	=====	=====
Average total loans outstanding for the year (net of unearned fees)	\$1,428,194	\$1,352,356
	=====	=====

	Unfunded Loan Commit- Losses ments		Unfunded Loan Commit- Losses ments	
	-----	-----	-----	-----
Balance at beginning of year		\$13,509	\$473	\$12,618 \$367
Loans charged-off				
Real estate mortgage		125	176	
Commercial		514	1,205	
Installment		1,557	1,587	
Finance receivables				
Total loans charged-off		2,196	2,968	
Recoveries of loans previously charged-off				
Real estate mortgage		5	5	
Commercial		65	109	
Installment		574	564	
Total recoveries		644	678	
Net loans charged-off		1,552	2,290	
Additions to allowance charged to operating expense		3,329	408	3,181 106
Allowance on loans from business acquired				
Balance at end of year		\$15,286	\$881	\$13,509 \$473
		=====	=====	===== =====
Net loans charged-off as a percent of average loans outstanding (includes loans held for sale) for the year		.11%	.17%	
Allowance for loan losses as a percent of loans outstanding (includes loans held for sale) at the end of the year		1.05	.96	

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

Further discussion of the provision and allowance for loan losses (a critical accounting policy) as well as non-performing loans, is presented in Management's Discussion and Analysis of Financial Condition and Results of Operations, 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) Our Banks have allocated the allowance for loan losses to provide for the possibility of losses being incurred within the categories of loans set forth in the table below. The amount of the allowance that is allocated and the ratio of loans within each category to total loans at December 31 follows:

	2004		2003		2002	
	Percent Allowance Amount	of Loans to Total Loans	Percent Allowance Amount	of Loans to Total Loans	Percent Allowance Amount	of Loans to Total Loans
(dollars in thousands)						
Commercial	\$13,640	41.1%	\$ 8,088	35.5%	\$ 7,543	35.5%
Real estate mortgage	988	35.9	442	42.0	464	48.4
Installment	2,769	11.8	1,299	13.8	1,311	16.1
Finance receivables	964	11.2	699	8.7		
Unallocated	6,376		6,308		6,512	
Total	\$24,737	100.0%	\$16,836	100.0%	\$15,830	100.0%

	2001		2000	
	Percent Allowance Amount	of Loans to Total Loans	Percent Allowance Amount	of Loans to Total Loans
(dollars in thousands)				
Commercial	\$ 8,183	33.0%	\$ 4,490	27.4%
Real estate mortgage	278	50.5	1,226	56.4
Installment	1,279	16.5	1,794	16.2
Unallocated	5,546		5,999	
Total	\$15,286	100.0%	\$13,509	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:

	2004		2003		2002	
	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate
(dollars in thousands)						
Non-interest bearing demand	\$ 240,800		\$ 183,032		\$ 156,294	
Savings and NOW	805,885	0.56%	688,697	0.71%	634,357	1.17%
Time deposits	912,285	2.61	741,731	3.09	688,297	4.02
Total	\$1,958,970	1.45%	\$1,613,460	1.72%	\$1,478,948	2.38%

The following table summarizes time deposits in amounts of \$100,000 or more by time remaining until maturity at December 31, 2004:

(in thousands)	
Three months or less	\$192,657
Over three through six months	105,912
Over six months through one year	119,720
Over one year	286,149
Total	\$704,438

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:

	2004	2003	2002	2001	2000
Net income as a percent of					
Average common equity	19.42%	24.89%	21.34%	18.52%	16.59%
Average total assets	1.42	1.69	1.52	1.35	1.15
Dividends declared per share as a					
percent of diluted net income per share	35.9	31.6	30.38	32.28	34.31
Average shareholders' equity as a percent					
of average total assets	7.31	6.80	7.14	7.28	6.92

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 9 to the consolidated financial statements incorporated herein by reference in Item 8, Part II of this report.

ITEM 2. PROPERTIES

We and our Banks operate a total of 118 facilities in Michigan and 1 facility in Chicago, Illinois. The individual properties are not materially significant to us or our Banks' business or to the consolidated financial statements.

With the exception of the potential remodeling of certain facilities to provide for the efficient use of work space or to maintain an appropriate appearance, each property is considered reasonably adequate for current and anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

Due to the nature of our business, our Banks are often subject to numerous legal actions. These legal actions, whether pending or threatened, arise through the normal course of business and are not considered unusual or material.

Currently, we are not involved in any material pending legal proceedings.

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

Not applicable.

ADDITIONAL ITEM - EXECUTIVE OFFICERS

Our executive officers are appointed annually by our Board of Directors at the meeting of Directors preceeding the Annual Meeting of Shareholders. There are no family relationships among these officers and/or our Directors nor any arrangement or understanding between any officer and any other person pursuant to which the officer was elected.

The following sets forth certain information with respect to our executive officers and certain key officers of our subsidiaries (included for information purposes only) at December 31, 2004.

Name (Age) -----	Position -----	First elected as an executive officer -----
Charles C. Van Loan (57)	Chairman of the Board of Directors	1984
Michael M. Magee, Jr. (49)	President, Chief Executive Officer and Director	1993
Robert N. Shuster (47)	Executive Vice President and Chief Financial Officer	1999
Edward B. Swanson (51)	President and Chief Executive Officer - Independent Bank South Michigan	1989
William B. Kessel (40)	President and Chief Executive Officer - Independent Bank	2004
Ronald L. Long (45)	President and Chief Executive Officer - Independent Bank East Michigan	1993
David C. Reglin (45)	President and Chief Executive Officer - Independent Bank West Michigan	1998
Peter R. Graves (47)	Senior Vice President, Commercial Loans Independent Bank Corporation	1999
Richard E. Butler (53)	Senior Vice President, Operations - Independent Bank Corporation	1998
James J. Twarozynski (39)	Senior Vice President, Controller - Independent Bank Corporation	2002

Prior to being named as chairman of the board in effective January 1, 2005, Mr. Van Loan was President and Chief Executive Officer of Independent Bank Corporation since 1993.

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

Prior to being named Executive Vice President and Chief Financial Officer in 2001, Mr. Shuster was President and Chief Executive Officer of Independent Bank MSB since 1999 and President and CEO of Mutual Savings Bank, f.s.b since 1994.

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

Prior to being named Senior Vice President in 1999, Mr. Graves was Vice President of our Commercial Loan Services Department.

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

PART II.

ITEM 5. MARKET FOR OUR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The information set forth under the caption "Quarterly Summary " in the Appendix to our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

The following table shows certain information relating to purchases of common stock for the three-months ended December 31, 2004 pursuant to our share repurchase plan:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Remaining Total Number of Shares Purchased as Part of a Publicly Announced Plan(2)	Number of Shares Authorized for Purchase Under the Plan(3)
October 2004	288	\$27.10	288	
November 2004				
December 2004	855	29.83	855	
Total	1,143	\$29.14	1,143	0

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

(2) Our current stock repurchase plan, announced December 4, 2003, authorizes the purchase up to 750,000 shares of our common stock. The repurchase plan expired on December 31, 2004.

(3) The stock purchase plan announced December 4, 2003 expired on December 31, 2004 in accordance with its stated expiration date. A new stock purchase plan was announced February 9, 2005, authorizing the purchase up to 750,000 shares of our common stock. This purchase plan expires on December 31, 2005.

ITEM 6. SELECTED FINANCIAL DATA

The information set forth under the caption "Selected Consolidated Financial Data" in the Appendix to our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

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

The information set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Appendix to our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth in the caption "Asset/liability management" in the Appendix to our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

PART II.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements and the independent auditor's report are set forth in the Appendix to our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

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

Consolidated Statements of Financial Condition at
December 31, 2004 and 2003

Consolidated Statements of Operations for the years ended
December 31, 2004, 2003 and 2002

Consolidated Statements of Cash Flows for the years ended
December 31, 2004, 2003 and 2002

Consolidated Statements of Shareholders' Equity
for the years ended December 31, 2004, 2003 and 2002

Consolidated Statements of Comprehensive Income
for the years ended December 31, 2004, 2003 and 2002

Notes to Consolidated Financial Statements

The supplementary data required by this item set forth under the caption "Quarterly Financial Data" in the Appendix to our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) is incorporated herein by reference.

The portions of the Appendix to our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders (as filed as exhibit 13 to this report on Form 10-K) which are not specifically incorporated by reference as part of this Form 10-K are not deemed to be a part of this report.

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

None

ITEM 9A. CONTROLS AND PROCEDURES

1. Evaluation of Disclosure Controls and Procedures. With the participation of management, our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15e and 15d - 15e) as of the year ended December 31, 2004 (the "Evaluation Date"), have concluded that, as of such date, our disclosure controls and procedures were effective.
2. Management's Annual Report on Internal Control Over Financial Reporting under Item 8 hereof is included in the 2004 Annual Report under the caption "Management's Annual Report on Internal Control over Financial Reporting" and is incorporated herein by reference. The Company's accounting firm's attestation on that Report is also included in the 2004 Annual Report under the first captioned Report of Independent Registered Public Accounting Firm under item 8 hereof and is incorporated herein by reference.
3. There were no changes in our internal control over financial reporting during the quarter ended December 31, 2004, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS - The information with respect to our Directors, set forth under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders is incorporated herein by reference.

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

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

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the captions "Summary Compensation Table", "Option Grants in 2004" and "Aggregated Stock Option Exercises in 2004 and Year End Option Values" in our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders is incorporated herein by reference. Information under the caption "Committee Report on Executive Compensation" in our 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" in our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders is incorporated herein by reference. Information under the captions "Shareholder Return Performance Graph" and "Committee Report on Executive Compensation" in our definitive proxy statement is not incorporated by reference herein and is not deemed to be filed with the Securities and Exchange Commission.

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

The following sets forth certain information regarding our equity compensation plans as of December 31, 2004.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))	
		(b) Weighted-average exercise price of outstanding options, warrants and rights	
Equity compensation plans approved by security holders	1,170,000	\$17.69	141,000
Equity compensation plan not approved by security holders	None		None

(1) We have not granted warrants or rights applicable to this chart.

PART III.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under the caption "Transactions Involving Management" in our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders is incorporated herein by reference.

PART IV.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the caption "Audit Matters and Our Relationship With Our Independent Public Accountants" in our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 Annual Meeting of Shareholders is incorporated herein by reference.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements

All of our financial statements are incorporated herein by reference as set forth in the Appendix to our definitive proxy statement, to be delivered to shareholders in connection with the April 26, 2005 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.

EXHIBIT INDEX

Exhibit number and description

EXHIBITS FILED HEREWITH

- 10.9 Escrow Agreement, dated September 30, 2004, made by and among Independent Bank Corporation, The Edward M. Walder Trust and The Paul M. Walder Trust, and J.P. Morgan Trust Company, N.A.
- 13 Appendix to our definitive proxy statement, relating to the April 26, 2005 Annual Meeting of Shareholders. This appendix will be filed with the Commission as part of our proxy statement and will be delivered to our shareholders in compliance with Rule 14(a)-3 of the Securities Exchange Act of 1934, as amended.
- 21 List of Subsidiaries.
- 23 Consent of Independent Accountants
- 24 Power of Attorney (Included on page 23).
- 31.1 Certificate of the Chief Executive Officer of Independent Bank Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- 31.2 Certificate of the Chief Financial Officer of Independent Bank Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- 32.1 Certificate of the Chief Executive Officer of Independent Bank Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
- 32.2 Certificate of the Chief Financial Officer of Independent Bank Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).

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 our Form S-4 Registration Statement dated May 28, 1999, filed under Registration No. 333-79679).
- 2.1 Agreement and plan of merger between Independent Bank Corporation and Midwest Guaranty Bancorp, Inc., dated February 4, 2004 (incorporated herein by reference to Appendix A to our Form S-4 Registration Statement dated March 23, 2004, filed under Registration No. 333-113854).
- 2.2 Agreement and plan of merger between Independent Bank Corporation and North Bancorp, Inc., dated March 4, 2004 (incorporated herein by reference to Appendix A to our amended Form S-4 Registration Statement dated May 21, 2004, filed under Registration No. 333-114782).
- 3.1 Restated Articles of Incorporation (incorporated herein by reference to Exhibit 3(i) to our report on Form 10-Q for the quarter ended June 30, 1994).
- 3.1(a) Amendments to Article III and Article VI of the Articles of Incorporation (incorporated herein by reference to Exhibit 3.1(a) to our report on Form 10-K for the year ended December 31, 2000).
- 3.2 Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3(ii) to our report on Form 10-Q for the quarter ended June 30, 1994).
- 4 Automatic Dividend Reinvestment and Stock Purchase Plan, as amended (incorporated herein by reference to our Form S-3 Registration Statement dated May 24, 2002, filed under Registration No. 3380088).

EXHIBIT INDEX (Continued)

- 4.1 Certificate of Trust of IBC Capital Finance II dated February 26, 2003 (incorporated herein by reference to Exhibit 4.1 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 4.2 Amended and Restated Trust Agreement of IBC Capital Finance II dated March 19, 2003 (incorporated herein by reference to Exhibit 4.2 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 4.3 Preferred Securities Certificate of IBC Capital Finance II dated March 19, 2003 (incorporated herein by reference to Exhibit 4.3 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 4.4 Preferred Securities Guarantee Agreement dated March 19, 2003 (incorporated herein by reference to Exhibit 4.4 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 4.5 Agreement as to Expenses and Liabilities dated March 19, 2003 (incorporated herein by reference to Exhibit 4.5 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 4.6 Indenture dated March 19, 2003 (incorporated herein by reference to Exhibit 4.6 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 4.7 8.25% Junior Subordinated Debenture of Independent Bank Corporation dated March 19, 2003 (incorporated herein by reference to Exhibit 4.6 to our report on Form 10-Q for the quarter ended March 31, 2003).
- 10.1* Deferred Benefit Plan for Directors (incorporated herein by reference to Exhibit 10(C) to our report on Form 10-K for the year ended December 31, 1984).
- 10.2 The form of Indemnity Agreement approved by our shareholders at its April 19, 1988 Annual Meeting, as executed with all of the Directors of the Registrant (incorporated herein by reference to Exhibit 10(F) to our report on Form 10-K for the year ended December 31, 1988).
- 10.3* Incentive Share Grant Plan, as amended, approved by our shareholders at its April 21, 1992 Annual Meeting (incorporated herein by reference to Exhibit 10 to our report on Form 10-K for the year ended December 31, 1992).
- 10.4* Non-Employee Director Stock Option Plan, as amended, approved by our shareholders at its April 15, 1997 Annual Meeting (incorporated herein by reference to Exhibit 4 to our Form S-8 Registration Statement dated July 28, 1997, filed under registration No. 333-32269).
- 10.5* Employee Stock Option Plan, as amended, approved by our shareholders at its April 17, 2000 Annual Meeting (incorporated herein by reference to Exhibit 4 to our Form S-8 Registration Statement dated October 8, 2000, filed under registration No. 333-47352).
- 10.6 The form of Management Continuity Agreement as executed with executive officers and certain senior managers (incorporated herein by reference to Exhibit 10 to our report on Form 10-K for the year ended December 31, 1998).
- 10.7* Independent Bank Corporation Long-term Incentive Plan, approved by our shareholders at its April 16, 2002 Annual Meeting (incorporated herein by reference to Exhibit 4 to our Form S-8 Registration Statement dated May 24, 2002, filed under registration No. 333-89072).
- 10.8 Agreement and Plan of Merger by and among Independent Bank Corporation, IBC Merger Co., Mepco Insurance Premium Financing, Inc., and the shareholders of Mepco Insurance Premium Financing, Inc., dated February 24, 2003 (incorporated herein by reference to Exhibit 99.2 to our Form 8-K dated February 24, 2003).

* Represents a compensation plan.

ESCROW AGREEMENT

This ESCROW AGREEMENT (the "Agreement"), dated September 30, 2004, is made by and among INDEPENDENT BANK CORPORATION, a Michigan corporation ("IBC"), THE EDWARD M. WALDER TRUST and THE PAUL M. WALDER TRUST (each, a "Shareholder" and together, the "Shareholders"), and J.P. MORGAN TRUST COMPANY, N.A., a national banking association (the "Escrow Agent").

RECITALS

A. The Shareholders are former shareholders of Mepco Insurance Premium Financing, Inc., a former Illinois corporation ("Mepco-Illinois"). Pursuant to an Agreement and Plan of Merger by and among the Shareholders, IBC, and certain other parties, dated as of February 24, 2003, as amended (the "Merger Agreement"), Mepco-Illinois was merged with and into Mepco Insurance Premium Financing, Inc., a Michigan corporation formerly known as IBC Merger Co., Inc. ("Mepco-Michigan"). The merger was effective April 15, 2003. Mepco-Michigan is wholly-owned by Independent Bank, a Michigan banking corporation and a wholly-owned subsidiary of IBC.

B. During the second quarter of 2004, IBC received an unsolicited, anonymous letter regarding certain business practices at Mepco-Michigan (occurring both before and after the merger described above). IBC processed this letter in compliance with its internal Policy Regarding the Resolution of Reports on the Company's Accounting, Internal Controls and Other Business Practices. Under the direction of IBC's Audit Committee, IBC engaged special legal counsel to investigate the matters raised in the anonymous letter (the "Investigation"). As of the date of this Agreement, the Investigation is still ongoing.

C. As a result of the Investigation, IBC recorded a liability of Two Million Seven Hundred Thousand Dollars (\$2,700,000) during the quarter ended June 30, 2004, with a corresponding charge to its earnings for potential third party claims related to the matters that are the subject of the Investigation. In response to the results of the Investigation received after June 30, 2004, IBC may incur an additional liability (with a corresponding charge to earnings) for such potential third party claims of up to Two Million Five Hundred Thousand Dollars (\$2,500,000) (the "Additional Liability").

D. Pursuant to Article VIII of the Merger Agreement, each of the Shareholders has or may have certain indemnification obligations to IBC with respect to the losses IBC has incurred and will incur in connection with the Investigation and the matters that are the subject of the Investigation.

E. In order to fund and pay any liabilities incurred by IBC as a result of matters pertaining to the substance of the Investigation in excess of the amount accrued by IBC through June 30, 2004, and until the Investigation is completed and any indemnification obligations of the Shareholders under the Merger Agreement are finally resolved, the Shareholders have agreed to escrow shares of IBC common stock, \$1 par value per share ("IBC Stock"), with a value equal

to at least Two Million Five Hundred Thousand Dollars (\$2,500,000), to be held by the Escrow Agent pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, which shall constitute a part of this Agreement, and the mutual promises contained in this Agreement, and intending to be legally bound thereby, the parties agree as follows:

1. Appointment of Escrow Agent. IBC and the Shareholders appoint the Escrow Agent as an escrow agent to receive, hold, administer, and deliver the Escrowed Shares (as defined below) in accordance with this Agreement, and the Escrow Agent accepts such appointment, all subject to the terms and conditions of this Agreement. The Escrow Agent agrees to hold the Escrowed Shares in such a way that they will be available for distribution in accordance with the terms and conditions of this Agreement. The Escrow Agent shall not distribute or release any of the Escrowed Shares except in accordance with the express terms and conditions of this Agreement.

2. Deliveries to the Escrow Agent.

(a) Initial Deliveries. Simultaneously with the execution of this Agreement, the Shareholders shall cause one or more stock certificates, each registered in the name of either Shareholder or both Shareholders, and collectively representing no fewer than a number of shares of IBC Stock with a Market Value (as defined below) of at least Two Million Five Hundred Thousand Dollars (\$2,500,000) as of the date of this Agreement, to be delivered to the Escrow Agent to be held in escrow pursuant to the terms and conditions of this Agreement. The Shareholders shall identify for the Escrow Agent those shares of IBC Stock that are registered or unregistered. Each such stock certificate shall be accompanied by an assignment of stock in the form attached as Exhibit A, duly executed by the Shareholder(s) in whose name(s) the certificate is registered, delivering all of such Shareholder's interest in the shares of IBC Stock represented by the certificate to the Escrow Agent. The shares of IBC Stock and the assignments of stock delivered by the Shareholders to the Escrow Agent pursuant to this Section 2 (including those delivered pursuant to subsections (b) and (c) below) are collectively referred to as the "Escrowed Shares."

(b) Subsequent Deliveries. Subject to the conditions of this Section 2(b), at all times that this Agreement is in effect, the Shareholders shall ensure that the Market Value of the Escrowed Shares is at least equal to the difference between (i) Two Million Five Hundred Thousand Dollars (\$2,500,000) and (ii) the Market Value of all Escrowed Shares distributed pursuant to Section 4 below. Commencing October 1, 2004, if the Market Value of the Escrowed Shares falls below ninety percent (90%) of such difference, the Shareholders shall be jointly and severally obligated to immediately deposit additional shares of IBC Stock with an aggregate Market Value equal to the total difference, accompanied by duly executed assignments of stock in the form attached as Exhibit A, to the Escrow Agent. Commencing October 1, 2004, if the Market Value of the Escrowed Shares exceeds one hundred ten percent (110%) of such difference, IBC and the Shareholders shall direct the Escrow Agent, under the procedures set forth in Section 4(i) below, to distribute to the Shareholders Escrowed Shares with an aggregate Market Value equal to the total excess. The Market Value of IBC Stock shall be determined in accordance with Section 3 below.

(c) Ability to Swap. Either Shareholder shall have the right to exchange shares of IBC Stock that it owns with an equal number of shares of IBC Stock then held by the Escrow Agent as Escrowed Shares. If either Shareholder desires to exercise this right, it shall notify IBC, and IBC shall execute a written agreement with such Shareholder to be provided to the Escrow Agent pursuant to Section 4(i) below, effecting such exchange of shares.

(d) Reduction of Additional Liability. If IBC and the Shareholders determine, from time to time, that the amount of the Additional Liability should be reduced, they shall direct the Escrow Agent, under the procedures set forth in Section 4(i) below, to distribute to the Shareholders Escrowed Shares with an aggregate Market Value equal to the amount by which IBC and the Shareholders agree that the Additional Liability should be reduced. The Market Value of IBC Stock shall be determined in accordance with Section 3 below.

3. Valuation of Escrowed Shares. For all purposes of this Agreement (including, without limitation, Section 5 below), the Escrowed Shares shall be valued at their Market Value. The "Market Value" per share of IBC Stock shall be the last reported sale price of a share of IBC Stock, as quoted on the NASDAQ National Market System, for the trading day immediately preceding the date on which the determination of Market Value is being made.

4. Disbursement of Escrowed Shares. Within five (5) business days of its receipt of either (i) a written notice, signed by IBC and each Shareholder, directing the distribution of all or any portion of the Escrowed Shares, or (ii) a written notice from IBC (x) certifying, in good faith, that an event set forth in Section 5 of this Agreement has occurred, (y) specifying the number of Escrowed Shares to be distributed, and (z) directing the distribution of all or any portion of the Escrowed Shares, the Escrow Agent shall distribute the Escrowed Shares (or such portion of the Escrowed Shares set forth in such notice) as directed by such written notice. The Escrow Agent shall first distribute to IBC those Escrowed Shares that are unregistered, as identified by the Shareholders under Section 2(a) above. No disbursement of any of the Escrowed Shares shall (i) increase, decrease or otherwise alter or affect the indemnification rights, if any, of IBC pursuant to the Merger Agreement, (ii) increase, decrease or otherwise alter or affect the indemnification obligations, if any, of the Shareholders pursuant to the Merger Agreement, (iii) constitute an admission by IBC that the disbursement of Escrowed Shares to IBC constitutes a satisfaction of the Shareholders indemnification obligations pursuant to the Merger Agreement, (iv) constitute an admission by the Shareholders that IBC is entitled to indemnification pursuant to the Merger Agreement, or (v) otherwise be determinative or dispositive of any rights or obligations of IBC or the Shareholders pursuant to the Merger Agreement.

5. Events Allowing Distribution to IBC. In addition to a distribution of Escrowed Shares pursuant to a mutual written agreement with the Shareholders, but subject to the occurrence of the conditions precedent set forth in Section 6 below, IBC shall have the right to have all or a portion of the Escrowed Shares distributed to it upon the occurrence of either of the following events:

(a) Required Escheat or Other Payments. If IBC has received an opinion of Varnum, Riddering, Schmidt & Howlett LLP ("VRS&H") that Mepco-Michigan (or any affiliate of Mepco-Michigan) is legally required to escheat or to pay any amount or amounts of money to any state or other jurisdiction or to any person or entity (including, without limitation, refunds of

unearned premiums) as a direct or indirect result of any of the matters pertaining to the substance of the Investigation, then IBC shall be entitled to have distributed to it a number of Escrowed Shares with a Market Value equal to the Net Payment Amount (defined below). In the event that Mepco-Michigan (or any affiliate of Mepco-Michigan) does not actually escheat or pay any portion of the Net Payment Amount to any such state, jurisdiction, person or entity, IBC shall return to the Escrow Agent (or the Shareholders in the event that this Agreement has terminated) the portion of the distributed Escrowed Shares representing the unpaid portion of the Net Payment Amount. No such opinion of VRS&H shall increase, decrease, alter, affect or otherwise be determinative or dispositive of any rights or obligations of IBC or the Shareholders pursuant to the Merger Agreement.

(b) Third Party Demands. If IBC has received a written demand from any third party for the payment by Mepco-Michigan (or any affiliate of Mepco-Michigan) of any amount or amounts of money as a result of any of the matters pertaining to the substance of the Investigation (a "Third Party Claim") that IBC believes, in good faith, is a valid demand, then IBC shall be entitled to have distributed to it a number of Escrowed Shares with a Market Value equal to the Net Payment Amount. IBC shall have no duty to challenge or otherwise resist such third party demand or cause Mepco-Michigan (or any affiliate of Mepco-Michigan) to challenge or otherwise resist such third party demand. Notwithstanding the foregoing, IBC shall not be entitled to receive a distribution of Escrowed Shares pursuant to this subsection (b) if the Shareholders have assumed the defense of such Third Party Claim and are continuing to assume such defense pursuant to the procedures set forth in the Merger Agreement. In the event that Mepco-Michigan (or any affiliate of Mepco-Michigan) does not actually pay any portion of the Net Payment Amount to any such third party, IBC shall return to the Escrow Agent (or the Shareholders in the event that this Agreement has terminated) the portion of the distributed Escrowed Shares representing the unpaid portion of the Net Payment Amount. No such determination by IBC with respect to any such Third Party Claim shall increase, decrease, alter, affect or otherwise be determinative or dispositive of any rights or obligations of IBC or the Shareholders pursuant to the Merger Agreement.

The "Net Payment Amount" shall equal the amount(s) to be escheated or otherwise paid by Mepco-Michigan (or any affiliate of Mepco-Michigan), less the tax benefit reasonably expected to be realized by IBC (or any of its affiliates) arising from the deductibility of such payment(s). The number of Escrowed Shares to be distributed to IBC shall equal the Net Payment Amount divided by the Market Value as of the date IBC provides notice to the Escrow Agent.

6. Conditions Precedent. Notwithstanding Section 5 above, IBC shall have no right to any distribution of Escrowed Shares pursuant to Section 5 above until the following conditions precedent have been satisfied:

(a) Threshold Payment. Mepco-Michigan and its affiliates shall have paid an aggregate of Two Million Seven Hundred Thousand Dollars (\$2,700,000) in satisfaction of the obligations described in Sections 5(a) and 5(b) above.

(b) Notice to Shareholders. IBC shall give written notice to each Shareholder (i) not less than twenty (20) days before IBC provides a certification to the Escrow Agent pursuant to Section 4(ii) above, and (ii) upon IBC's receipt of any third party demand that IBC

reasonably believes may result in a payment pursuant to Section 5(b) above. After receiving any such notice, either Shareholder shall have the right to provide IBC with any relevant information as to why the proposed payment is not the obligation of Mepco-Michigan (or an affiliate of Mepco-Michigan); provided, however, that subject to the conditions and requirements set forth in Sections 5(a) and 5(b) above, the determination to tender such payment shall be at the sole discretion of IBC. No such determination by IBC shall increase, decrease, alter, affect or otherwise be determinative or dispositive of any rights or obligations of IBC or the Shareholders pursuant to the Merger Agreement.

7. Cash Payment in Lieu of Distribution of Shares. If the Shareholders receive a notice from IBC pursuant to Section 6(b) above, the Shareholders shall have the right to pay to IBC an amount in cash equal to the Net Payment Amount. If IBC receives a cash payment from the Shareholders (or either Shareholder) in the full amount of the Net Payment Amount, then the certification provided by IBC to the Escrow Agent pursuant to Section 4(ii) above shall direct the distribution to the Shareholders of that number of Escrowed Shares equal to the Net Payment Amount divided by the Market Value of the Escrowed Shares on the date of payment of such cash by the Shareholders (or either Shareholder) under this Section 7; provided, however, that if the Shareholders have breached any obligation pursuant to Section 2(b) above, IBC shall have the right to reduce the number of shares of IBC Stock it directs the Escrow Agent to distribute to the Shareholders pursuant to this Section 7 accordingly.

8. No Limit on Distribution of Escrowed Shares. The provision by IBC of a certification to the Escrow Agent pursuant to Section 4(ii) above that an event set forth in Section 5(a) or 5(b) has occurred shall not in any way limit the ability of IBC to provide a subsequent certification to the Escrow Agent pursuant to Section 4(ii). It is the intent of the parties that IBC shall have the right to have all of the Escrowed Shares distributed to it if permissible pursuant to the terms set forth in this Agreement.

9. Rights With Respect to Escrowed Shares. Until such time (if any) as Escrowed Shares are distributed to IBC or any party other than a Shareholder pursuant to Section 4 above, the delivery of the Escrowed Shares by the Shareholders to the Escrow Agent shall not affect (i) the right of the Shareholders to exercise their right to vote or give proxies with respect to any Escrowed Shares, (ii) the right of the Shareholders to receive dividends and/or other distributions with respect to the Escrowed Shares, or (iii) any other rights of the Shareholders with respect to such Escrowed Shares, except for the right and ability of a Shareholder to transfer any interest in any such Escrowed Shares. Each Shareholder agrees that he shall not transfer or attempt to transfer any Escrowed Shares or any interest in any Escrowed Shares or represent to any third party that he owns any Escrowed Shares free and clear of all liens, encumbrances, and claims of any kind.

10. Representations and Warranties of the Shareholders. To induce IBC to enter into this Agreement, each Shareholder jointly and severally represents and warrants to IBC as follows:

(a) Title to Shares. At the time the Escrowed Shares are delivered to the Escrow Agent pursuant to Section 2 of this Agreement, the Escrowed Shares are and will be owned of record and beneficially by one of the Shareholders, free and clear of all liens, encumbrances, and claims of any kind.

(b) Validity of Stock Powers. Each blank stock power delivered by the Shareholders pursuant to Section 2 of this Agreement constitutes a legal, valid, and binding obligation of the Shareholder executing such stock power and is enforceable against such Shareholder in accordance with its terms.

11. Terms of Agency.

(a) Limited Liability. The Escrow Agent shall not be liable for any damages or have any obligations other than the duties prescribed in this Agreement in carrying out or executing the purposes and intent of this Escrow Agreement; provided, however, that nothing in this Agreement shall relieve the Escrow Agent from liability arising out of its own willful misconduct or gross negligence. Anything in this Escrow Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. The Escrow Agent's duties and obligations under this Agreement shall be administrative and not discretionary. The Escrow Agent shall not be liable to any of IBC, any Shareholder, or any third party as a result of any action or omission taken or made by the Escrow Agent pursuant to this Agreement in good faith. If any questions arise regarding the Escrow Agent's duties and obligations pursuant to this Agreement, the Escrow Agent may consult its legal counsel and rely without liability upon written opinions given to it by such counsel; provided, however, that, in such event, the Escrow Agent has acted in good faith.

(b) Resignation. The Escrow Agent may resign at any time by giving IBC and the Shareholders at least thirty (30) days' prior written notice. In such event, the Escrow Agent shall deliver any Escrowed Shares then in its possession to a successor escrow agent, which shall be mutually agreeable to the parties to this Agreement. The resignation of the Escrow Agent shall not be effective until a successor escrow agent agrees to act as the "Escrow Agent" under this Agreement; provided, however, that if no successor escrow agent is appointed and acting within thirty (30) days after the Escrow Agent gives notice of resignation to IBC and the Shareholders, the Escrow Agent may deliver the Escrowed Shares, at the other parties expense, into a court of competent jurisdiction.

(c) Confidentiality. The Escrow Agent agrees, for the duration of this Agreement and thereafter, to maintain the confidentiality of this Agreement and the matters set forth in this Agreement. If the Escrow Agent is served with a subpoena seeking the discovery of information relating in any way to this Agreement, the Escrow Agent agrees to notify IBC and each Shareholder within three (3) days of its receipt of the subpoena that it has been served with the subpoena. The Escrow Agent agrees to cooperate with the parties if any one or more party seeks to obtain a protective order preventing the disclosure of information relating in any way to this Agreement, provided that such cooperation shall be at the shared expense of IBC and the Shareholders.

(d) Compensation and Indemnification. The Escrow Agent shall be compensated in accordance with attached Schedule A. IBC shall pay all compensation due to the Escrow Agent pursuant to this Agreement. IBC and the Shareholders shall jointly and severally indemnify, defend and save harmless the Escrow Agent and its directors, officers, agents and

employees (the "indemnitees") from and against any and all loss, liability or expense (including the fees and expenses of in house or outside counsel and experts and their staffs and all expense of document location, duplication and shipment) arising out of or in connection with (i) the Escrow Agent's execution and performance of this Escrow Agreement, except in the case of any indemnitee to the extent that such loss, liability or expense is due to finally adjudicated to have been primarily caused by the gross negligence or willful misconduct of such indemnitee, or (ii) its following any instructions or other directions from the IBC or the Shareholders, except to the extent that its following any such instruction or direction is expressly forbidden by the terms hereof. The parties hereto acknowledge that the foregoing indemnities shall survive the resignation or removal of the Escrow Agent or the termination of this Escrow Agreement.

12. Termination. This Agreement shall terminate upon the earliest of (i) the distribution of all of the Escrowed Shares in accordance with the terms of this Agreement, (ii) the final determination of the Shareholders' indemnification obligations (if any) in connection with the matters that are the subject of the Investigation, and (iii) the final determination that the Shareholders' indemnification obligations (if any) in connection with the matters that are subject of the Investigation are less than Two Million Seven Hundred Thousand Dollars (\$2,700,000). For the purpose of the preceding sentence, the Shareholders' indemnification obligations shall be deemed "finally determined" only upon an agreement between IBC and the Shareholders' Representative (as defined in the Merger Agreement) or the entry of a final, nonappealable order of a court of competent jurisdiction. Upon termination of this Agreement, the Escrow Agent shall distribute any remaining Escrowed Shares to the Shareholders.

13. Trustee Exculpation. This Agreement is executed by Jeffrey A. Hechtman (the "Trustee"), not personally, but solely as trustee of the Edward M. Walder Trust and the Paul M. Walder Trust, in the exercise of the power and authority conferred upon and vested in him as such trustee, and it is expressly understood and agreed that nothing in this Agreement shall be construed as creating any liability on the Trustee personally to perform any express or implied covenant, condition, or obligation of this Agreement, all such liability, if any, being expressly waived by every person or entity now or hereafter claiming any right, title, or interest under this Agreement.

14. Cooperation. At any time and from time to time after the date of this Agreement, IBC and the Shareholders shall each, upon the request of any party, perform, execute, acknowledge, and deliver such further acts, assignments, transfers, conveyances, and assurances as may be reasonably required for the purpose of carrying out this Agreement.

15. Successors and Assigns. This Agreement and the rights of the parties pursuant to this Agreement may not be assigned (except by operation of law) and shall be binding upon and shall inure to the benefit of the parties, the successors of IBC, and the heirs and legal representatives of the Shareholders (including, without limitation, successor trustees).

16. Entire Agreement. This Agreement sets forth the entire understanding of the parties with respect to the transactions contemplated hereby. It shall not be amended or modified except by a written instrument duly executed by each of the parties.

17. Counterparts. This Agreement may be executed in any number of counterparts, and any party may execute any such counterpart, each of which when executed and delivered

shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. This Agreement shall become binding when all of the parties have executed and delivered one or more counterparts.

18. Notices. Any notice or other communication that is required or permitted pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally or sent by fax (with confirmation of receipt), by registered or certified mail, postage prepaid, or by recognized courier service, as follows:

If to IBC, to:	with a required copy to:
Independent Bank Corporation 230 West Main Street P.O. Box 491 Ionia, MI 48846 Attn: Robert N. Shuster (Facsimile: 616-527-5833)	Varnum, Riddering, Schmidt & Howlett LLP 333 Bridge Street, N.W. P.O. Box 352 Grand Rapids, MI 49501-0352 Attn: Michael G. Wooldridge (Facsimile: 616-336-7000)

If to either Shareholder, to:	with a required copy to:
Jeffrey A. Hechtman, Trustee Horwood Marcus & Berk 180 North LaSalle Street, Suite 3700 Chicago, IL 60601 (Facsimile: 312-606-3232)	Horwood Marcus & Berk 180 North LaSalle Street, Suite 3700 Chicago, IL 60601 Attention: Jeffrey A. Hechtman (Facsimile: 312-606-3232)

If to the Escrow Agent, to:	with a required copy to:
611 Woodward Avenue Mail Suite MI1-8110 Detroit, MI 48826 Attention: Tammy Davis (Facsimile: 313-225-3420)	227 West Monroe 26th Floor Chicago, IL 60606 Attention: Christopher Holly, Esq. (Facsimile: 312-267-5213)

or to such other address as the person to whom notice is to be given may have specified in a notice duly given to the sender as provided in this Agreement. Such notice or other communication shall be deemed to have been given as of the date so delivered, faxed, mailed, or dispatched and, if given by any other means, shall be deemed given only when actually received by the addressee.

19. Governing Law. This Agreement shall be governed by and construed, interpreted, and enforced in accordance with the laws of Michigan, excluding its choice of law principles.

20. Mutual Drafting. This Agreement is the mutual product of IBC and the Shareholders, and each provision of this Agreement has been subject to the mutual consultation, negotiation, and agreement of each of them, and shall not be construed for or against any of them.

21. Further Representation. Each party to this Agreement acknowledges and represents that it has been represented by its own legal counsel in connection with the transactions contemplated by this Agreement, with the opportunity to seek advice as to its legal rights from such counsel.

22. Severability. If any provision of this Agreement or the application of any provision of this Agreement to any person or circumstance is held invalid or unenforceable in any jurisdiction, the remainder of this Agreement, and the application of such provision to such person or circumstance in any other jurisdiction or to other persons or circumstances in any jurisdiction, shall not be affected thereby, and to this end the provisions of this Agreement shall be severable.

23. Limited Nature of Agreement. IBC and each of the Shareholders acknowledge and agree that this Agreement shall have no effect on any indemnification or other obligations of either Shareholder pursuant to the Merger Agreement or otherwise nor shall it have any effect on any rights of IBC pursuant to the Merger Agreement or otherwise. This Agreement shall not be construed in any way to constitute a waiver by IBC of any of such rights, nor an admission by either Shareholder of any of such obligations. Without limiting the generality of the foregoing, this Agreement shall not be construed as a waiver by IBC of any right to be indemnified for any payments made by IBC or any of its affiliates pursuant to Section 6(a) above, or the right of the Shareholders to contest such right of indemnification. In addition, if the aggregate Market Value of Escrowed Shares distributed (other than to a Shareholder) pursuant to this Agreement, together with any cash paid by either Shareholder pursuant to Section 7 above, exceeds the actual liability (if any) of the Shareholders to IBC pursuant to the Merger Agreement, IBC shall be obligated to repay such excess amounts (if any) to the Shareholders.

24. Right of Subrogation. If IBC (or any of its affiliates) pays any amounts pursuant to Section 5(a) or (b) above, and such amounts are funded by either a distribution of Escrowed Shares to IBC pursuant to Section 4 or a cash payment by either or both of the Shareholders pursuant to Section 7, then each Shareholder shall be subrogated to all rights and remedies belonging to IBC (and any of its affiliates) against each such payee.

[SIGNATURES BEGIN ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this Escrow Agreement as of the date first written above.

INDEPENDENT BANK CORPORATION

By: _____
Its: _____

THE EDWARD M. WALDER TRUST

By: _____
Jeffrey A. Hechtman
Its: Trustee

THE PAUL M. WALDER TRUST

By: _____
Jeffrey A. Hechtman
Its: Trustee

ESCROW AGENT:
J.P. MORGAN TRUST COMPANY, N.A.

By: _____
Its: _____

EXHIBIT A

ASSIGNMENT OF STOCK

FOR VALUE RECEIVED, and pursuant and subject to the terms and conditions of that certain Escrow Agreement by and among the undersigned; Independent Bank Corporation, a Michigan corporation ("IBC"); and certain other parties, dated of even date with this Assignment of Stock (the "Escrow Agreement"), the undersigned does hereby sell, assign, and transfer unto Escrow Agent (as defined in the Escrow Agreement) all of his right, title, and interest in and to up to _____ shares of common stock of IBC, evidenced by Certificate No. _____ (the "Shares").

The undersigned hereby grants an irrevocable power of attorney, with full power of substitution, to the Escrow Agent to transfer, from time to time, and pursuant to one or more instruments of transfer, all or any portion of the Shares to IBC, pursuant to the terms and conditions of the Escrow Agreement.

The undersigned hereby grants an irrevocable power of attorney, with full power of substitution, to IBC, its transfer agent, and their respective successors and assigns to transfer, or cause to be transferred, all of the Shares on the stock transfer records for IBC.

Dated: September ____, 2004

(JPMORGAN LOGO)

Schedule A

Fees for Services as Escrow Agent

IN CONNECTION WITH THE AGREEMENT BY AND AMONG INDEPENDENT BANK CORPORATION,
THE EDWARD M. WALDER TRUST AND THE PAUL M. WALDER TRUST

ACCEPTANCE FEE \$1,500

The acceptance fee covers document review, acceptance and set-up of the agreement, and other preparatory work in connection with establishment of the account for each transaction.

ANNUAL ADMINISTRATIVE FEE \$1,500

The annual administrative fee covers our usual and customary ministerial duties, including record keeping, document compliance and such other duties and responsibilities expressly set forth in the governing documents for each transaction.

OUT OF POCKET EXPENSES

Any out of pocket expenses related to closing this transaction will be billed at cost.

NOTES:

The above acceptance fees are due upon closing of the transaction. All other fees are payable annually in advance, without prorating for partial year.

Please note that our willingness to act in the capacities specified above and the fees designated in this proposal are indicative and based upon our understanding of the transaction. We reserve the right to revise this proposal should any material aspect of the transaction differ from our understanding. Also, our acceptance of the above contracts and duties is subject to our usual internal review, document review and the receipt of appropriate immunities and indemnities.

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. When you open an account, we will ask for information that will allow us to identify you.

J.P. MORGAN TRUST COMPANY, N.A. - Institutional Trust Services
- 611 Woodward Avenue, Detroit, MI 48226
Telephone: (313) 225-2211 - Facsimile: (313) 225-3420
Tammy.L.Davis@jpmorgan.com

EXHIBIT 13

APPENDIX C

Independent Bank Corporation is an Ionia, Michigan-based bank holding company with total assets of \$3.1 billion. Our four subsidiary banks principally serve suburban and rural communities located across Michigan's Lower Peninsula through over 100 offices. We also provide financing for insurance premiums and vehicle service contracts across the United States, through our wholly owned subsidiary, Mepco Insurance Premium Financing, Inc.

We emphasize service and convenience as the principal means of competing in the delivery of financial services. Accordingly, our community banking philosophy vests discretion and authority in local management. To support our service and sales efforts, while providing the controls that are consistent with our decentralized decision-making structure, we have consolidated many operational and administrative functions and provide these services to our four subsidiary banks (and their subsidiaries) on a centralized basis.

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SELECTED CONSOLIDATED FINANCIAL DATA

Year Ended December 31,

 2004 2003 2002 2001 2000

(dollars in thousands, except per share amounts)

SUMMARY OF OPERATIONS

Interest income	\$ 162,547	\$ 139,366	\$ 129,815	\$ 134,502	\$ 132,841
Interest expense	45,014	44,113	48,008	62,460	67,865
Net interest income	117,533	95,253	81,807	72,042	64,976
Provision for loan losses	4,309	4,032	3,562	3,737	3,287
Net gains on the sale of real estate mortgage loans	5,956	16,269	8,178	6,306	2,209
Other non-interest income	31,842	26,335	22,733	20,629	16,752
Non-interest expenses	98,668	82,506	68,293	61,519	53,375
Income before income tax expense	52,354	51,319	40,863	33,721	27,275
Income tax expense	13,796	13,727	11,396	9,288	7,266
Net income before cumulative effect of change in accounting principle	38,558	37,592	29,467	24,433	20,009
Cumulative effect of change in accounting principle, net of related tax effect(1)			(35)		
Net income	\$ 38,558	\$ 37,592	\$ 29,467	\$ 24,398	\$ 20,009

PER COMMON SHARE DATA(2)

Net income before cumulative effect of change in accounting principle					
Basic	\$ 1.88	\$ 1.92	\$ 1.47	\$ 1.17	\$.94
Diluted	1.84	1.87	1.44	1.15	.93
Net income					
Basic	\$ 1.88	\$ 1.92	\$ 1.47	\$ 1.17	\$.94
Diluted	1.84	1.87	1.44	1.15	.93
Cash dividends declared .....	.66	.59	.44	.37	.32
Book value	10.87	8.31	7.06	6.43	6.09

SELECTED BALANCES

Assets	\$3,094,027	\$2,361,014	\$2,058,975	\$1,889,876	\$1,784,802
Loans	2,225,290	1,667,393	1,381,442	1,384,684	1,379,664
Allowance for loan losses	24,737	16,836	15,830	15,286	13,509
Deposits	2,176,947	1,702,806	1,535,603	1,387,367	1,389,900
Shareholders' equity	230,292	162,216	138,047	131,903	128,336
Long-term debt	7,000				

SELECTED RATIOS

Tax equivalent net interest income to average earning assets	4.91%	4.88%	4.75%	4.45%	4.21%
Net income to					
Average equity	19.42	24.89	21.34	18.52	16.59
Average assets	1.42	1.69	1.52	1.35	1.15
Average shareholders' equity to average assets	7.31	6.80	7.14	7.28	6.92
Tier 1 capital to average assets	7.36	7.91	6.85	7.46	7.31
Non-performing loans to Portfolio Loans .....	.68	.76	.72	.65	.51

(1) Effect of the implementation of SFAS #133. (See note #15 to the consolidated financial statements.)

(2) Per share data has been adjusted for a 10% stock dividend in 2003, 5% stock dividends in 2002, 2001, and 2000 and a three-for-two stock split in 2002.

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

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

The following section presents additional information to assess the financial condition and results of operations of Independent Bank Corporation and its subsidiaries. This section should be read in conjunction with the consolidated financial statements and the supplemental financial data contained elsewhere in this appendix.

RESULTS OF OPERATIONS

SUMMARY. Net income totaled \$38.6 million in 2004 compared to \$37.6 million in 2003 and \$29.5 million in 2002. The increases in net income are primarily a result of increases in net interest income and service charges on deposit accounts partially offset by increases in non-interest expenses. Mortgage banking related revenues (net gains on real estate mortgage loan sales, title insurance fees and real estate mortgage loan servicing) were quite volatile during the periods presented due primarily to changes in mortgage loan refinancing activity. 2004 results include the operations of Midwest Guaranty Bancorp, Inc. since the May 31, 2004, date of acquisition and include the operations of North Bancorp, Inc. since the July 1, 2004, date of acquisition. 2004 and 2003 results also include the operations of Mepco Insurance Premium Financing, Inc. since the April 15, 2003, date of acquisition.

KEY PERFORMANCE RATIOS

Year ended December 31,

2004 2003 2002

Net income to			
Average equity	19.42%	24.89%	21.34%
Average assets	1.42	1.69	1.52
Net income per share			
Basic	\$ 1.88	\$ 1.92	\$ 1.47
Diluted	1.84	1.87	1.44

We believe that our earnings per share growth rate over a long period of time (five years or longer) is the best single measure of our performance. We strive to achieve an average annual long term earnings per share growth rate of approximately 10% to 15%. Accordingly, our focus is our long-term results, taking into consideration certain components of our revenues that are cyclical in nature (such as mortgage-banking) which can cause fluctuations in our earnings per share from year to year. Our primary strategies for achieving long-term growth in earnings per share include: earning asset growth (both organic and through acquisitions), diversification of revenues (within the financial services industry), effective capital management (efficient use of our shareholders' equity) and sound risk management (credit, interest rate,

liquidity and regulatory risks). Our discussion and analysis of results of operations and financial condition will focus on these elements.

NET INTEREST INCOME. Net interest income is the most important source of our earnings and thus is critical in evaluating our results of operations. Changes in our tax equivalent net interest income are primarily influenced by our level of interest-earning assets and the income or yield that we earn on those assets and the manner and cost of funding our interest-earning assets. Certain macro-economic factors can also influence our net interest income such as the level and direction of interest rates, the difference between short-term and long-term interest rates (the steepness of the yield curve) and the general strength of the economies in which we are doing business. Finally, risk management plays an important role in our level of net interest income. The ineffective management of credit risk and interest-rate risk in particular can adversely impact our net interest income.

Tax equivalent net interest income totaled \$123.2 million during 2004, compared to \$100.4 million and \$86.2 million during 2003 and 2002, respectively. We review yields on certain asset categories and our net interest margin on a fully taxable equivalent basis. In this presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before tax basis. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. The adjustments to determine tax equivalent net interest income were \$5.7 million, \$5.1 million and \$4.4 million in 2004, 2003 and 2002, respectively, and were computed using a 35% tax rate.

The increase in tax equivalent net interest income in 2004 compared to 2003 reflects a \$452.7 million increase in average interest-earning assets and a 3 basis point increase in our tax equivalent net interest income as a percent of average interest-earning assets ("Net Yield"). The increase in average interest-earning assets is due to our Midwest and North acquisitions as well as growth in commercial loans, finance receivables and investment securities. The Net Yield was equal to 4.91% in 2004 compared to 4.88% in 2003. The tax equivalent yield on average interest-earning assets declined to 6.71% in 2004 from 7.03% in 2003. This decline is due to the pay down of higher yielding loans and investment securities and the addition of new loans and new investment securities at lower interest rates. The decrease in the tax equivalent yield on average interest-earning assets was more than offset by a 35 basis point decline in our interest expense as a percentage of average interest-earning assets (the "cost of funds") to 1.80% in 2004 from 2.15% in 2003. The decline in our cost of funds was primarily due to the maturity of higher costing time deposits and borrowings, as well as increased levels of lower cost core deposits (including those added as a result of the Midwest and North acquisitions).

The 16.4% increase in tax equivalent net interest income in 2003 compared to 2002 principally reflects a \$241.5 million or 13.3% increase in the amount of average interest earning assets and a 13 basis point increase in Net Yield. This increase in the amount of average interest-earning assets primarily reflects growth in commercial loans and finance receivables.

Pursuant to Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS #133"), we recorded adjustments, which increased tax equivalent net interest income by \$0.1 million in 2004. This compares to adjustments, which reduced tax equivalent net interest income by \$0.1 million in 2003 and increased tax equivalent net interest income by approximately \$1.0 million in 2002. These adjustments relate principally to certain derivative financial instruments that are not designated as hedges. The changes in the fair value of these derivative financial instruments are recognized currently as adjustments to interest expense.

AVERAGE BALANCES AND TAX EQUIVALENT RATES	2004		2003		2002					
	Average Balance	Interest Rate	Average Balance	Interest Rate	Average Balance	Interest Rate	Balance	Interest Rate	Balance	Interest Rate
(dollars in thousands)										
ASSETS										
Taxable loans(1)	\$2,004,544	\$139,517	6.96%	\$1,612,316	\$118,277	7.34%	\$1,426,286	\$108,664	7.62%	
Tax-exempt loans(1,2)	7,637	507	6.64	11,249	898	7.98	11,639	974	8.37	
Taxable securities	266,704	12,497	4.69	239,296	11,687	4.88	211,777	12,211	5.77	
Tax-exempt securities(2)	212,441	14,914	7.02	179,668	12,992	7.23	142,320	11,053	7.77	
Other investments	16,283	765	4.70	12,341	611	4.95	21,342	1,289	6.04	
Interest earning assets	2,507,609	168,200	6.71	2,054,870	144,465	7.03	1,813,364	134,191	7.40	
Cash and due from banks	55,728			48,839			40,533			
Other assets, net	153,245			118,309			79,848			
Total assets	\$2,716,582			\$2,222,018			\$1,933,745			
LIABILITIES										
Savings and NOW	\$ 805,885	4,543	0.56	\$ 688,697	4,879	0.71	\$ 634,357	7,444	1.17	
Time deposits	912,285	23,820	2.61	741,731	22,923	3.09	688,297	27,690	4.02	
Long-term debt	4,549	177	3.89							
Other borrowings	480,956	16,474	3.43	407,264	16,311	4.01	287,983	12,874	4.47	
Interest bearing liabilities	2,203,675	45,014	2.04	1,837,692	44,113	2.40	1,610,637	48,008	2.98	
Demand deposits	240,800			183,032			156,294			
Other liabilities	73,574			50,283			28,762			
Shareholders' equity	198,533			151,011			138,052			
Total liabilities and shareholders' equity	\$2,716,582			\$2,222,018			\$1,933,745			
Net interest income	\$123,186			\$100,352			\$ 86,183			
Net interest income as a percent of average interest earning assets		4.91%			4.88%			4.75%		

(1) All domestic.

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

CHANGE IN TAX EQUIVALENT NET INTEREST INCOME	2004 compared to 2003			2003 compared to 2002		
	Volume	Rate	Net	Volume	Rate	Net
(in thousands)						
Increase (decrease) in interest income(1)						
Taxable loans(2)	\$27,556	\$(6,316)	\$21,240	\$13,763	\$(4,150)	\$ 9,613
Tax-exempt loans(2,3)	(256)	(135)	(391)	(32)	(44)	(76)
Taxable securities	1,298	(488)	810	1,475	(1,999)	(524)
Tax-exempt securities(3)	2,310	(388)	1,922	2,742	(803)	1,939
Other investments	187	(33)	154	(475)	(203)	(678)
Total interest income	31,095	(7,360)	23,735	17,473	(7,199)	10,274
Increase (decrease) in interest expense(1)						
Savings and NOW	753	(1,089)	(336)	593	(3,158)	(2,565)
Time deposits	4,783	(3,886)	897	2,025	(6,792)	(4,767)
Long-term debt	177		177			
Other borrowings	2,714	(2,551)	163	4,889	(1,452)	3,437
Total interest expense	8,427	(7,526)	901	7,507	(11,402)	(3,895)
Net interest income	\$22,668	\$ 166	\$22,834	\$ 9,966	\$ 4,203	\$14,169

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

COMPOSITION OF AVERAGE INTEREST EARNING ASSETS
AND INTEREST BEARING LIABILITIES

Year ended December 31,

2004 2003 2002
---- ---- ----

As a percent of average interest earning assets

Loans--all domestic	80.2%	79.0%	79.3%
Other interest earning assets	19.8	21.0	20.7

Average interest earning assets	100.0%	100.0%	100.0%
=====			

Savings and NOW	32.1%	33.5%	35.0%
Time deposits	17.5	19.8	24.5
Brokered CDs	18.9	16.3	13.4
Other borrowings and long-term debt	19.4	19.8	15.9

Average interest bearing liabilities	87.9%	89.4%	88.8%
=====			

Earning asset ratio	92.3%	92.5%	93.8%
Free-funds ratio	12.1	10.6	11.2

PROVISION FOR LOAN LOSSES. The provision for loan losses was \$4.3 million during 2004 compared to \$4.0 million and \$3.6 million during 2003 and 2002, respectively. Changes in the provision for loan losses reflect our assessment of the allowance for loan losses. While we use relevant information to recognize losses on loans, additional provisions for related losses may be necessary based on changes in economic conditions, customer circumstances and other credit risk factors. (See "Portfolio Loans and asset quality.")

NON-INTEREST INCOME. Non-interest income is a significant element in assessing our results of operations. On a long-term basis we are attempting to grow non-interest income in order to diversify our revenues within the financial services industry. We regard net gains on real estate mortgage loan sales as a core recurring source of revenue but they are quite cyclical and volatile. We regard net gains (losses) on securities as a "non-operating" component of non-interest income. As a result, we believe it is best to evaluate our success in growing non-interest income and diversifying our revenues by also comparing non-interest income when excluding net gains (losses) on assets (real estate mortgage loans and securities).

Non-interest income totaled \$37.8 million during 2004 compared to \$42.6 million and \$30.9 million during 2003 and 2002, respectively. Excluding net gains and losses on asset sales, non-interest income grew by 14.3% to \$31.0 million during 2004 and by 19.1% to \$27.1 million during 2003.

NON-INTEREST INCOME

Year ended December 31,

2004 2003 2002

(in thousands)

Service charges on deposit accounts	\$17,089	\$14,668	\$13,049
Net gains (losses) on assets			
Real estate mortgage loans	5,956	16,269	8,178
Securities	856	(779)	(24)
VISA check card interchange income	2,054	1,564	1,370
Title insurance fees	2,036	3,092	2,474
Bank owned life insurance	1,486	1,432	403
Manufactured home loan origination fees and commissions ...	1,264	1,769	1,949
Mutual fund and annuity commissions	1,260	1,227	979
Real estate mortgage loan servicing fees, net	1,427	(294)	(870)
Other	4,370	3,656	3,403

Total non-interest income	\$37,798	\$42,604	\$30,911
=====			

Service charges on deposit accounts totaled \$17.1 million during 2004, compared to \$14.7 million and \$13.0 million during 2003 and 2002, respectively. The increases in such service charges principally relate to growth in checking accounts as a result of deposit account promotions, including direct mail solicitations. The growth in 2004 also reflects our acquisitions of two banks during the year. We opened approximately 23,000 new checking accounts in 2004

compared to 23,000 in 2003 and 22,000 in 2002. Partially as a result of a leveling off in our growth rate of new checking accounts and the maturity of our high performance checking program, we would expect the growth rate of service charges on deposits to moderate in future periods.

Net gains on the sale of real estate mortgage loans are generally a function of the volume of loans sold. We realized net gains of \$6.0 million on the sale of such loans during 2004, compared to \$16.3 million and \$8.2 million during 2003 and 2002, respectively. The volume of loans sold is dependent upon our ability to originate real estate mortgage loans as well as the demand for fixed-rate obligations and other loans that we cannot profitably fund within established interest-rate risk parameters. (See "Portfolio Loans and asset quality.") Net gains on real estate mortgage loans are also dependent upon economic and competitive factors as well as our ability to effectively manage exposure to changes in interest rates and thus can often be a volatile part of our overall

revenues. In 2004, approximately 46% of the \$687.9 million of loans originated was the result of refinancing activity. We estimate that refinancing activities accounted for approximately 70% and 69% of the real estate mortgage loans originated during 2003 and 2002, respectively.

NET GAINS ON THE SALE OF REAL ESTATE
MORTGAGE LOANS

	Year ended December 31,		
	2004	2003	2002
	(dollars in thousands)		
Real estate mortgage loans originated	\$687,894	\$1,123,249	\$876,667
Real estate mortgage loans sold	385,445	892,482	600,300
Real estate mortgage loans sold with servicing rights released	53,082	51,847	165,133
Net gains on the sale of real estate mortgage loans	5,956	16,269	8,178
Net gains as a percent of real estate mortgage loans sold	1.55%	1.82%	1.36%
SFAS #133 adjustments included in the Loan Sale Margin	0.00	0.10	(0.16)

Net gains as a percentage of real estate mortgage loans sold (our "Loan Sales Margin") are impacted by several factors including competition and the manner in which the loan is sold (with servicing rights retained or released). The decrease in the Loan Sales Margin in 2004 primarily reflects increased pricing competition among mortgage lenders because of reduced demand for real estate mortgage loans due to a weaker refinance environment. The high demand for real estate mortgage loans by consumers in 2003 allowed us to increase our Loan Sales Margin in that period. Based upon our present expectations for real estate mortgage loan demand, we would expect our 2005 Loan Sales Margin to be similar to our 2004 level. Our decision to sell or retain real estate mortgage loan servicing rights is primarily influenced by an evaluation of the price being paid for real estate mortgage loan servicing by outside third parties compared to our calculation of the economic value of retaining such servicing. The sale of real estate mortgage loan servicing rights may result in declines in real estate mortgage loan servicing income in future periods. Gains on the sale of real estate mortgage loans can be impacted by recording changes in the fair value of certain derivative instruments pursuant to SFAS #133. These changes did not significantly impact the gains recorded in 2004, but did increase gains by \$1.0 million in 2003 and decreased gains by \$1.0 million in 2002. Excluding the aforementioned SFAS #133 adjustments, the Loan Sales Margin would have been 1.55% in 2004, 1.72% in 2003 and 1.52% in 2002.

The purchase or sale of securities is dependent upon our assessment of investment and funding opportunities as well as asset/liability management needs. We sold securities with an aggregate market value of \$57.4 million during 2004 compared to \$20.4 million and \$66.4 million during 2003 and 2002, respectively (See "Securities."). The \$0.9 million of securities gains in 2004 include \$1.6 million in "other than temporary" impairment charges (thus we actually had net gains on securities sales of approximately \$2.5 million). Approximately \$1.4 million of the other than temporary impairment charges relate to our Fannie Mae and Freddie Mac preferred stock portfolio. These preferred stocks are perpetual (i.e. they have no stated maturity date) and as a result they are treated like equity securities for purposes of impairment analysis. After the impairment charge our remaining book value in these preferred stocks was approximately \$25.9 million at December 31, 2004. We believe that recent events at Fannie Mae and Freddie Mac (including a review by regulators of their accounting practices) as well as the issuance of a large amount of new preferred securities by Fannie Mae in the fourth quarter of 2004 have resulted in a decline in the prices of these securities. Because it is difficult to forecast a recovery of these prices within a reasonable timeframe with any degree of certainty, we believe that recording the aforementioned other than temporary impairment charge is appropriate. In addition, we recorded other than temporary impairment charges of \$0.2 million on a mobile home asset backed security (See "Securities"). The net gains on sales of securities in 2004 relate primarily to the sale or call of U.S. Treasury, mortgage-backed, corporate and trust preferred securities. The net loss on securities in 2003 and 2002 includes impairment charges of \$0.75 million in each year on a \$1.5 million trust preferred security that was purchased in 1999, and which was issued by an unaffiliated bank holding company. This bank holding company had been experiencing ongoing financial difficulties. As a result of these circumstances and an ongoing assessment of the market value of this security, the book value of this asset was written off. In the third quarter of 2004 we were able to sell this trust preferred security for \$0.5 million.

GAINS AND LOSSES ON SECURITIES

	Year ended December 31,		
	Proceeds	Gains	Losses(1) Net

----- -----
(in thousands)

2004 ...	\$57,441	\$2,540	\$1,684	\$ 856
2003 ...	20,446	827	1,606	(779)
2002 ...	66,390	809	833	(24)

(1) The losses include impairment charges of: \$1.6 million in 2004 and \$0.75 million in each of 2003 and 2002.

VISA check card interchange income increased to \$2.1 million in 2004 compared to \$1.6 million in 2003 and \$1.4 million in 2002. These results can be primarily attributed to an increase in the size of our card base due to growth in checking accounts as well as the two acquisitions completed in 2004. In addition, the frequency of use of our VISA check card product by our customer base has increased.

Title insurance fees decreased to \$2.0 million in 2004 compared to \$3.1 million in 2003 and \$2.5 million in 2002. The fluctuation in title insurance fees is primarily a function of the level of real estate mortgage loans that we originated.

Real estate mortgage loan servicing generated revenue of \$1.4 million in 2004, compared to expense of \$0.3 million in 2003 and expense of \$0.9 million in 2002. These yearly comparative increases or decreases are primarily due to changes in the impairment reserve on capitalized real estate mortgage loan servicing rights and the level of amortization of this asset. The period end impairment reserve is based on a third-party valuation of our real estate mortgage loan servicing portfolio and the amortization is primarily impacted by prepayment activity.

CAPITALIZED REAL ESTATE MORTGAGE LOAN SERVICING RIGHTS

	2004	2003	2002
	-----	-----	-----
	(in thousands)		
Balance at January 1,	\$ 8,873	\$ 4,455	\$ 4,299
Servicing rights acquired	1,138		
Originated servicing rights capitalized	3,341	7,700	3,637
Amortization	(1,948)	(3,655)	(2,386)
(Increase)/decrease in impairment reserve	(44)	373	(1,095)
	-----	-----	-----
Balance at December 31,	\$11,360	\$ 8,873	\$ 4,455
	=====	=====	=====
Impairment reserve at December 31,	\$ 766	\$ 722	\$ 1,095
	=====	=====	=====

At December 31, 2004 we were servicing approximately \$1.4 billion in real estate mortgage loans for others on which servicing rights have been capitalized. This servicing portfolio had a weighted average coupon rate of 5.87% and a weighted average service fee of approximately 26 basis points. Remaining capitalized real estate mortgage loan servicing rights at December 31, 2004 totaled \$11.4 million, representing approximately 81 basis points on the related amount of real estate mortgage loans serviced for others.

In August 2002 we acquired \$35.0 million in separate account bank owned life insurance on which we earned \$1.5 million in 2004, \$1.4 million in 2003 and \$0.4 million in 2002, as a result of increases in cash surrender value. Mutual fund and annuity commissions have increased over the past two years due primarily to increased sales of investment related products.

Manufactured home loan origination fees and commissions declined in each year since 2002. This industry has faced a challenging environment as several buyers of this type of loan have exited the market or materially altered the guidelines under which they will purchase such loans. In addition, relatively low interest rates for real estate mortgage loans have made traditional housing more affordable and reduced the demand for manufactured homes. Finally, regulatory changes have reduced the opportunity to generate revenues on the sale of insurance related to this type of lending. At the present time we do not anticipate any significant improvement in the circumstances adversely impacting manufactured home lending as outlined above. However, we do believe that industry conditions have somewhat stabilized and therefore do not presently anticipate further declines in this category of revenue below our 2004 level.

Other non-interest income rose to \$4.4 million in 2004 from \$3.7 million in 2003 and \$3.4 million in 2002. Increases in ATM fees, check printing charges and PMI reinsurance revenues have accounted for the majority of this growth. The growth is generally reflective of the overall expansion of the organization in terms of numbers of customers and accounts.

NON-INTEREST EXPENSE. Non-interest expense is an important component of our results of operations. However, we primarily focus on revenue growth, and while we strive to efficiently manage our cost structure, our non-interest expenses will generally increase from year to year because we are expanding our operations through acquisitions and by opening new branches and loan production offices.

Non-interest expense totaled \$98.7 million during 2004, compared to \$82.5 million and \$68.3 million during 2003 and 2002, respectively. The aforementioned two bank acquisitions in mid-2004 and the April 2003 acquisition of Mepco as well as growth associated with new branch offices and loan production offices account for much of the increases in non-interest expense. In addition, 2004 and 2003 included certain unusual charges or expenses as further detailed on the next page.

NON-INTEREST EXPENSE

	Year ended December 31,		
	2004	2003	2002
	(in thousands)		
Compensation	\$35,243	\$27,954	\$24,891
Performance-based compensation and benefits ...	4,851	6,872	5,247
Other benefits	9,987	8,732	7,205
Compensation and benefits	50,081	43,558	37,343
Occupancy, net	7,539	6,519	5,424
Furniture and fixtures	6,122	5,539	4,731
Advertising	3,787	4,011	2,813
Data Processing	4,462	3,942	3,209
Loan and collection	3,556	3,352	3,028
Communications	3,553	2,895	2,484
Supplies	2,140	1,920	1,626
Amortization of intangible assets	2,479	1,721	1,014
Legal and professional	2,718	1,651	1,238
Mepco claims expense	2,700		
Write-off of uncompleted software	977		
Loss on prepayment of borrowings	18	983	59
Other	8,536	6,415	5,324
Total non-interest expense	\$98,668	\$82,506	\$68,293

The increases in compensation and benefits in 2004 and 2003 compared to each prior year are primarily attributable to an increased number of employees resulting from acquisitions and the addition of new branch and loan production offices as well as to merit pay increases and increases in certain employee benefit costs such as health care insurance. Performance based compensation and benefits declined in 2004 compared to 2003 due primarily to a reduced funding level for our employee stock ownership plan and lower incentive compensation. These lower levels of performance based compensation are reflective of our flat earnings performance in 2004. In addition, compensation expense in 2004 includes \$2.3 million in severance expense related to the termination of employment contracts for three senior managers at Mepco. In general we do not provide employment contracts for our employees and substantially all of our employees are employed on an "at will" basis. The aforementioned employment contracts were executed in April 2003 as part of our acquisition of Mepco.

We maintain performance-based compensation plans. In addition to commissions and cash incentive awards, such plans include employee stock ownership and employee stock option plans. Stock options granted during 2004 and in prior years did not require the recognition of any expense in our consolidated statements of operations during those periods. In December 2004 the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 123 (revised 2004), "Share-Based Payment" ("SFAS #123R") (See "Recent Accounting Pronouncement"). In general this accounting pronouncement requires that all share-based payments to employees, including grants of employee stock options, be recognized in the financial statements based on their fair values. This requirement will apply to us beginning on July 1, 2005.

Occupancy, furniture and fixtures, data processing, communications and supplies expenses all generally increased over the periods presented as a result of the growth of the organization through acquisitions and the opening of new branch and loan production offices. The increase in amortization of intangible assets is also a result of acquisitions.

The increases in loan and collection expense reflects costs associated with holding or disposal of other real estate and collection costs associated with increases in the level of non-performing loans.

Legal and professional expenses in 2004 include \$0.6 million of costs related to the implementation of Section 404 (internal control over financial reporting) of the Sarbanes Oxley Act of 2002 and \$0.8 million in costs related to the Mepco investigation.

In May 2004 we received an unsolicited anonymous letter regarding certain business practices at Mepco, which was acquired in April 2003 and is now a wholly-owned subsidiary of Independent Bank. We processed this letter in compliance with our Policy Regarding the Resolution of Reports on the Company's Accounting, Internal Controls and Other Business Practices. Under the direction of our Audit Committee, special legal counsel was engaged to investigate the matters raised in the anonymous letter. This investigation was completed during the first quarter of 2005 and we have determined that any amounts or issues relating to the period after our April 2003 acquisition of Mepco were not significant. The potential amount of liability related to periods prior to our

April 2003 acquisition date primarily encompasses funds that may be due to former customers of Mepco related to loan overpayments or unclaimed funds that may be subject to escheatment. At this time we believe this potential liability to third parties will not exceed approximately \$5 million. Prior to our acquisition, Mepco had erroneously recorded these amounts as revenue over a period of several years. The final liability may, however, be less, depending on the facts related to each loan account and the applicable state escheatment requirements for unclaimed funds. In the second quarter of 2004 we recorded a liability of \$2.7 million with a corresponding charge to earnings (included in non-interest expenses) for potential amounts due to third parties (either former loan customers or to states for the escheatment of unclaimed funds). Further on September 30, 2004, we entered into an escrow agreement with the primary former shareholders of Mepco. This escrow agreement was entered into for the sole purpose of funding any obligations beyond the

\$2.7 million amount that we already had accrued. The escrow agreement gives us the right to have all or a portion of the escrow account distributed to us from time to time if the aggregate amount that we (together with any of our affiliates including Mepco) are required to pay to any third parties as a result of the matters being investigated exceeds \$2.7 million. At December 31, 2004, the escrow account contained 92,766 shares of Independent Bank Corporation common stock (deposited by the primary former shareholders of Mepco) having an aggregate market value at that date of approximately \$2.8 million. The escrow agreement contains provisions that require the addition or distribution of shares of Independent Bank Corporation common stock if the total market value of such stock in the escrow account falls below \$2.25 million or rises above \$2.75 million. Consistent with these escrow agreement provisions, 2,000 shares of Independent Bank Corporation common stock were released from the escrow account and returned to the former primary shareholders of Mepco in January 2005. As a result of the aforementioned escrow agreement, as well as the \$2.7 million accrual established in the second quarter of 2004, we do not expect any future liabilities (other than investigation costs incurred during the first quarter of 2005) related to the Mepco investigation. The terms of the agreement under which we acquired Mepco obligates the former shareholders of Mepco to indemnify us for existing and resulting damages and liabilities from pre-acquisition activities at Mepco. Accordingly, to the extent that we actually incur any damages or liabilities resulting from these pre-acquisition activities, we believe that we have reasonable grounds to claim and collect full reimbursement. However, there can be no assurance that we will successfully prevail with respect to any of these potential indemnification claims.

The write-off of uncompleted software of \$1.0 million relates to previously capitalized software development costs at Mepco. This software was being developed over the past three years for internal use in connection with Mepco's lending activities. With the assistance of a third-party consultant, during the second quarter of 2004 we determined that this uncompleted internal use software was not expected to provide substantive service potential due primarily to performance, functionality and application server platform issues, and as a result, the capitalized software development costs were written off.

From time to time we may prepay borrowings in order to reduce our cost of funds. The prepayment of certain borrowings may result in a loss being incurred due to prepayment penalty or yield maintenance provisions. In determining whether to prepay a borrowing, we principally evaluate the reduction in future borrowing costs compared to the loss we expect to incur on the prepayment, as well as our overall asset liability management needs. During 2003, we prepaid \$5.0 million in FHLB advances with a weighted average cost of 7.45% and a weighted average remaining maturity of 6.5 years and incurred a loss of \$1.0 million. We replaced these FHLB advances with \$5.0 million in new borrowings with a weighted average cost of 3.65% and weighted average maturity of five years.

Other non-interest expense increased to \$8.6 million in 2004 compared to \$6.4 million in 2003 and \$5.3 million in 2002. The increase in 2004 over 2003 is primarily due to increased FDIC deposit insurance costs, an increase in our Michigan Single Business tax expense, a \$0.4 million write-off of receivables at our mobile home origination subsidiary, and a \$0.8 million increase in merchant (credit card) processing fees at Mepco. The increase in 2003 compared to 2002 is primarily due to our acquisition of Mepco.

Our federal income tax expense has increased generally commensurate with our increase in pre-tax earnings. Our actual federal income tax expense is lower than the amount computed by applying our statutory federal income tax rate to our pre-tax earnings primarily due to tax-exempt interest income. Our effective tax rate was 26.4%, 26.7% and 27.9% in 2004, 2003 and 2002, respectively. The decrease in the effective tax rate in 2004 and 2003 from 2002 is principally attributed to an increase in tax-exempt interest income and income from bank owned life insurance.

FINANCIAL CONDITION

SUMMARY. Our total assets grew to \$3.1 billion at December 31, 2004, from \$2.4 billion at December 31, 2003. The growth in total assets primarily reflects increases in securities available for sale and loans. Loans, excluding loans held for sale ("Portfolio Loans") increased \$557.9 million in 2004 due primarily to the Midwest and North acquisitions as well as growth in commercial, real estate mortgage and finance receivable loans. Total deposits increased \$474.1 million in 2004 primarily as a result of the aforementioned bank acquisitions and increases in checking and savings deposits and in brokered certificates of deposit ("Brokered CDs").

SECURITIES. We maintain diversified securities portfolios, which include obligations of the U.S. Treasury and government-sponsored agencies as well as securities issued by states and political subdivisions, corporate securities, mortgage-backed securities and asset-backed securities. We also invest in capital securities, which include preferred stocks and trust preferred securities. We regularly evaluate asset/liability management needs and attempt to maintain a portfolio structure that provides sufficient liquidity and cash flow. We believe that the unrealized losses on securities available for sale are temporary in nature and due primarily to changes in interest rates and are

expected to be recovered within a reasonable time period. We also believe that we have the ability to hold securities with unrealized losses to maturity or until such time as the unrealized losses reverse. During 2004 we recorded a \$1.4 million impairment charge on Fannie Mae and Freddie Mac preferred securities and a \$0.2 million impairment charge on a mobile home asset-backed security. We also recorded a \$1.5 million impairment charge (one-half in 2003 and one-half in 2002) on a trust preferred security issued by a bank holding company. In these instances we believe that the decline in value is directly due to matters other than changes in interest rates (such as financial difficulties or accounting problems encountered by the issuer), are not expected to be recovered within a reasonable timeframe based upon available information and are therefore other than temporary in nature. (See "Non-interest income" and "Asset/liability management.")

SECURITIES

Amortized Cost	Unrealized		Fair Value
	Gains	Losses	
-----	-----	-----	-----
(in thousands)			

Securities available for sale

December 31, 2004	\$539,162	\$13,448	\$1,702	\$550,908
December 31, 2003	440,060	15,681	1,745	453,996

The increase in securities available for sale was due primarily to purchases of municipal, corporate, mortgage-backed and asset-backed securities during the year as well as our two bank acquisitions. Generally we cannot earn the same interest-rate spread on securities as we can on Portfolio Loans. As a result, purchases of securities will tend to erode some of our profitability measures such as our Net Yield and our return on assets.

At December 31, 2004 and 2003 we had \$23.6 million and \$33.1 million, respectively, of asset-backed securities included in securities available for sale. Approximately 87% of our asset-backed securities at December 31, 2004 were backed by mobile home loans (compared to 86% at December 31, 2003). All of our asset-backed securities are rated as investment grade (by the major rating agencies) except for one mobile home loan asset-backed security with a balance of \$2.7 million at December 31, 2004 that was down graded during 2004 to a below investment grade rating. During 2004 we recorded an impairment charge of \$0.2 million on this security due primarily to some further credit related deterioration on the underlying mobile home loan collateral. We continue to closely monitor this particular security as well as our entire mobile home loan asset-backed securities portfolio. We do not foresee, at the present time, any risk of loss (related to credit issues) with respect to any of our other asset-backed securities. Currently the FASB is considering certain changes or clarifications related to the assessment of other than temporary impairment on investment securities as well as other related accounting matters (See Critical Accounting Policies and Recent Accounting Pronouncements).

PORTFOLIO LOANS AND ASSET QUALITY. We believe that our decentralized loan origination structure provides important advantages in serving the credit needs of our principal lending markets. In addition to the communities served by our bank branch networks, principal lending markets include nearby communities and metropolitan areas. Subject to established underwriting criteria, we 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,	
2004	2003
-----	-----
(in thousands)	

Real estate (1)

Residential first mortgages	\$ 590,949	\$ 546,647
Residential home equity and other junior mortgages	215,261	150,346
Construction and land development	261,505	194,340
Other(2)	546,789	389,617
Finance receivables	254,388	147,671
Consumer	182,374	139,261
Commercial	165,440	88,558
Agricultural	8,584	10,953
	-----	-----
Total loans	\$2,225,290	\$1,667,393
	=====	=====

(1) Includes both residential and non-residential commercial loans secured by real estate.

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

Our 2003 acquisition of Mepco added the financing of insurance premiums and extended automobile warranties to our lending activities. These are relatively new lines of business for us and expose us to new risks. Mepco conducts its lending activities across the United States although its insurance premium financing business is presently concentrated in California and Illinois. Mepco generally does not evaluate the creditworthiness of the individual borrower but instead primarily relies on the loan collateral (the unearned insurance premium

or automobile warranty contract) in the event of default. As a result, we have established and monitor insurance carrier concentration limits in order to manage our collateral exposure. The insurance carrier concentration limits are primarily based on the insurance company's AM Best rating and statutory surplus level. Mepco also has established procedures for loan servicing and collections, including the timely cancellation of the insurance policy or automobile warranty contract in order to protect our collateral position in the event of default. Mepco also has established procedures to attempt to prevent and detect fraud since the loan origination activities and initial borrower contact is entirely done through unrelated third parties (primarily insurance agents and automobile warranty administrators or automobile dealerships). There can be no assurance that the aforementioned risk management policies and procedures will prevent us from the possibility of incurring significant credit or fraud related losses in this business segment.

Although the management and board of directors of each of our banks retain authority and responsibility for credit decisions, we have adopted uniform underwriting standards. Further, our loan committee structure as well as the centralization of commercial loan credit services and the loan review process, provides requisite controls and promotes compliance with such established underwriting standards. Such centralized functions also facilitate compliance with consumer protection laws and regulations.

We generally retain loans that may be profitably funded within established risk parameters. (See "Asset/liability management.") As a result, we may hold adjustable-rate and balloon real estate mortgage loans as Portfolio Loans, while 15- and 30-year, fixed-rate obligations are generally sold to mitigate exposure to changes in interest rates. (See "Non-interest income.")

The increase in commercial loans (including real estate construction and land development and real estate other in the table above) during 2004 principally reflects our acquisitions of Midwest and North as well as emphasis on lending opportunities within this category of loans and an increase in commercial lending staff. Loans secured by real estate comprise the majority of new commercial loans.

The \$254.4 million of finance receivables at December 31, 2004 are comprised principally of loans to businesses to finance insurance premiums and payment plans offered to individuals to finance extended automobile warranties. The finance receivables are a result of our acquisition of Mepco.

Future growth of overall Portfolio Loans is dependent upon a number of competitive and economic factors. Declines in Portfolio Loans or competition leading to lower relative pricing on new Portfolio Loans could adversely impact our future operating results. We continue to view loan growth consistent with prevailing quality standards as a major short- and long-term challenge.

NON-PERFORMING ASSETS

	December 31,			
	2004	2003	2002	
	(dollars in thousands)			
Non-accrual loans	\$11,804	\$ 9,122	\$ 5,738	
Loans 90 days or more past due and still accruing interest		3,123	3,284	3,961
Restructured loans	218	335	270	
Total non-performing loans	15,145	12,741	9,969	
Other real estate	2,113	3,256	3,908	
Total non-performing assets	\$17,258	\$15,997	\$13,877	
As a percent of Portfolio Loans				
Non-performing loans .....	.68%	.76%	.72%	
Allowance for loan losses	1.11	1.01	1.15	
Non-performing assets to total assets .....	.56	.68	.67	
Allowance for loan losses as a percent of non-performing loans ...	163	132	159	

Non-performing loans totaled \$15.1 million, or 0.68% of total Portfolio Loans at December 31, 2004, a \$2.4 million increase from December 31, 2003. This increase is primarily attributable to growth in the loan portfolio and the acquisitions of Midwest and North. Non-performing loans as a percent of Portfolio Loans declined to 0.68% at December 31, 2004 from 0.76% at December 31, 2003.

The increase in non-performing loans in 2003 compared to 2002 is primarily attributable to \$1.9 million of finance receivables added as the result of the Mepco acquisition and a \$1.5 million increase in non-performing commercial loans. The increase in non-performing commercial loans is primarily due to the addition of two credits totaling \$3.6 million partially offset by the reduction of certain other non-performing commercial credits from December 31, 2002.

We will place a loan that is 90 days or more past due on non-accrual, unless we believe the loan is both well secured and in the process of collection. Accordingly, we have determined that the collection of the accrued and unpaid interest on any loans that are 90 days or more past due and still accruing interest is probable.

Other real estate and repossessed assets totaled \$2.1 million at December 31, 2004 a decline of \$1.1 million from December 31, 2003. The decline in other real estate and repossessed assets is due primarily to a decrease in the level of residential homes acquired through foreclosure.

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

	December 31,		
	2004	2003	2002
	(in thousands)		

Specific allocations	\$ 2,874	\$ 1,362	\$ 1,313
Other adversely rated loans	9,395	6,487	6,067
Historical loss allocations	6,092	3,571	2,813
Additional allocations based on subjective factors ...	6,376	6,308	6,512
	-----	-----	-----
Total	\$24,737	\$17,728	\$16,705
	=====	=====	=====

In determining the allowance and the related provision for credit losses, we consider four principal elements: (i) specific allocations based upon probable losses identified during the review of the loan portfolio, (ii) allocations established for other adversely rated loans, (iii) allocations based principally on historical loan loss experience, and (iv) additional allowances based on subjective factors, including local and general economic business factors and trends, portfolio concentrations and changes in the size, mix and/or the general terms of the loan portfolios.

The first element reflects our estimate of probable losses based upon our systematic review of specific loans. These estimates are based upon a number of objective factors, such as payment history, financial condition of the borrower, and discounted collateral exposure.

The second element reflects the application of our loan rating system. This rating system is similar to those employed by state and federal banking regulators. Loans that are rated below a certain predetermined classification are assigned a loss allocation factor for each loan classification category that is based upon a historical analysis of losses incurred. The lower the rating assigned to a loan or category, the greater the allocation percentage that is applied.

The third element is determined by assigning allocations based principally upon the ten-year average of loss experience for each type of loan. Recent years are weighted more heavily in this average. Average losses may be further adjusted based on the current delinquency rate. Loss analyses are conducted at least annually.

The fourth element is based on factors that cannot be associated with a specific credit or loan category and reflects our attempt to ensure that the overall allowance for loan losses appropriately reflects a margin for the imprecision necessarily inherent in the estimates of expected credit losses. We consider a number of subjective factors when determining the unallocated portion, including local and general economic business factors and trends, portfolio concentrations and changes in the size, mix and the general terms of the loan portfolios. (See "Provision for credit losses.")

Mepeco's allowance for loan losses is determined in a similar manner as discussed above and takes into account delinquency levels, net charge-offs, unsecured exposure and other subjective factors deemed relevant to their lending activities.

ALLOWANCE FOR CREDIT LOSSES

	2004		2003		2002	
	Loan Losses	Unfunded Commitments	Loan Losses	Unfunded Commitments	Loan Losses	Unfunded Commitments
	(in thousands)					
Balance at beginning of year	\$16,836	\$ 892	\$15,830	\$875	\$15,286	\$881
Allowance on loans acquired	8,236		517			
Provision charged to operating expense ...	3,355	954	4,015	17	3,568	(6)
Recoveries credited to allowance	1,251		1,087		733	
Loans charged against the allowance	(4,941)		(4,613)		(3,757)	
Balance at end of year	\$24,737	\$1,846	\$16,836	\$892	\$15,830	\$875
Net loans charged against the allowance to average Portfolio Loans .....	.19%		.23%		.22%	

In the second quarter of 2004, we began to record the allowance for unfunded loan commitments in "Accrued expenses and other liabilities." Previously, this portion of the allowance was included in the allowance for loan losses and shown as a contra-asset on the Consolidated Statements of Financial Condition. Prior period amounts have been reclassified. The allowance for losses on unfunded commitments is determined in a similar manner to the allowance for loan losses.

DEPOSITS AND BORROWINGS. Our competitive position within many of the markets served by our branch networks limits our ability to materially increase deposits without adversely impacting the weighted-average cost of core deposits. Accordingly, we principally compete on the basis of convenience and personal service, while employing pricing tactics that are intended to enhance the value of core deposits.

To attract new core deposits, we have implemented a high-performance checking program that utilizes a combination of direct mail solicitations, in-branch merchandising, gifts for customers opening new checking accounts or referring business to our banks and branch staff sales training. This program has generated increases in customer relationships as well as deposit service charges. We believe that the new relationships that result from these marketing and sales efforts provide valuable opportunities to cross sell related financial products and services.

ALTERNATE SOURCES OF FUNDS

	December 31,					
	2004			2003		
	Average Amount	Average Maturity	Average Rate	Average Amount	Average Maturity	Average Rate
	(dollars in thousands)					
Brokered CDs(1)	\$ 576,944	1.9 years	2.56%	\$416,566	2.3 years	2.43%
Fixed-rate FHLB advances(1,2)	59,902	6.4 years	5.55	84,638	5.0 years	3.99
Variable-rate FHLB advances(1)	164,000	0.4 years	2.32	104,150	0.4 years	1.30
Securities sold under agreements to repurchase(1)	169,810	0.2 years	2.27	140,969	0.3 years	1.22
Federal funds purchased	117,552	1 day	2.44	53,885	1 day	1.16
Total	\$1,088,208	1.4 years	2.63%	\$800,208	1.8 years	2.15%

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

(2) Advances totaling \$10 million at both December 31, 2004 and 2003, respectively, have provisions that allow the FHLB to convert fixed-rate advances to adjustable rates prior to stated maturity.

We have implemented strategies that incorporate federal funds purchased, other borrowings and Brokered CDs to fund a portion of the increases in securities available for sale and Portfolio Loans. The use of such alternate sources of funds supplements our core deposits and is an integral part of our asset/liability management efforts.

Other borrowed funds, principally advances from the Federal Home Loan Bank (the "FHLB") and securities sold under agreements to repurchase ("Repurchase Agreements"), totaled \$405.4 million at December 31, 2004, compared to \$331.8 million a year earlier. The \$73.6 million increase in other borrowed funds principally reflects a \$28.8 million increase in Repurchase Agreements, a \$35.1 million increase in FHLB advances and a \$9.0 million increase in our bank holding company credit facility. The increase in the outstanding balance of our bank holding company credit facility principally reflects funds needed for the cash portion of the Midwest acquisition. The increase in Brokered CDs was primarily utilized to fund commercial loan and finance receivables growth. In determining our borrowing sources, we primarily evaluate the interest cost, payment terms, facility structure and collateral requirements (also see "Liquidity and capital resources.").

We employ derivative financial instruments to manage our exposure to changes in interest rates. At December 31, 2004, we employed interest-rate swaps with an aggregate notional amount of \$602.7 million.

LIQUIDITY AND CAPITAL RESOURCES. Liquidity risk is the risk of being unable to timely meet obligations as they come due at a reasonable funding cost or without incurring unacceptable losses. Our liquidity management involves the measurement and monitoring of a variety of sources and uses of funds. Our Consolidated Statements of Cash Flows categorize these sources and uses into operating, investing and financing activities. We primarily focus our liquidity management on developing access to a variety of borrowing sources to supplement our deposit gathering activities and provide funds for growing our investment and loan portfolios as well as to be able to respond to unforeseen liquidity needs.

Our sources of funds include a stable deposit base, secured advances from the Federal Home Loan Bank of Indianapolis, both secured and unsecured federal funds purchased borrowing facilities with other commercial banks, an unsecured holding company credit facility and access to the capital markets (for trust preferred securities and Brokered CD's).

At December 31, 2004, we had \$630.4 million of time deposits that mature in 2005. Historically, a majority of these maturing time deposits are renewed by our customers or are Brokered CD's that we expect to replace. Additionally \$1.137 billion of our deposits at December 31, 2004, were in account types from which the customer could withdraw the funds on demand. Changes in the balances of deposits that can be withdrawn upon demand are usually predictable, and the total balances of these accounts have generally grown over time as a result of our marketing and promotional activities. There can be no assurance that historical patterns of renewing time deposits or overall growth in deposits will continue in the future.

We have developed contingency funding plans that stress tests our liquidity

needs that may arise from certain events such as an adverse credit event, rapid loan growth or a disaster recovery situation. Our liquidity management also includes periodic monitoring of each bank that segregates assets between liquid and illiquid and classifies liabilities as core and non-core. This analysis compares our total level of illiquid assets to our core funding. It is our goal to have core funding sufficient to finance illiquid assets.

Over the past several years our Portfolio Loans have grown more rapidly than our core deposits. In addition, much of this growth has been in loan categories that cannot generally be used as collateral for FHLB advances (such as commercial loans and finance receivables). As a result, we have become more dependent on wholesale funding sources (such as brokered CD's and Repurchase Agreements). In order to reduce this greater reliance on wholesale funding we intend to explore the potential securitization of both commercial loans and finance receivables during 2005. It is likely that a securitization facility would have a higher all in cost than our current wholesale funding sources which would adversely impact our future net interest income. However we believe that the benefits from a liquidity risk management standpoint will likely outweigh the adverse impact on our net interest income.

In the normal course of business, we enter into certain contractual obligations. Such obligations include obligations to make future payments on debt and lease arrangements, contractual commitments for capital expenditures, and service contracts. The table below summarizes our significant contractual obligations at December 31, 2004.

CONTRACTUAL COMMITMENTS

	December 31, 2004				Total
	1 year or less	1-3 years	3-5 years	After 5 years	
(dollars in thousands)					
Time deposit maturities	\$ 630,387	\$217,507	\$113,751	\$ 78,520	\$1,040,165
Federal funds purchased and other borrowings ...		464,154	14,037	15,935	28,812
Operating lease obligations	1,309	2,259	935		4,503
Purchase obligations(1)	1,084	1,355			2,439
Total	\$1,096,934	\$235,158	\$130,621	\$107,332	\$1,570,045

(1) Includes contracts with a minimum annual payment of \$1.0 million and are not cancellable within one year.

Effective management of capital resources is critical to our mission to create value for our shareholders. The cost of capital is an important factor in creating shareholder value and, accordingly, our capital structure includes unsecured debt and cumulative trust preferred securities.

We believe that a diversified portfolio of quality loans will provide superior risk-adjusted returns. Accordingly, we have implemented balance sheet management strategies that combine efforts to originate Portfolio Loans with disciplined funding strategies. Acquisitions are also an integral component of our capital management strategies.

CAPITALIZATION

	December 31,	
	2004	2003
(in thousands)		
Unsecured debt	\$ 9,000	
Subordinated debentures	64,197	\$ 52,165
Amount not qualifying as regulatory capital ...	(1,847)	(1,565)
Amount qualifying as regulatory capital	62,350	50,600
Shareholders' equity		
Common stock	21,195	19,521
Capital surplus	158,797	119,401
Retained earnings	41,795	16,953
Accumulated other comprehensive income	8,505	6,341
Total shareholders' equity	230,292	162,216
Total capitalization	\$301,642	\$212,816

In March 2003, a special purpose entity, IBC Capital Finance II (the "trust") issued \$1.6 million of common securities to Independent Bank Corporation and \$50.6 million of trust preferred securities to the public. Independent Bank Corporation issued \$52.2 million of subordinated debentures to the trust in exchange for the proceeds from the public offering. These subordinated debentures represent the sole asset of the trust.

Prior to 2004, the trust was consolidated in our financial statements and the common securities and subordinated debentures were eliminated in consolidation. Under new accounting guidance, FASB Interpretation No. 46, as revised in December 2003 ("FIN 46R"), the trust is no longer consolidated with Independent Bank Corporation. Accordingly, we no longer report the \$50.6 million of trust preferred securities issued by the trust as liabilities, but instead report the common securities of \$1.6 million held by Independent Bank Corporation in other assets and the \$52.2 million of subordinated debentures issued by Independent Bank Corporation in the liability section of our Consolidated Statements of Financial Condition. Amounts reported at December 31, 2003 were reclassified to conform to the current presentation. The effect of no

longer consolidating the trust had no material impact on our operating results.

In connection with our acquisition of Midwest, we assumed all of the duties, warranties and obligations of Midwest as the sponsor and sole holder of the common securities of Midwest Guaranty Trust I ("MGT"). In 2002, MGT, a special purpose entity, issued \$0.2 million of common securities to Midwest and \$7.5 million of trust preferred securities as part of a pooled offering. Midwest issued \$7.7 million of subordinated debentures to the trust in exchange for the proceeds of the offering, which debentures represent the sole asset of MGT. Both the common securities and subordinated debentures are included in our Consolidated Statement of Financial Condition at December 31, 2004.

In connection with our acquisition of North, we assumed all of the duties, warranties and obligations of North as the sole general partner of Gaylord Partners, Limited Partnership ("GPLP"), a special purpose entity. In 2002, North contributed an aggregate of \$0.1 million to the capital of GPLP and GPLP issued \$5.0 million of floating rate cumulative preferred securities as part of a private placement offering. North issued \$5.1 million of subordinated debentures to GPLP in exchange for the proceeds of the offering, which debentures represent the sole asset of GPLP. Independent Bank purchased \$0.8 million of the GPLP floating rate cumulative

preferred securities during the private placement offering. This investment security at Independent Bank and a corresponding amount of subordinated debentures are eliminated in consolidation. The remaining subordinated debentures as well as our capital investment in GPLP are included in our Consolidated Statement of Financial Condition at December 31, 2004.

In March 2005, the Federal Reserve Board issued a final rule that would retain trust preferred securities in the Tier 1 capital of bank holding companies. After a transition period ending March 31, 2009, the aggregate amount of trust preferred securities and certain other capital elements will be limited to 25 percent of Tier 1 capital elements, net of goodwill (less any associated deferred tax liability). The amount of trust preferred securities and certain other elements in excess of the limit could be included in the Tier 2 capital, subject to restrictions. Based upon our existing levels of Tier 1 capital, trust preferred securities and goodwill, this final Federal Reserve Board rule would have reduced our Tier 1 capital to average assets ratio by approximately 25 basis points at December 31, 2004 (this calculation assumes no transition period).

We have supplemented our balance-sheet management activities with purchases of our common stock. We repurchased 0.1 million shares of our common stock at an average price of \$24.53 in 2004 compared to 0.6 million shares of our common stock at an average price of \$21.97 per share in 2003 and compared to 1.2 million shares at an average price of \$18.82 per share in 2002. The level of share repurchases in a given year generally reflects changes in our need for capital associated with our balance sheet growth. In February 2005 we announced that our board of directors had authorized the repurchase of up to 0.8 million shares. This authorization expires on December 31, 2005.

Shareholders' equity totaled \$230.3 million at December 31, 2004. The increase from \$162.2 million at December 31, 2003 primarily reflects the retention of earnings (net of cash dividends paid), the issuance of common stock for the Midwest and North acquisitions and pursuant to various equity-based incentive compensation plans, and an increase in accumulated other comprehensive income. Shareholders' equity was equal to 7.44% of total assets at December 31, 2004, compared to 6.87% a year earlier.

CAPITAL RATIOS

December 31,

2004 2003

Equity capital	7.44%	6.87%
Average shareholders' equity to average assets ...	7.31	6.80
Tier 1 capital to average assets	7.36	7.91
Tier 1 risk-based capital	9.39	10.55
Total risk-based capital	10.53	11.57

ASSET/LIABILITY MANAGEMENT. Interest-rate risk is created by differences in the cash flow characteristics of our 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.

Our asset/liability management efforts identify and evaluate opportunities to structure the balance sheet in a manner that is consistent with our mission to maintain profitable financial leverage within established risk parameters. We evaluate various opportunities and alternative balance-sheet strategies carefully and consider the likely impact on our risk profile as well as the anticipated contribution to earnings. The marginal cost of funds is a principal consideration in the implementation of our balance-sheet management strategies, but such evaluations further consider interest-rate and liquidity risk as well as other pertinent factors. We have established parameters for interest-rate risk. We regularly monitor our interest-rate risk and report quarterly to our respective banks' boards of directors.

We employ simulation analyses to monitor each Bank's interest-rate risk profiles and evaluate potential changes in our Bank's 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 our balance sheets. The simulations do not anticipate any actions that we 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 prepayment rates on certain assets and liabilities.

CHANGES IN MARKET VALUE OF PORTFOLIO EQUITY AND TAX EQUIVALENT NET INTEREST INCOME

December 31, 2004					
Change in Interest Rates	Market Value of Portfolio Equity(1)	Percent Change	Tax Equivalent Net Interest Income(2)	Percent Change	
(dollars in thousands)					
200 basis point rise	\$210,000	(5.41)%	\$139,200	3.03%	
100 basis point rise	220,800	(0.54)	137,700	1.92	
Base-rate scenario	222,000		135,100		
100 basis point decline	214,400	(3.42)	132,800	(1.70)	
200 basis point decline	205,200	(7.57)	133,000	(1.55)	

(1) Simulation analyses calculate the change in the net present value of our assets and liabilities, including debt and related financial derivative instruments, 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 immediate parallel shifts in interest rates over the next twelve months, based upon a static balance sheet, which includes debt and related financial derivative instruments, and do not consider loan fees.

ACQUISITIONS

On July 1, 2004, we completed the acquisition of North. We issued 345,391 shares of common stock to the North shareholders. 2004 includes the results of North's operations beginning on July 1, 2004. At the time of acquisition, North had total assets of \$155.1 million, total loans of \$103.6 million, total deposits of \$123.8 million and total stockholders' equity of \$3.3 million. We recorded purchase accounting adjustments related to the North acquisition including recording goodwill of \$2.9 million and establishing a core deposit intangible of \$2.2 million.

On May 31, 2004, we completed the acquisition of Midwest. We issued 997,700 shares of common stock and paid \$16.6 million in cash to the Midwest shareholders. 2004 includes the results of Midwest's operations subsequent to May 31, 2004. At the time of acquisition, Midwest had total assets of \$238.0 million, total loans of \$205.0 million, total deposits of \$198.9 million and total stockholders' equity of \$18.7 million. We recorded purchase accounting adjustments related to the Midwest acquisition including recording goodwill of \$23.1 million, establishing a core deposit intangible of \$4.9 million, and a covenant not to compete of \$1.3 million.

On April 15, 2003, we completed the acquisition of Mepco, a 40-year old Chicago-based company, that specializes in financing insurance premiums for businesses and providing payment plans to consumers for the purchase of vehicle service contracts.

CRITICAL ACCOUNTING POLICIES

Our accounting and reporting policies are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. Accounting and reporting policies for other than temporary impairment of investment securities, the allowance for loan losses, originated real estate mortgage loan servicing rights, derivative financial instruments, income taxes and goodwill are deemed critical since they involve the use of estimates and require significant management judgments. Application of assumptions different than those that we have used could result in material changes in our financial position or results of operations.

We are required to assess our investment securities for "other than temporary impairment" on a periodic basis. The determination of other than temporary impairment for an investment security requires judgment as to the cause of the impairment, the likelihood of recovery and the projected timing of the recovery. Our assessment process during 2004 resulted in recording a \$1.6 million impairment charge for other than temporary impairment on various investment securities within our portfolio. Currently the accounting profession (FASB) is considering the meaning of other than temporary impairment with respect to debt securities and has delayed the effective date of certain portions of a recent accounting pronouncement (see "Recent Accounting Pronouncements"). We believe that our assumptions and judgments in assessing other than temporary impairment for our investment securities are reasonable and conform to general industry practices.

Our methodology for determining the allowance and related provision for loan losses is described above in "Portfolio Loans and asset quality." In particular, this area of accounting requires a significant amount of judgment because a multitude of factors can influence the ultimate collection of a loan or other type of credit. It is extremely difficult to precisely measure the amount of losses that are probable in our loan portfolio. We use a rigorous process to attempt to accurately quantify the necessary allowance and related provision for loan losses, but there can be no assurance that our modeling process will successfully identify all of the losses that are probable in our loan portfolio. As a result, we could record future provisions for loan losses that may be significantly different than the levels that we have recorded in the past three-year period.

At December 31, 2004 we had approximately \$11.4 million of real estate mortgage loan servicing rights capitalized on our balance sheet. There are several critical assumptions involved in establishing the value of this asset including estimated future prepayment speeds on the underlying real estate mortgage loans, the interest rate used to discount the net cash flows from the real estate mortgage loan servicing, the estimated amount of ancillary income that will be received in the future (such as late fees) and the estimated cost to service the real estate mortgage loans. We utilize an outside third party (with expertise in the valuation of real estate mortgage loan servicing rights) to assist us in our valuation process. We believe the assumptions that we utilize in our valuation are reasonable based upon accepted industry practices for valuing mortgage servicing rights and represent neither the most conservative or aggressive assumptions.

We use a variety of derivative instruments to manage our interest rate risk. These derivative instruments include interest rate swaps, collars, floors and caps and mandatory forward commitments to sell real estate mortgage loans. Under SFAS #133 the accounting for increases or decreases in the value of derivatives depends upon the use of the derivatives and whether the derivatives qualify for hedge accounting. In particular, we use pay fixed interest-rate

swaps to convert the variable rate cash flows on short-term or variable rate debt obligations to fixed rates. At December 31, 2004 we had approximately \$369.5 million in fixed pay interest rate swaps being accounted for as cash flow hedges, thus permitting us to report the related unrealized gains or losses in the fair market value of these derivatives in other comprehensive income and subsequently reclassify such gains or losses into earnings as yield adjustments in the same period in which the related interest on the hedged item (primarily short-term or variable rate debt obligations) affect earnings. The fair market value of our fixed pay interest-rate swaps being accounted for as cash flow hedges is approximately \$1.3 million at December 31, 2004.

Our accounting for income taxes involves the valuation of deferred tax assets and liabilities primarily associated with differences in the timing of the recognition of revenues and expenses for financial reporting and tax purposes. At December 31, 2004 we had recorded a net deferred tax asset of \$8.7 million, which included a net operating loss carryforward of \$6.8 million. We have recorded

no valuation allowance on our net deferred tax asset because we believe that the tax benefits associated with this asset will more likely than not, be realized. However, changes in tax laws, changes in tax rates and our future level of earnings can adversely impact the ultimate realization of our net deferred tax asset.

At December 31, 2004 we had recorded \$53.4 million of goodwill. Under SFAS #142, amortization of goodwill ceased, and instead this asset must be periodically tested for impairment. Our goodwill primarily arose from the 2004 acquisitions of Midwest and North, the 2003 acquisition of Mepco and the past acquisitions of other banks and a mobile home loan origination company. We test our goodwill for impairment utilizing the methodology and guidelines established in SFAS #142. This methodology involves assumptions regarding the valuation of the business segments that contain the acquired entities. We believe that the assumptions we utilize are reasonable and even utilizing more conservative assumptions on valuation would not presently result in any impairment in the amount of goodwill that we have recorded. However, we may incur impairment charges related to our goodwill in the future due to changes in business prospects or other matters that could affect our valuation assumptions.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share Based Payment," ("SFAS #123R") which is a revision of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," ("SFAS #123"). SFAS #123R supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB #25") and amends Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows." Generally the requirements of SFAS #123R are similar to the requirements described in SFAS #123. However, SFAS #123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values. Pro forma disclosure is no longer an alternative. Statement #123R is effective at the beginning of the first interim or annual period beginning after June 15, 2005. Early adoption is permitted in periods in which financial statements have not yet been issued. We expect to adopt SFAS #123R on July 1, 2005.

SFAS #123R permits companies to adopt its requirements using one of two methods. First, a "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS #123R for all share-based payments granted after the effective date and (b) based on the requirements of SFAS #123 for all awards granted to employees prior to the effective date of SFAS #123R that remain unvested on the effective date. Second, a "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under SFAS #123 for purposes of pro forma disclosures either (a) all prior periods presented or (b) prior interim periods of the year of adoption. We plan to adopt SFAS #123R using the modified prospective method described above.

As permitted by SFAS #123, we currently account for share-based payments to employees using APB #25's intrinsic value method and, as such, generally recognize no compensation cost for employee stock options. Accordingly, the adoption of SFAS 123R's fair value method will have a significant impact on our results overall financial position. The impact of SFAS #123R cannot be predicted at this time because it will depend on the level and type of share-based payments granted in the future. However, had we adopted SFAS #123R in prior periods, the impact of that standard would have approximated the impact of SFAS #123 as described in the disclosure of pro forma net income and earnings per share in Note #14 to our consolidated financial statements.

In March 2004, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 105, "Application of Accounting Principles to Loan Commitments," ("SAB #105") which provides guidance about the measurement of loan commitments required to be accounted for as derivative instruments and recognized at fair value under SFAS #133. SAB #105 also requires companies to disclose their accounting policy for those loan commitments including methods and assumptions used to estimate fair value and associated hedging strategies. SAB #105 is effective for all loan commitments accounted for as derivatives that are entered into after March 31, 2004. Our current policies are consistent with the guidance issued in SAB #105.

In 2003, the Emerging Issues Task Force ("EITF") issued Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." The recognition and measurement guidance in EITF 03-1 should be applied in other-than-temporary impairment evaluations performed in reporting periods beginning after June 15, 2004. Disclosures were effective in annual financial statements for fiscal years ending after December 15, 2003, for investments accounted for under FASB Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". The disclosure requirements for all other investments are effective in annual financial statements for fiscal years ending after June 15, 2004. Comparative information for periods prior to initial application is not required. On September 15, 2004, the FASB staff proposed two FASB Staff

Positions ("FSP"). The first, proposed FSP EITF Issue 03-1-a, "Implementation Guidance for the Application of Paragraph 16 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments," would provide guidance for the application of paragraph 16 of EITF 03-1 to debt securities that are impaired because of interest rate and/or sector spread increases. The second, proposed FSP EITF Issue 03-1-b, "Effective Date of Paragraph 16 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments," would delay the effective date of EITF 03-1 for debt securities that are impaired because of interest rate and/or sector spread increases. Other investments within the scope of EITF 03-1 remain subject to its recognition and measurement provisions for interim and annual periods beginning after June 15, 2004. The disclosure provisions of EITF 03-1 also would not be affected by the two proposed FSPs.

In December 2003, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 03-03, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer". This SOP addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. It includes loans acquired in purchase business combinations. This SOP does not apply to loans originated by us and is effective for loans acquired in fiscal years beginning after December 15, 2004. This SOP is expected to have a significant impact on our future acquisitions as it will require the allocation of the acquired entity's allowance for loan losses to individual loans.

In December 2003, the FASB issued Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," ("FIN 46R"), which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN 46R replaces FIN 46. Under the general transition provisions of FIN 46R all public entities are required to fully implement FIN 46R no later than the end of the first reporting period ending after March 15, 2004. The adoption of FIN 46R during the quarter ended March 31, 2004 did not have a material impact on our financial condition or results of operations.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," ("SFAS #150") which requires issuers of financial instruments to classify as liabilities certain freestanding financial instruments that embody obligations for the issuer. SFAS #150 was effective for all freestanding financial instruments entered into or modified after May 31, 2003 and was otherwise effective at the beginning of the first interim period beginning after June 15, 2003. On October 29, 2003, the FASB voted to defer for an indefinite period the application of the guidance in SFAS #150, to non-controlling interests that are classified as equity in the financial statements of a subsidiary but would be classified as a liability on the parent's financial statements. The adoption of the sections of this Statement that have not been deferred did not have a significant impact on our financial condition or results of operations. The section noted above that has been deferred indefinitely is not expected to have a material impact on our financial condition or results of operations.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

The management of Independent Bank Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to us and the board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

We assessed the effectiveness of our internal control over financial reporting as of December 31, 2004. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on our assessment, management has concluded that as of December 31, 2004, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our independent auditor's have issued an audit report on our assessment of the Company's internal control over financial reporting. Their report immediately follows our report.

Independent Bank Corporation
March 4, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Independent Bank Corporation
Ionia, Michigan

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting, that Independent Bank Corporation maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Independent Bank Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Independent Bank Corporation maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also, in our opinion, Independent Bank Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of Independent Bank Corporation and subsidiaries as of December 31, 2004 and 2003, 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, 2004, and our report dated March 4, 2005, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Detroit, Michigan
March 4, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2004 and 2003, 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, 2004. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Independent Bank Corporation's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 4, 2005 expressed an unqualified opinion on management's assessment of and the effective operation of internal control over financial reporting.

/s/ KPMG LLP

Detroit, Michigan
March 4, 2005

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

December 31,

2004 2003

(in thousands,
except share amounts)

ASSETS

Cash and due from banks	\$ 72,815	\$ 61,741
Securities available for sale	550,908	453,996
Federal Home Loan Bank stock, at cost	17,322	13,895
Loans held for sale	38,756	32,642
Loans		
Commercial	931,251	603,558
Real estate mortgage	773,609	681,602
Installment	266,042	234,562
Finance receivables	254,388	147,671
Total loans	2,225,290	1,667,393
Allowance for loan losses	(24,737)	(16,836)
Net Loans	2,200,553	1,650,557
Property and equipment, net	56,569	43,979
Bank owned life insurance	38,337	36,850
Goodwill	53,354	16,696
Other intangibles	13,503	7,523
Accrued income and other assets	51,910	43,135
Total Assets	\$3,094,027	\$2,361,014
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits		
Non-interest bearing	\$ 287,672	\$ 192,733
Savings and NOW	849,110	700,541
Time	1,040,165	809,532
Total Deposits	2,176,947	1,702,806
Federal funds purchased	117,552	53,885
Other borrowings	405,386	331,819
Subordinated debentures	64,197	52,165
Financed premiums payable	48,160	26,340
Accrued expenses and other liabilities	51,493	31,783
Total Liabilities	2,863,735	2,198,798
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-30,000,000 shares authorized; issued and outstanding; 21,194,651 shares at December 31, 2004 and 19,521,137 shares at December 31, 2003	21,195	19,521
Capital surplus	158,797	119,401
Retained earnings	41,795	16,953
Accumulated other comprehensive income	8,505	6,341
Total Shareholders' Equity	230,292	162,216
Total Liabilities and Shareholders' Equity	\$3,094,027	\$2,361,014
	=====	=====

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

Year ended December 31,

2004 2003 2002

(in thousands, except per share amounts)

INTEREST INCOME

Interest and fees on loans	\$139,846	\$118,861	\$109,297
Securities available for sale			
Taxable	12,497	11,687	12,211
Tax-exempt	9,439	8,207	7,018
Other investments	765	611	1,289
Total Interest Income	162,547	139,366	129,815

INTEREST EXPENSE

Deposits	28,363	27,802	35,134
Other borrowings	16,651	16,311	12,874
Total Interest Expense	45,014	44,113	48,008

Net Interest Income	117,533	95,253	81,807
Provision for loan losses	4,309	4,032	3,562

Net Interest Income After Provision for Loan Losses ... 113,224 91,221 78,245

NON-INTEREST INCOME

Service charges on deposit accounts	17,089	14,668	13,049
Net gains (losses) on assets			
Real estate mortgage loans	5,956	16,269	8,178
Securities	856	(779)	(24)
VISA check card interchange income	2,054	1,564	1,370
Title insurance fees	2,036	3,092	2,474
Manufactured home loan origination fees and commissions...		1,264	1,769
Real estate mortgage loan servicing	1,427	(294)	(870)
Other income	7,116	6,315	4,785
Total Non-interest Income	37,798	42,604	30,911

NON-INTEREST EXPENSE

Compensation and employee benefits	50,081	43,558	37,343
Occupancy, net	7,539	6,519	5,424
Furniture and fixtures	6,122	5,539	4,731
Other expenses	34,926	26,890	20,795
Total Non-interest Expense	98,668	82,506	68,293

Income Before Income Tax	52,354	51,319	40,863
Income tax expense	13,796	13,727	11,396

Net Income \$ 38,558 \$ 37,592 \$ 29,467

Net income per share

Basic \$ 1.88 \$ 1.92 \$ 1.47

Diluted \$ 1.84 \$ 1.87 \$ 1.44

Cash dividends declared per common share \$.66 \$.59 \$.44

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Accumulated Other Compre- Capital Surplus	Retained Earnings	Total hensive Income (Loss)	Shareholders' Equity
(in thousands)					
Balances at January 1, 2002	\$17,749	\$ 76,628	\$ 39,355	\$(1,829)	\$131,903
Net income for 2002		29,467		29,467	
Cash dividends declared, \$.44 per share			(8,756)		(8,756)
5% stock dividend	853	17,407	(18,281)		(21)
Issuance of 291,891 shares of common stock		292	3,168		3,460
Repurchase and retirement of 1,120,070 shares of common stock	(1,120)	(22,071)			(23,191)
Cash in lieu of fractional shares for three-for-two stock split		(8)		(8)	
Net change in accumulated other comprehensive income, net of \$2.8 million of related tax effect			5,193	5,193	
Balances at December 31, 2002	17,774	75,124	41,785	3,364	138,047
Net income for 2003		37,592		37,592	
Cash dividends declared, \$.59 per share			(11,642)		(11,642)
10% stock dividend	1,776	48,969	(50,782)		(37)
Issuance of 491,818 shares of common stock		492	7,365		7,857
Repurchase and retirement of 520,607 shares of common stock	(521)	(12,057)			(12,578)
Net change in accumulated other comprehensive income, net of \$1.6 million of related tax effect			2,977	2,977	
Balances at December 31, 2003	19,521	119,401	16,953	6,341	162,216
Net income for 2004		38,558		38,558	
Cash dividends declared, \$.66 per share			(13,716)		(13,716)
Issuance of 1,755,114 shares of common stock ..	1,755	41,317			43,072
Repurchase and retirement of 81,600 shares of common stock	(81)	(1,921)			(2,002)
Net change in accumulated other comprehensive income, net of \$1.2 million of related tax effect			2,164	2,164	
Balances at December 31, 2004	\$21,195	\$158,797	\$ 41,795	\$ 8,505	\$230,292

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2004	2003	2002
(in thousands)			
Net income	\$38,558	\$37,592	\$29,467
Other comprehensive income			
Net change in unrealized gain (loss) on securities available for sale, net of related tax effect	(1,423)	545	6,087
Net change in unrealized gain (loss) on derivative instruments, net of related tax effect	3,587	2,432	(894)
Comprehensive Income	\$40,722	\$40,569	\$34,660

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,

2004 2003 2002

(in thousands)

Net Income \$ 38,558 \$ 37,592 \$ 29,467

ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH

FROM (USED IN) OPERATING ACTIVITIES

Proceeds from sales of loans held for sale	391,401	908,751	608,478
Disbursements for loans held for sale	(391,559)	(795,547)	(652,661)
Provision for loan losses	4,309	4,032	3,562
Deferred federal income tax expense	2,185	4,428	974
Deferred loan fees	(568)	(620)	443
Depreciation, amortization of intangible assets and premiums and accretion of discounts on securities and loans	(3,001)	1,254	6,511
Net gains on sales of real estate mortgage loans	(5,956)	(16,269)	(8,178)
Net (gains) losses on securities	(856)	779	24
Write-off of uncompleted software	977		
Increase in accrued income and other assets	(11,432)	(12,077)	(3,438)
Increase in accrued expenses and other liabilities	40,366	1,021	225
Total Adjustments	25,866	95,752	(44,060)
Net Cash Provided by (Used in) Operating Activities	64,424	133,344	(14,593)

CASH FLOW USED IN INVESTING ACTIVITIES

Proceeds from the sale of securities available for sale	57,441	20,446	66,390
Proceeds from the maturity of securities available for sale	24,489	22,740	4,315
Principal received on securities available for sale	46,672	96,037	49,676
Purchases of securities available for sale	(132,190)	(226,898)	(181,228)
Portfolio loans originated, net of principal payments	(295,899)	(191,266)	(24,730)
Principal received on portfolio loans purchased	3,668	8,598	24,509
Acquisition of businesses, less cash received	12,905	(3,062)	
Purchase of bank owned life insurance		(35,000)	
Purchases of property and equipment	(11,720)	(7,272)	(9,480)
Net Cash Used in Investing Activities	(294,634)	(280,677)	(105,548)

CASH FLOW FROM FINANCING ACTIVITIES

Net increase in total deposits	150,930	167,203	148,236
Net increase (decrease) in other borrowings and federal funds purchased		88,306	(23,168)
Proceeds from Federal Home Loan Bank advances	509,100	645,650	485,090
Payments of Federal Home Loan Bank advances	(503,525)	(650,924)	(513,112)
Proceeds from issuance of long-term debt	10,000		
Repayment of long-term debt	(1,000)		
Dividends paid	(12,500)	(11,040)	(8,406)
Proceeds from issuance of subordinated debentures net of cash paid for common securities	48,712		
Redemption of subordinated debentures net of cash receipt for common securities	(17,250)		
Repurchase of common stock	(2,002)	(12,578)	(23,191)
Proceeds from issuance of common stock	1,975	1,738	2,565
Net Cash From Financing Activities	241,284	148,343	130,347
Net Increase in Cash and Cash Equivalents	11,074	1,010	10,206
Cash and Cash Equivalents at Beginning of Year	61,741	60,731	50,525
Cash and Cash Equivalents at End of Year	\$ 72,815	\$ 61,741	\$ 60,731

Cash paid during the year for

Interest	\$ 43,253	\$ 44,692	\$ 48,052
Income taxes	5,666	10,738	11,693
Transfer of loans to other real estate	2,096	4,106	5,399
Real estate loans securitized	50,593		

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING POLICIES

The accounting and reporting policies and practices of Independent Bank Corporation and subsidiaries conform with accounting principles generally accepted in the United States of America and prevailing practices within the banking industry. Our critical accounting policies include the assessment for other than temporary impairment on investment securities, the determination of the allowance for loan losses, the valuation of derivative financial instruments, the valuation of originated mortgage servicing rights, the valuation of deferred tax assets and the valuation of goodwill. We are required to make material estimates and assumptions that are particularly susceptible to changes in the near term as we prepare the consolidated financial statements and report amounts for each of these items. Actual results may vary from these estimates.

Our Banks transact business in the single industry of commercial banking. Our Banks' cover traditional phases of commercial banking, including checking and savings accounts, commercial lending, direct and indirect consumer financing, mortgage lending as well as insurance premium and extended automobile warranty financing. The principal markets are the rural and suburban communities across lower Michigan that are served by our Banks' branches and loan production offices. The economies of these communities are relatively stable and reasonably diversified. Our financing for insurance premiums and extended automobile warranties is provided across the United States through our wholly owned subsidiary, Mepco Insurance Premium Financing, Inc. Subject to established underwriting criteria, our 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, 2004, 72% of our Banks' loan portfolios were secured by real estate.

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. We report net cash flows for customer loan and deposit transactions.

COMPREHENSIVE INCOME - Statement of Financial Accounting Standards, No.

130, "Reporting Comprehensive Income," established standards for reporting comprehensive income, which consists of unrealized gains and losses on securities available for sale and derivative instruments. The net change in unrealized gain or loss on securities available for sale in 2004 reflects a net gain reclassified into earnings of \$0.9 million and reflects net losses reclassified into earnings of \$0.8 million and \$24,000, in 2003 and 2002, respectively. The reclassification of these amounts from comprehensive income resulted in income tax expense of \$0.3 million in 2004 and an income tax benefit of \$0.3 million and \$8,000 in 2003 and 2002, 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. We 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 primary characteristics used by the Banks include interest rate, term and type.

SECURITIES - We classify our 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. We do not have any trading securities. Securities held to maturity represent those securities for which our 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. We did not have any securities held to maturity at December 31, 2004 and 2003. 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 in comprehensive income. We determine whether a decline in fair value below the amortized cost basis is other than temporary. If the

decline in value is judged to be other than temporary, the cost basis of the security is written down to fair value as a new cost basis and the amount of the write-down is recognized as a charge to non-interest income. 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. Delinquency status is based on contractual terms of the loan agreement.

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

ALLOWANCE FOR LOAN LOSSES - Some loans will not be repaid in full. Therefore, an allowance for loan losses is maintained at a level which represents our best estimate of losses incurred. In determining the allowance and the related provision for loan losses, we consider four principal elements: (i) specific allocations based upon probable losses identified during the review of the loan portfolio, (ii) allocations established for other adversely rated loans, (iii) allocations based principally on historical loan loss experience, and (iv) additional allowances based on subjective factors, including local and general economic business factors and trends, portfolio concentrations and changes in the size and/or the general terms of the loan portfolios. Increases in the allowance are recorded by a provision for loan losses charged to expense. Although we periodically allocate portions of the allowance to specific loans and loan portfolios, the entire allowance is available for incurred losses. We generally charge-off homogenous residential mortgage, installment and finance receivable loans when they are deemed uncollectible or reach a predetermined number of days past due based on loan product, industry practice and other factors. Collection efforts may continue and recoveries may occur after a loan is charged against the allowance.

While we use relevant information to recognize losses on loans, additional provisions for related losses may be necessary based on changes in economic conditions, customer circumstances and other credit risk factors.

We measure our 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. We do not measure impairment on homogenous residential mortgage and installment loans.

The allowance for loan losses on unfunded commitments is determined in a similar manner to the allowance for loan losses and is recorded in accrued expenses and other liabilities.

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. Buildings are generally depreciated over a period not exceeding 39 years and equipment is generally depreciated over periods not exceeding 7 years. Leasehold improvements are depreciated over the shorter of their estimated useful life or lease period.

OTHER REAL ESTATE - Other real estate at the time of acquisition is recorded at the lower of cost of acquisition or fair value, less estimated costs to sell, which becomes the property's new basis. Fair value is typically determined by a third party appraisal of the property. Any write-downs at date of acquisition are charged to the allowance for loan losses. Expense incurred in maintaining assets and subsequent write-downs to reflect declines in value are recorded as other expense.

During 2004 and 2003 we foreclosed on certain loans secured by real estate and transferred approximately \$2.1 million and \$4.1 million, respectively to other real estate. At the time of acquisition amounts were charged-off against the allowance for loan losses to bring the carrying amount of these properties to their estimated fair market values, less estimated costs to sell. During 2004 and 2003, we sold other real estate with book balances of approximately \$4.6 million and \$4.8 million, respectively. Gains or losses on the sale of other real estate are recorded in other expense on the income statement.

Other real estate and repossessed assets totaling \$2.1 million and \$3.3 million at December 31, 2004 and 2003, respectively, are included in accrued income and other assets.

INTANGIBLE ASSETS - Statement of Financial Accounting Standards No. 141, "Business Combinations," ("SFAS #141") and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS #142") have a profound effect on how organizations account for business combinations and for the purchased goodwill and intangible assets that arise from those combinations or are acquired otherwise. SFAS #141 requires that combinations be accounted for using the purchase method of accounting. SFAS #142 requires goodwill and intangible assets be reviewed for impairment. Based on our review of goodwill and intangible assets recorded on the Statement of Condition, no impairment existed as of December 31, 2004.

Other intangible assets, including core deposit, customer relationship intangibles, and covenants not to compete are amortized using both straight-line and accelerated methods over 5 to 15 years.

INCOME TAXES - We employ 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 our 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.

We 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 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 - Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS #133") which was subsequently amended by SFAS #138, requires companies to record derivatives on the balance sheet as assets and liabilities measured at their fair value. The accounting for increases and decreases in the value of derivatives depends upon the use of derivatives and whether the derivatives qualify for hedge accounting.

We record the fair value of cash-flow hedging instruments ("Cash Flow Hedges") in accrued income and other assets and accrued expenses and other liabilities. On an ongoing basis, our Banks adjust their balance sheets to reflect the then current fair value of the Cash Flow Hedges. The related gains or losses are reported in other comprehensive income and are subsequently reclassified into earnings, as a yield adjustment in the same period in which the related interest on the hedged items (primarily

variable-rate debt obligations) affect earnings. It is anticipated that no unrealized gains on Cash Flow Hedges at December 31, 2004, will be reclassified to earnings over the next twelve months. To the extent that the Cash Flow Hedges are not effective, the ineffective portion of the Cash Flow Hedges are immediately recognized as interest expense. The maximum term of any Cash Flow Hedge at December 31, 2004 is 4.6 years.

We also record fair-value hedging instruments ("Fair Value Hedges") at fair value in accrued income and other assets and accrued expenses and other liabilities. The hedged items (primarily fixed-rate debt obligations) are also recorded at fair value through the statement of operations, which offsets the adjustment to the Fair Value Hedges. On an ongoing basis, our Banks adjust their balance sheets to reflect the then current fair value of both the Fair Value Hedges and the respective hedged items. To the extent that the change in value of the Fair Value Hedges do not offset the change in the value of the hedged items, the ineffective portion is immediately recognized as interest expense.

Certain derivative financial instruments are not designated as hedges. The fair value of these derivative financial instruments have been recorded on our balance sheet and are adjusted on an ongoing basis to reflect their then current fair value. The changes in the fair value of derivative financial instruments not designated as hedges, are recognized currently in earnings.

When hedge accounting is discontinued because it is determined that a derivative financial instrument no longer qualifies as a fair-value hedge, we continue to carry the derivative financial instrument on the balance sheet at its fair value, and no longer adjust the hedged item for changes in fair value. The adjustment of the carrying amount of the previously hedged item is accounted for in the same manner as other components of similar instruments. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, we continue to carry the derivative financial instrument on the balance sheet at its fair value, and gains and losses that were included in accumulated other comprehensive income are recognized immediately in earnings. In all other situations in which hedge accounting is discontinued, we continue to carry the derivative financial instrument at its fair value on the balance sheet and recognize any changes in its fair value in earnings.

STOCK BASED COMPENSATION - We apply APB Opinion No. 25 in accounting for our stock based compensation plans. We provide pro forma disclosures for our net income and earnings per share as if we had adopted the fair value accounting method for stock-based compensation. For purposes of pro forma disclosures, we recognized compensation cost on stock options with pro rata vesting on a straight-line basis. Our stock based compensation plans are described more fully in Note #14.

COMMON STOCK - At December 31, 2004, 0.5 million shares of common stock were reserved for issuance under the dividend reinvestment plan and 1.3 million shares of common stock were reserved for issuance under stock option plans.

RECLASSIFICATION - Certain amounts in the 2003 and 2002 consolidated financial statements have been reclassified to conform with the 2004 presentation.

NOTE 2 - ACQUISITIONS

On July 1, 2004, we completed our acquisition of North Bancorp, Inc. ("North"), with the purpose of expanding our presence in northern Michigan. North was a publicly held bank holding company primarily doing business as a commercial bank. As a result of the closing of this transaction, we issued 345,391 shares of common stock to the North shareholders. 2004 includes the results of North's operations beginning on July 1, 2004.

A condensed balance sheet of North at the date of acquisition follows:

(in thousands)	

Cash	\$ 21,505
Securities	26,418
Loans, net	97,573
Property and equipment	2,318
Intangible assets	2,240
Goodwill	2,948
Other assets	9,299

Total assets acquired	162,301
Deposits	124,088
Borrowings	27,090
Other liabilities	2,350

Total liabilities assumed ...	153,528

Net assets acquired \$ 8,773
=====

We recorded purchase accounting adjustments related to the North acquisition including recording goodwill of \$2.9 million (non-deductible for federal income tax purposes), and establishing a core deposit intangible of \$2.2 million. The core deposit intangible is being amortized on an accelerated basis over eight years. Included in 2004 results of operations was \$0.2 million for amortization of the core deposit intangible.

The unaudited pro-forma information presented in the following table has been prepared based on our historical results combined with North. The information has been combined to present the results of operations as if the acquisition had occurred at the beginning of the periods presented. The proforma results are not necessarily indicative of the results which would have actually been attained if the acquisition had been consummated in the past or what may be attained in the future:

	Year Ended December 31,	
	2004	2003
	(in thousands)	
Total revenue	\$205,300	\$195,900
Net income	\$ 38,100	\$ 33,800
Earnings per share ...	\$ 1.81	\$ 1.66

On May 31, 2004, we completed our acquisition of Midwest Guaranty Bancorp, Inc. ("Midwest"), with the purpose of expanding our presence in southeastern Michigan. Midwest was a closely held bank holding company primarily doing business as a commercial bank. As a result of the closing of this transaction, we issued 997,700 shares of common stock and paid \$16.6 million in cash to the Midwest shareholders. 2004 results include Midwest's operations subsequent to May 31, 2004.

A condensed balance sheet of Midwest at the date of acquisition follows:

	(in thousands)	
Cash	\$ 8,390	
Securities	19,557	
Loans, net	201,476	
Property and equipment	5,674	
Intangible assets	6,219	
Goodwill	23,074	
Other assets	1,824	
Total assets acquired	266,214	
Deposits	199,123	
Borrowings	20,046	
Other liabilities	2,931	
Total liabilities assumed ...	222,100	
Net assets acquired	\$ 44,114	

We recorded purchase accounting adjustments related to the Midwest acquisition including recording goodwill of \$23.1 million, (non-deductible for federal income tax purposes), establishing a core deposit intangible of \$4.9 million, and a covenant not to compete of \$1.3 million. The core deposit intangible is being amortized on an accelerated basis over ten years and the covenant not to compete on a straight-line basis over five years. Included in 2004 results of operations was \$0.5 million for amortization of the core deposit intangible and the covenant not to compete.

The unaudited pro-forma information presented in the following table has been prepared based on our historical results combined with Midwest. The information has been combined to present the results of operations as if the acquisition had occurred at the beginning of the periods presented. The proforma results are not necessarily indicative of the results which would have actually been attained if the acquisition had been consummated in the past or what may be attained in the future:

	Year Ended December 31,	
	2004	2003
	(in thousands)	

Total revenue	\$206,400	\$196,600
	=====	=====
Net income	\$ 38,900	\$ 39,100
	=====	=====
Earnings per share ...	\$ 1.83	\$ 1.86
	=====	=====

On April 15, 2003, we completed the acquisition of Mepco Insurance Premium Financing, Inc. with the purpose of adding a high margin business with good growth prospects and to take advantage of our relatively lower cost of funds and greater access to capital. Mepco is a 40-year old Chicago-based company that specializes in financing insurance premiums for businesses and extended automobile warranties for consumers. As a result of the closing of this transaction we issued 272,439 shares of common stock, and paid out \$5.0 million in cash on April 15, 2003 as the initial consideration. Under the terms of the agreement and plan of

merger additional contingent consideration may be paid in the future pursuant to an earn-out. During 2004 we issued 43,929 shares of common stock and paid out \$1.1 million in cash associated with the first year of the earn-out.

As a result of the termination of the employment contracts of certain Mepco officers in December 2004, the former shareholders of Mepco have the right, under the terms of our acquisition, to accelerate the earn-out amount payable to those shareholders rather than receive payments in annual installments through April, 2008. The precise earn-out amount of that accelerated payment is dependent upon the time of exercise of the shareholders' option to accelerate. That option expires on March 30, 2006. The payment of the earn-out amount, whether or not accelerated, will be recorded by us as goodwill. At December 31, 2004 we accrued approximately \$8.4 million (included in accrued expenses and other liabilities) and recorded a corresponding increase in goodwill for this accelerated earn-out option. Included in our 2003 results are Mepco's operations subsequent to April 15, 2003.

A condensed balance sheet of Mepco at the date of acquisition follows:

(in thousands)	

Cash	\$ 2,217
Finance receivables, net	99,156
Property and equipment	1,233
Intangible assets	2,824
Goodwill	9,390
Other assets	3,011

Total assets acquired	117,831

Short-term borrowings	79,893
Financed premiums payable	24,628
Other liabilities	3,028

Total liabilities assumed ...	107,549

Net assets acquired	\$ 10,282

=====	

We recorded purchase accounting adjustments related to the Mepco acquisition including recording goodwill of \$9.4 million (nondeductible for federal income tax purposes), establishing a customer relationship intangible of \$2.6 million, a covenant not to compete of \$0.2 million and writing down fixed assets (software in the process of development) by \$2.3 million. The customer relationship intangible is being amortized on an accelerated basis over ten years and the covenant not to compete on a straight-line basis over five years. Included in 2004 and 2003 results of operations were \$0.7 million and \$0.6 million, respectively, for amortization of the customer relationship intangible and the covenant not to compete.

The unaudited pro-forma information presented in the following table has been prepared based on our historical results combined with Mepco. The information has been combined to present the results of operations as if the acquisition had occurred at the beginning of the periods presented. The proforma results are not necessarily indicative of the results which would have actually been attained if the acquisition had been consummated in the past or what may be attained in the future:

Year Ended December 31,		

	2003	2002

(in thousands)		
Total revenue	\$185,100	\$172,700
=====		
Net income	\$ 37,800	\$ 30,300
=====		
Earnings per share ...	\$ 1.87	\$ 1.46
=====		

NOTE 3 - RESTRICTIONS ON CASH AND DUE FROM BANKS

Our Banks' legal reserve requirements were satisfied by average vault cash and non-interest earning balance with the Federal Reserve Bank of \$19.0 million and \$18.8 million during 2004 and 2003, respectively. Our Banks do not maintain

compensating balances with correspondent banks.

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NOTE 4 - SECURITIES

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

	Unrealized			Fair Value
	Amortized Cost	Gains	Losses	
(in thousands)				
2004				
U.S. Treasury	\$ 9,949		\$ 25	\$ 9,924
Mortgage-backed	221,920	\$ 1,209	675	222,454
Other asset-backed	22,951	903	277	23,577
Obligations of states and political subdivisions ...	235,559	9,534	605	244,488
Trust preferred	18,296	1,623	3	19,916
Preferred stock	25,885	141	113	25,913
Corporate	1,966	34		2,000
Other	2,636			2,636
Total	\$539,162	\$13,444	\$1,698	\$550,908

2003				
U.S. Treasury	\$ 300	\$ 1		\$ 301
Mortgage-backed	137,839	1,396	\$ 249	138,986
Other asset-backed	32,721	648	239	33,130
Obligations of states and political subdivisions ...	188,076	10,570	855	197,791
Trust preferred	29,041	2,186	149	31,078
Preferred stock	30,374	142	253	30,263
Corporate	21,171	738		21,909
Other	538			538
Total	\$440,060	\$15,681	\$1,745	\$453,996

Our investments' gross unrealized losses and fair values aggregated by investment type and length of time that individual securities have been at a continuous unrealized loss position, at December 31, 2004 follows:

	Less Than Twelve Months		Twelve Months or More		Total	
	Unrealized Fair Value	Unrealized Losses	Unrealized Fair Value	Unrealized Losses	Unrealized Fair Value	Unrealized Losses
(in thousands)						
U.S. Treasury	\$ 9,924	\$ 25			\$ 9,924	\$ 25
Mortgage-backed	55,082	534	\$10,904	\$141	65,986	675
Other asset-backed			2,668	277	2,668	277
Obligations of states and political subdivisions	10,183	93	8,644	512	18,827	605
Trust preferred securities			606	3	606	3
Preferred stock	1,091	113			1,091	113
Total	\$76,280	\$765	\$22,822	\$933	\$99,102	\$1,698

We believe that the unrealized losses on securities available for sale are temporary in nature and due primarily to changes in interest rates and not a result of credit related issues. We also believe that we have the ability to hold securities with unrealized losses to maturity or until such time as the unrealized losses reverse.

The amortized cost and fair value of securities available for sale at December 31, 2004, 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.

	Amortized Cost	Fair Value
	-----	-----
	(in thousands)	
Maturing within one year	\$ 10,251	\$ 10,412
Maturing after one year but within five years	50,948	53,082
Maturing after five years but within ten years ...	61,505	65,046
Maturing after ten years	143,066	147,788
	-----	-----
	265,770	276,328
Mortgage-backed	221,920	222,454
Other asset-backed	22,951	23,577
Preferred stock	25,885	25,913
Other	2,636	2,636
	-----	-----
Total	\$539,162	\$550,908
	=====	=====

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

	Realized		
	-----	-----	-----
	Proceeds	Gains	Losses(1)
	-----	-----	-----
	(in thousands)		
2004 ...	\$57,441	\$2,540	\$1,684
2003 ...	20,446	827	1,606
2002 ...	66,390	809	833

(1) Losses in 2004 include a \$1.6 million other than temporary impairment charge on preferred stock and other asset-backed securities and losses in 2003 and 2002 include a \$0.8 million other than temporary impairment charge on a trust-preferred security.

Securities with a book value of \$271.9 million and \$186.3 million at December 31, 2004 and 2003, respectively, were pledged to secure borrowings, 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, 2004 or 2003.

NOTE 5 - LOANS

Our loan portfolios at December 31 follow:

	2004	2003
	-----	-----
	(in thousands)	
Real estate(1)		
Residential first mortgages	\$ 590,949	\$ 546,647
Residential home equity and other junior mortgages ...	215,261	150,346
Construction and land development	261,505	194,340
Other(2)	546,789	389,617
Finance receivables	254,388	147,671
Consumer	182,374	139,261
Commercial	165,440	88,558
Agricultural	8,584	10,953
	-----	-----
Total loans	\$2,225,290	\$1,667,393
	=====	=====

(1) Includes both residential and non-residential commercial loans secured by real estate.

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

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

	2004		2003		2002	
	Loan Losses	Unfunded Commitments	Loan Losses	Unfunded Commitments	Loan Losses	Unfunded Commitments
	(in thousands)					
Balance at beginning of year	\$16,836	\$ 892	\$15,830	\$875	\$15,286	\$881
Allowance on loans acquired	8,236		517			
Provision charged to operating expense ...	3,355	954	4,015	17	3,568	(6)
Recoveries credited to allowance	1,251		1,087		733	
Loans charged against the allowance	(4,941)		(4,613)		(3,757)	
Balance at end of year	\$24,737	\$1,846	\$16,836	\$892	\$15,830	\$875

Loans are presented net of deferred loan fees of \$1.2 million at December 31, 2004, and \$1.8 million at December 31, 2003. Finance receivables totaling \$123.4 million and \$58.4 million at December 31, 2004 and 2003, respectively, are presented net of purchased discount of \$7.0 million and \$2.4 million, at December 31, 2004 and 2003, respectively. These finance receivables had effective interest rates at December 31, 2004 and 2003 of 17.0% and 18.7%, respectively. These receivables have various due dates through August, 2007.

Non-performing loans at December 31 follows:

	2004	2003	2002
	(dollars in thousands)		
Non-accrual loans	\$11,804	\$ 9,122	\$5,738
Loans 90 days or more past due and still accruing interest ...	3,123	3,284	3,961
Restructured loans	218	335	270
Total non-performing loans	\$15,145	\$12,741	\$9,969

If these loans had continued to accrue interest in accordance with their original terms, approximately \$1.1 million, \$0.7 million, and \$0.9 million of interest income would have been recognized in 2004, 2003 and 2002, respectively. Interest income recorded on these loans was approximately \$0.3 million, \$0.3 million and \$0.3 million in 2004, 2003 and 2002, respectively.

Impaired loans totaled approximately \$14.4 million, \$13.5 million and \$5.4 million at December 31, 2004, 2003 and 2002, respectively. Our Banks' average investment in impaired loans was approximately \$14.8 million, \$10.1 million and \$6.8 million in 2004, 2003 and 2002, respectively. Cash receipts on impaired loans on non-accrual status are generally applied to the principal balance. Interest income recognized on impaired loans was approximately \$0.6 million, \$0.4 million and \$0.2 million in 2004, 2003 and 2002, respectively. Certain impaired loans with a balance of approximately \$10.8 million, \$9.6 million and \$3.1 million had specific allocations of the allowance for loan losses totaling approximately \$2.9 million, \$1.4 million and \$1.3 million at December 31, 2004, 2003 and 2002, respectively.

At December 31, 2004, 2003 and 2002, our Banks serviced residential mortgage loans totaling \$1.418 billion, \$1.179 billion and \$0.882 billion, respectively, for the benefit of third parties.

An analysis of capitalized mortgage servicing rights for the years ended December 31 follows:

	2004	2003	2002
	(in thousands)		
Balance at beginning of year	\$ 8,873	\$ 4,455	\$ 4,299
Servicing rights acquired from acquisition of business		1,138	
Originated servicing rights capitalized		3,341	7,700
Amortization	(1,948)	(3,655)	(2,386)
Change in impairment reserve		(44)	373
Balance at end of year	\$ 11,360	\$ 8,873	\$ 4,455

Impairment reserve	\$	766	\$	722	\$	1,095
		=====		=====		=====
Loans sold and serviced that have had servicing rights capitalized ...		\$1,392,400		\$1,140,600		\$793,700
		=====		=====		=====

Capitalized mortgage servicing rights are included on the consolidated statement of financial position in accrued income and other assets.

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31 follows:

	2004	2003
	-----	-----
	(in thousands)	
Land	\$ 12,788	\$ 9,202
Buildings	48,040	39,954
Equipment	46,503	39,881
	-----	-----
	107,331	89,037
Accumulated depreciation and amortization ...	(50,762)	(45,058)
	-----	-----
Property and equipment, net	\$ 56,569	\$ 43,979
	=====	=====

During 2004 we incurred a \$1.0 million impairment charge for the write-off of previously capitalized software development costs. This software was being developed by Mepco over the past three years for internal use in connection with its lending activities. With the assistance of a third-party consultant, we determined that this uncompleted internal use software was not expected to provide substantive service potential due primarily to performance, functionality and application server platform issues. This amount is recorded in other non-interest expense.

NOTE 7 - INTANGIBLE ASSETS

Intangible assets, net of amortization, at December 31 follows:

	2004		2003	
	-----		-----	
	Gross	Gross	Gross	Gross
	Carrying	Accumulated	Carrying	Accumulated
	Amount	Amortization	Amount	Amortization
	-----		-----	
	(in thousands)			
Amortized intangible assets				
Core deposit	\$20,545	\$ 9,685	\$13,386	\$ 8,067
Customer relationship	2,604	1,254	2,604	589
Covenants not to compete	1,520	227	220	31
	-----	-----	-----	-----
Total	\$24,669	\$11,166	\$16,210	\$ 8,687
	=====	=====	=====	=====
Unamortized intangible assets - Goodwill ...	\$53,354		\$16,696	
	=====	=====		

The \$36.7 million, \$7.2 million and \$1.3 million increases in the gross carrying amount of goodwill, core deposit intangibles and covenants not to compete, respectively, are the result of the acquisitions of Midwest and North, as well as estimated minimum payments under the earn-out relating to the Mepco acquisition discussed in Note 2. The core deposit intangibles are being amortized on an accelerated basis over eight to ten years and the covenant not to compete is being amortized straight-line over five years.

A summary of estimated intangible amortization, primarily amortization of core deposit, customer relationship and covenant not to compete intangibles, at December 31, 2004, follows:

(in thousands)	

2005	\$ 2,774
2006	2,572
2007	2,382
2008	2,061
2009	966
2010 and thereafter ...	2,748

Total	\$13,503
	=====

Changes in the carrying amount of goodwill and amortizing intangibles by reporting segment for the year ended December 31, 2004, follows:

	IB	IBWM	IBSM	IBEM	Mepco	Other(1)	Total
(in thousands)							
Goodwill							
Balance at beginning of year		\$6,754	\$32	\$180	\$9,397	\$333	\$16,696
Acquired during the year		2,948(2)		23,025(3)	10,638(4)	47(3)	36,658
Balance at end of year		\$9,702	\$32	\$23,205	\$20,035	\$380	\$53,354
Core Deposit Intangible, net							
Balance at beginning of year		\$584	\$95	\$594	\$3,973	\$73	\$5,319
Acquired during the year		2,240(2)		4,919(3)			7,159
Amortization		(268)	(26)	(143)	(1,165)	(16)	(1,618)
Balance at end of year		\$2,556	\$69	\$451	\$7,727	\$57	\$10,860
Customer Relationship Intangible, net							
Balance at beginning of year				\$2,015		\$2,015	
Amortization				(665)		(665)	
Balance at end of year				\$1,350		\$1,350	
Covenants Not to Compete Intangible, net							
Balance at beginning of year				\$189		\$189	
Acquired during year				\$1,300(3)		1,300	
Amortization				(152)	(44)	(196)	
Balance at end of year				\$1,148	\$145	\$1,293	

- (1) Includes items relating to our parent company and certain insignificant operations.
- (2) Goodwill and intangible assets associated with the acquisition of North. See note #2.
- (3) Goodwill and intangible assets associated with the acquisition of Midwest. See note #2.
- (4) Goodwill associated with contingent consideration paid or accrued pursuant to an earn-out. See note #2.

NOTE 8 - DEPOSITS

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

	2004	2003	2002
(in thousands)			
Savings and NOW	\$4,543	\$4,879	\$7,444
Time deposits under \$100,000	7,972	9,841	14,219
Time deposits of \$100,000 or more	15,848	13,082	13,471
Total	\$28,363	\$27,802	\$35,134

Aggregate time deposits in denominations of \$100,000 or more amounted to \$704.4 million, \$496.2 million, and \$347.5 million at December 31, 2004, 2003 and 2002, respectively.

A summary of the maturity of time deposits at December 31, 2004, follows:

(in thousands)	
2005	\$630,387
2006	135,727
2007	81,780

2008	35,823
2009	77,928
2010 and thereafter ...	78,520

Total	\$1,040,165
	=====

NOTE 9 - OTHER BORROWINGS

A summary of other borrowings at December 31 follows:

	2004	2003
	-----	-----
	(in thousands)	
Advances from Federal Home Loan Bank ...	\$223,902	\$188,788
Repurchase agreements	169,810	140,969
Notes payable	9,000	
U.S. Treasury demand notes	2,460	1,858
Other	214	204
	-----	-----
Total	\$405,386	\$331,819
	=====	=====

Advances from the Federal Home Loan Bank ("FHLB") are secured by our Banks' unencumbered qualifying mortgage and home equity loans equal to at least 160% and 300%, respectively of outstanding advances. Advances are also secured by FHLB stock owned by the Banks. As of December 31, 2004, our Banks had unused borrowing capacity with the FHLB (subject to the FHLB's credit requirements and policies) of \$172.5 million. Interest expense on advances amounted to \$5.2 million, \$5.4 million and \$5.2 million for the years ended December 31, 2004, 2003 and 2002, respectively. During 2004, 2003 and 2002 we prepaid \$11.5 million, \$5.0 million and \$4.0 million, respectively, of FHLB advances and incurred losses during those same periods of \$0.02 million, \$1.0 million and \$0.1 million, respectively. These losses were recorded in other expenses.

As members of the FHLB, our Banks must own FHLB stock equal to the greater of 1.0% of the unpaid principal balance of residential mortgage loans or 5.0% of its outstanding advances. At December 31, 2004, our 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, 2004, advances totaling \$10.0 million, with a stated maturity of 2008 are convertible in 2005 and beyond.

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

	2004		2003	
	-----	-----	-----	-----
	Amount	Rate	Amount	Rate
	-----	-----	-----	-----
	(dollars in thousands)			
Fixed-rate advances				
2004		\$ 34,000		1.44%
2005	\$ 8,118	4.88%	3,100	4.10
2006	3,046	3.94	1,500	2.32
2007	6,991	3.20	5,000	2.83
2008	11,462	5.22	11,000	5.43
2009	1,473	5.93	1,000	7.27
2010 and thereafter	28,812	6.59	29,038	6.59
	-----	-----	-----	-----
Total fixed-rate advances	59,902	5.55	84,638	3.99
	-----	-----	-----	-----
Variable-rate advances				
2004			104,150	1.30
2005	164,000	2.32		
	-----	-----	-----	-----
Total variable-rate advances ...	164,000	2.32	104,150	1.30
	-----	-----	-----	-----
Total advances	\$223,902	3.18%	\$188,788	2.51%
	=====	=====	=====	=====

Repurchase agreements are secured by U.S. Treasury, mortgage-backed, asset-backed and corporate securities with a book value of approximately \$183.7 million and \$161.0 million at December 31, 2004 and 2003, respectively which are being held by the counterparty to the repurchase agreement. The yield on repurchase agreements at December 31, 2004 and 2003 approximated 2.3% and 1.2%, respectively.

Repurchase agreements averaged \$155.6 million, \$122.4 million and \$93.1 million during 2004, 2003 and 2002, respectively. The maximum amounts outstanding at any month end during 2004, 2003 and 2002 were \$173.3 million, \$141.0 million and \$109.2 million, respectively. Interest expense on repurchase

agreements totaled \$2.3 for the year ended 2004 and \$1.7 million, for the years ended 2003 and 2002.

Interest expense on Federal funds purchased totaled \$1.3 million, \$0.6 million and \$0.5 million for the years ended December 31, 2004, 2003 and 2002, respectively.

We have established an unsecured credit facility comprised of a \$9.0 million term loan and a \$10.0 million revolving credit agreement. At December 31, 2004, there was no balance outstanding on the revolving credit facility. The term loan and revolving credit agreement accrue interest at three month libor plus 90 basis points, which was 2.87% at December 31, 2004. We are also

charged 28 basis points on the unused balance of the revolving credit facility. Under the credit facility, we are subject to certain restrictive covenants. As of December 31, 2004, we were in compliance with all covenants. Under the term loan we are required to make quarterly installments of \$0.5 million through June 30, 2009. Interest expense on the term loan totaled \$0.1 million during 2004.

Assets, including securities available for sale and loans, pledged to secure other borrowings totaled \$933.4 million at December 31, 2004.

NOTE 10 - SUBORDINATED DEBENTURES

In March 2003 a special purpose entity, IBC Capital Finance II (the "trust") issued \$1.6 million of common securities to Independent Bank Corporation and \$50.6 million of cumulative trust preferred securities ("Preferred Securities") to the public. Independent Bank Corporation issued \$52.2 million of subordinated debentures to the trust in exchange for the proceeds from the public offering. These subordinated debentures represent the sole asset of the trust. The Preferred Securities have a liquidation preference of \$25 per security and represent an interest in the subordinated debentures, which have terms that are similar to the Preferred Securities. Distributions on the securities are payable quarterly at the annual rate of 8.25% 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 March 31, 2033, at our option after March 31, 2008, 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. We have the option to defer distributions on the subordinated debentures from time to time for a period not to exceed 20 consecutive quarters.

Prior to the first quarter of 2004 the trust was consolidated in our financial statements and the common securities and subordinated debentures were eliminated in consolidation. Under new accounting guidance, FASB Interpretation No. 46, as revised in December 2003 ("FIN 46R"), the trust is no longer consolidated with Independent Bank Corporation. Accordingly, we no longer report the \$50.6 million of trust preferred securities issued by the trust as liabilities, but instead report the common securities of \$1.6 million held by Independent Bank Corporation in other assets and the \$52.2 million of subordinated debentures issued by Independent Bank Corporation in the liability section of our Consolidated Statements of Financial Condition. Amounts reported at December 31, 2003 were reclassified to conform to the current presentation.

During 2004, we acquired North and its special purpose entity, Gaylord Partners, Limited Partnership (the "Partnership"). The Partnership is a subsidiary of Independent Bank Corporation, but similar to IBC Capital Finance II is not consolidated with Independent Bank Corporation. The Partnership has issued \$.1 million of common securities to Independent Bank Corporation and privately placed \$5.0 million of cumulative trust preferred securities ("GP Preferred Securities"). Independent Bank Corporation has \$5.1 million of subordinated debentures issued to the Partnership. The subordinated debentures are the sole asset of the Partnership. The GP Preferred Securities have a liquidation preference of \$25 per security and represent an interest in the subordinated debentures, which have terms that are similar to the GP Preferred Securities. The GP Preferred Securities were sold in two series. Series A totaled \$1.2 million and carries a variable interest rate equal to one month LIBOR plus 3.6 percent. Series B totaled \$3.9 million and carries a variable interest rate equal to the prime rate, plus 1 percent. For both Series A and Series B, the interest rates repriced quarterly and are not to exceed 12 percent annually. Distributions are payable quarterly and are included in interest expense in the consolidated financial statements.

The GP 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 May 31, 2032, at our option after May 31, 2007, 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. We have the option to defer distributions on the subordinated debentures from time to time for a period not to exceed 20 consecutive quarters.

During 2004 we acquired Midwest and its special purpose entity, Midwest Guaranty Trust I (the "MG Trust"). The MG Trust is a subsidiary of Independent Bank Corporation, but similar to IBC Capital Finance II, is not consolidated with Independent Bank Corporation. The MG Trust has issued \$.2 million of common securities to Independent Bank Corporation and \$7.5 of cumulative trust preferred securities ("MG Preferred Securities") as part of a pooled offering. Independent Bank Corporation has \$7.7 million of subordinated debentures issued to the MG Trust. The subordinated debentures are the sole asset of the MG Trust. The MG Preferred Securities have a liquidation preference of \$1,000 per security and represent an interest in the subordinated debentures, which have terms that

are similar to the MG Preferred Securities. Distributions on the securities are payable quarterly based upon a floating rate equal to three month LIBOR plus 3.45%, not to exceed 12.5% through November 7, 2007 and are included in interest expense in the consolidated financial statements.

The MG 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 November 7, 2032, at our option after November 7, 2007, 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. We have the option to defer distributions on the subordinated debentures from time to time for a period not to exceed 20 consecutive quarters.

Issue costs have been capitalized and are being amortized on a straight-line basis over a period not exceeding 30 years and are included in interest expense in the consolidated financial statements.

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

We and our 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 to be material to our financial condition or results of operations.

In the normal course of business, our 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 and standby letters of credit. 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. We do 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:

2004	2003
-----	-----
(in thousands)	

Financial instruments whose risk is represented		
by contract amounts		
Commitments to extend credit	\$250,607	\$146,265
Standby letters of credit	20,365	27,850

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. The majority of the letters of credit are to corporations and mature during 2005.

In May 2004 we received an unsolicited anonymous letter regarding certain business practices at Mepco, which was acquired in April 2003 and is now a wholly-owned subsidiary of Independent Bank. We processed this letter in compliance with our Policy Regarding the Resolution of Reports on the Company's Accounting, Internal Controls and Other Business Practices. Under the direction of our Audit Committee, special legal counsel was engaged to investigate the matters raised in the anonymous letter. This investigation was completed during the first quarter of 2005 and we have determined that any amounts or issues relating to the period after our April 2003 acquisition of Mepco were not significant. The potential amount of liability related to periods prior to our April 2003 acquisition date primarily encompasses funds that may be due to former customers of Mepco related to loan overpayments or unclaimed funds that may be subject to escheatment. At this time we believe this potential liability to third parties will not exceed approximately \$5 million. Prior to our acquisition, Mepco had erroneously recorded these amounts as revenue over a period of several years. The final liability may, however, be less, depending on the facts related to each loan account, the application of the law to those facts and the applicable state escheatment requirements for unclaimed funds. In the second quarter of 2004 we recorded a liability of \$2.7 million with a corresponding charge to earnings (included in non-interest expenses) for potential amounts due to third parties (either former loan customers or to states for the escheatment of unclaimed funds). Further on September 30, 2004 we entered into an escrow agreement with the primary former shareholders of Mepco. This escrow agreement was entered into for the sole purpose of funding any obligations beyond the \$2.7 million amount that we already had accrued. The escrow agreement gives us the right to have all or a portion of the escrow account distributed to us from time to time if the aggregate amount that we (together with any of our affiliates including Mepco) are required to pay to any third parties as a result of the matters being investigated exceeds \$2.7 million. At December 31, 2004 the escrow account contained 92,766 shares of

Independent Bank Corporation common stock (deposited by the primary former shareholders of Mepco) having an aggregate market value at that date of approximately \$2.8 million. The escrow agreement contains provisions that require the addition or distribution of shares of Independent Bank Corporation common stock if the total market value of such stock in the escrow account falls below \$2.25 million or rises above \$2.75 million. Consistent with these escrow agreement provisions 2,000 shares of Independent Bank Corporation common stock were released from the escrow account and returned to the former primary shareholders of Mepco in January 2005. As a result of the aforementioned escrow agreement as well as the \$2.7 million accrual established in the second quarter of 2004, we do not expect any future liabilities (other than certain investigation costs incurred during the first quarter of 2005) related to the Mepco investigation. The terms of the agreement under which we acquired Mepco, obligates the former shareholders of Mepco to indemnify us for existing and

resulting damages and liabilities from pre-acquisition activities at Mepeco. Accordingly, to the extent that we actually incur any damages or liabilities resulting from these pre-acquisition activities, we believe that we have reasonable grounds to claim and collect full reimbursement. However, there can be no assurance that we will successfully prevail with respect to any of these potential indemnification claims.

NOTE 12 - EARNINGS PER SHARE

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

	2004	2003	2002
	-----	-----	-----
	(in thousands, except per share amounts)		
Net income	\$38,558	\$37,592	\$29,467
	=====	=====	=====
Shares outstanding(1)	20,462	19,588	20,089
Effect of stock options.....	392	424	385
Stock units for deferred compensation plan for non-employee directors	46	47	42
	-----	-----	-----
Shares outstanding for calculation of diluted earnings per share(1)	20,900	20,059	20,516
	=====	=====	=====
Net income per share			
Basic	\$ 1.88	\$ 1.92	\$ 1.47
	=====	=====	=====
Diluted	\$ 1.84	\$ 1.87	\$ 1.44
	=====	=====	=====

(1) Shares outstanding have been adjusted for a 10% stock dividend in 2003 and a 5% stock dividend and three-for-two stock split in 2002.

NOTE 13 - INCOME TAX

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

	2004	2003	2002
	-----	-----	-----
	(in thousands)		
Current	\$11,611	\$ 9,299	\$10,422
Deferred	2,185	4,428	974
	-----	-----	-----
Income tax expense ...	\$13,796	\$13,727	\$11,396
	=====	=====	=====

A reconciliation of income tax expense to the amount computed by applying the statutory federal income tax rate of 35% in each year presented to income before income tax for the years ended December 31 follows:

	2004	2003	2002
	-----	-----	-----
	(in thousands)		
Statutory rate applied to income before income tax	\$18,324	\$17,962	\$14,302
Tax-exempt interest income	(3,732)	(3,358)	(2,848)
Bank owned life insurance	(520)	(501)	(141)
Dividends paid to Employee Savings and Stock Ownership Plan	(262)	(188)	
Other, net	(14)	(188)	83
	-----	-----	-----
Income tax expense	\$13,796	\$13,727	\$11,396
	=====	=====	=====

The deferred income tax expense of \$2.2 million, \$4.4 million and \$1.0 million in 2004, 2003 and 2002, respectively can be attributed to tax effects of temporary differences. The tax benefit related to the exercise of stock options recorded in shareholders' equity was \$1.5 million, \$1.1 million and \$0.9 million during 2004, 2003 and 2002, respectively. 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:

	2004	2003
	-----	-----
	(in thousands)	
Deferred tax assets		
Allowance for loan losses	\$ 8,931	\$ 6,264
Net operating loss carryforward	6,815	7,194
Mecco claims expense	1,142	
Severance payable	970	
Deferred compensation	927	634
Other than temporary impairment charge on securities available for sale	580	
Deferred insurance premiums	268	520
Loans held for sale	208	171
Deferred loan fees	180	170
Unrealized loss on derivative financial instruments		1,614
Fixed assets	545	
Other	129	385
	-----	-----
Gross deferred tax assets	20,150	17,497
Deferred tax liabilities		
Unrealized gain on securities available for sale	4,111	4,875
Mortgage servicing rights	3,976	3,105
Purchase premiums, net	2,440	491
Fixed assets	560	
Unrealized gain on derivative financial instruments		360
	-----	-----
Gross deferred tax liabilities	11,447	8,471
	-----	-----
Net deferred tax assets	\$ 8,703	\$ 9,026
	=====	=====

At December 31, 2004, the Company had a net operating loss ("NOL") carryforward of approximately \$19.5 million which, if not used against taxable income, will expire as follows:

	(in thousands)

2008	\$ 5,849
2009	81
2010	6,779
2011	929
2012	411
2013	3,437
2014	189
2019	1,437
2020	359

Total	\$19,471
	=====

The use of the \$19.5 million NOL carryforward, which was acquired through the acquisitions of Mutual Savings Bank, f.s.b. and North, is limited to \$3.3 million per year as the result of a change in control as defined in the Internal Revenue Code.

We believe that a valuation reserve is not necessary for any of the deferred tax assets since it is more likely than not that these assets will be realized principally through carry back to taxable income in prior years, future reversals of existing taxable temporary differences and to future taxable income. Our conclusion that it is "more likely than not" that the deferred tax assets will be realized is based on federal taxable income in excess of \$90 million in the carry-back period as well as a history of growth in earnings and the prospects for continued earnings growth.

NOTE 14 - EMPLOYEE BENEFIT PLANS

We maintain stock option plans for our non-employee directors as well as certain of our officers and those of our Banks or other subsidiaries. Options that were granted under these plans were granted with vesting periods of up to one year, 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.

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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:

	2004	2003	2002
Expected dividend yield	2.37%	2.53%	2.48%
Risk-free interest rate	4.26	4.04	5.11
Expected life (in years)	9.6	9.4	9.9
Expected volatility	32.53%	33.20%	35.91%
Per share weighted-average fair value	\$10.56	\$ 7.57	\$ 6.87

The following table summarizes the impact on our net income had compensation cost included the fair value of options at the grant date:

	2004	2003	2002
	(in thousands, except per share amounts)		
Net income - as reported	\$38,558	\$37,592	\$29,467
Stock based compensation expense determined under fair value based method, net of related tax effect	(2,273)	(1,355)	(1,572)
Pro-forma net income	\$36,285	\$36,237	\$27,895
Income per share			
Basic			
As reported	\$ 1.88	\$ 1.92	\$ 1.47
Pro-forma	1.77	1.85	1.39
Diluted			
As reported	\$ 1.84	\$ 1.87	\$ 1.44
Pro-forma	1.74	1.81	1.36

A summary of outstanding stock option grants and transactions follows:

	Number of Shares	Average Exercise Price
Outstanding at December 31, 2001	1,218,188	\$ 9.38
Granted	376,624	16.77
Exercised	(384,981)	8.96
Outstanding at December 31, 2002	1,209,831	11.82
Granted	306,136	21.06
Exercised	(384,344)	11.75
Forfeited	(10,992)	18.13
Outstanding at December 31, 2003	1,120,631	14.30
Granted	391,854	22.28
Exercised	(340,364)	11.73
Forfeited	(2,500)	26.12
Outstanding at December 31, 2004	1,169,621	\$17.69

A summary of stock options outstanding at December 31, 2004 follows:

Range of Exercise Prices	Options Outstanding		Options Exercisable			
	Number of Shares	Weighted-Average Exercise Life (years)	Number of Shares	Weighted-Average Exercise Life (years)	Price	
\$3.52 to \$8.26	153,859	4.92	\$ 6.79	153,859	4.92	\$ 6.79
\$8.88 to \$13.12	216,446	6.03	10.79	216,446	6.03	10.79
\$13.19 to \$17.03	271,318	7.26	16.50	271,318	7.26	16.50
\$17.26 to \$19.22	122,247	8.12	19.09	122,247	8.12	19.09

\$19.30 to \$30.40	405,751	8.25	25.89	336,587	8.42	25.86
	-----	-----	-----	-----	-----	-----
	1,169,621	7.16	\$17.69	1,100,457	7.14	\$17.17
	=====	=====	=====	=====	=====	=====

We maintain 401(k) and employee stock ownership plans covering substantially all of our full-time employees. We match employee contributions to the 401(k) up to a maximum of 3% of participating employees' eligible wages. Contributions to the employee stock ownership plan are determined annually and require approval of our Board of Directors. The maximum

contribution is 6% of employees' eligible wages. During 2004, 2003 and 2002, \$1.5 million, \$2.8 million and \$2.4 million respectively, and was expensed for these retirement plans.

Our officers participate in various performance-based compensation plans. Amounts expensed for all incentive plans totaled \$2.2 million, \$3.2 million, and \$2.6 million, in 2004, 2003 and 2002, respectively.

We also provide certain health care and life insurance programs to substantially all full-time employees. Amounts expensed for these programs totaled \$4.2 million, \$3.5 million and \$2.8 million, in 2004, 2003 and 2002, respectively. These insurance programs are also available to retired employees at their expense.

NOTE 15 - DERIVATIVE FINANCIAL INSTRUMENTS

Our derivative financial instruments according to the type of hedge in which they are designated at December 31 follow:

	2004 Average			
	Notional Amount	Maturity (years)	Fair Value	
	-----	-----	-----	
	(dollars in thousands)			
Fair Value Hedge - pay variable interest-rate swap agreements ...	\$193,159	3.4	\$ (341)	
	=====	===	=====	
Cash Flow Hedge - pay-fixed interest-rate swap agreements	\$369,500	1.4	\$1,339	
	=====	===	=====	
No hedge designation				
Pay-fixed interest-rate swap agreements	\$ 15,000	.8	\$ 86	
Pay-variable interest-rate swap agreements	25,000	.6	(68)	
Rate-lock real estate mortgage loan commitments	17,465	.1	92	
Mandatory commitments to sell real estate mortgage loans	54,438	.1	(60)	
	=====	===	=====	
Total	\$111,903	0.3	\$ 50	
	=====	===	=====	

	2003 Average			
	Notional Amount	Maturity (years)	Fair Value	
	-----	-----	-----	
	(dollars in thousands)			
Fair Value Hedge - pay variable interest-rate swap agreements ...	\$ 81,159	4.5	\$ 141	
	=====	===	=====	
Cash Flow Hedge - pay-fixed interest-rate swap agreements	\$343,500	1.5	\$(4,180)	
	=====	===	=====	
No hedge designation				
Pay-fixed interest-rate swap agreements	\$ 30,000	1.0	\$ (83)	
Rate-lock real estate mortgage loan commitments	15,400	.1	194	
Mandatory commitments to sell real estate mortgage loans	46,200	.1	(140)	
	-----	---	-----	
Total	\$ 91,600	.4	\$ (29)	
	=====	===	=====	

Our Banks have established management objectives and strategies that include interest-rate risk parameters for maximum fluctuations in net interest income and market value of portfolio equity. We monitor our Bank's interest rate risk position via simulation modeling reports. The goal of our Banks' asset/liability management efforts is to maintain profitable financial leverage within established risk parameters.

Our Banks use variable-rate and short-term fixed-rate (less than 12 months) debt obligations to fund a portion of their balance sheets, which expose our Banks to variability in interest rates. To meet their objectives, our Banks may periodically enter into derivative financial instruments to mitigate exposure to fluctuations in cash flows resulting from changes in interest rates. Cash Flow Hedges currently include certain pay-fixed interest-rate swaps.

Pay-fixed interest-rate swaps convert the variable-rate cash flows on debt obligations to fixed-rates. Under interest-rate collars, our Banks will receive cash if interest rates rise above a predetermined level while our Banks will

make cash payments if interest rates fall below a predetermined level. As a result, our Banks effectively have variable-rate debt with an established maximum and minimum rate.

Our Banks also use long-term, fixed-rate brokered CDs to fund a portion of their balance sheets. These instruments expose our Banks to variability in fair value due to changes in interest rates. To meet their objectives, our Banks may enter into derivative financial instruments to mitigate exposure to fluctuations in fair values of such fixed-rate debt instruments. Fair Value Hedges currently include pay-variable interest-rate swaps.

Certain financial derivative instruments have not been designated as hedges. The fair value of these derivative financial instruments have been recorded on our balance sheet and are adjusted on an ongoing basis to reflect their then current fair value. The changes in fair value of derivative financial instruments not designated as hedges, are recognized in earnings.

In the ordinary course of business, our Banks enter into rate-lock real estate mortgage loan commitments with customers ("Rate Lock Commitments"). These commitments expose our Banks to interest rate risk. Our Banks also enter into mandatory commitments to sell real estate mortgage loans ("Mandatory Commitments") to reduce the impact of price fluctuations of mortgage loans held for sale and Rate Lock Commitments. Mandatory Commitments help protect our Bank's loan sale profit margin from fluctuations in interest rates. The changes in the fair value of Rate Lock Commitments and Mandatory Commitments are recognized currently as part of gains on the sale of real estate mortgage loans. We obtain market prices from an outside third party on Mandatory Commitments and Rate Lock Commitments. Net gains on the sale of real estate mortgage loans, as well as net income may be more volatile as a result of these derivative instruments, which are not designated as hedges.

The impact of SFAS #133 on net income and other comprehensive income is as follows:

	Net Income	Other Comprehensive Income	Total

	(in thousands)		
Change in fair value during the year ended December 31, 2004			
Interest rate swap agreements not designated as hedges	\$ 101		\$ 101
Rate-lock real estate mortgage loan commitments	(102)		(102)
Mandatory commitments to sell real estate mortgage loans	80		80
Ineffectiveness of cash flow hedges	16		16
Cash flow hedges	\$ 704		704
Reclassification adjustment	4,815		4,815
	-----	-----	-----
Total	95	5,519	5,614
Federal income tax	33	1,932	1,965
	-----	-----	-----
Total, net of federal income tax	\$ 62	\$ 3,587	\$ 3,649
	=====	=====	=====
Change in fair value during the year ended December 31, 2003			
Interest rate swap agreements not designated as hedges	\$ (83)		\$ (83)
Rate-lock real estate mortgage loan commitments	(310)		(310)
Mandatory commitments to sell real estate mortgage loans	1,352		1,352
Ineffectiveness of cash flow hedges	(33)		(33)
Cash flow hedges	(24)	\$(3,178)	(3,202)
Reclassification adjustment	6,920		6,920
	-----	-----	-----
Total	902	3,742	4,644
Federal income tax	316	1,310	1,626
	-----	-----	-----
Total, net of federal income tax	\$ 586	\$ 2,432	\$ 3,018
	=====	=====	=====
Change in fair value during the year ended December 31, 2002			
Interest rate swap agreements not designated as hedges	\$ 848		\$ 848
Rate-lock real estate mortgage loan commitments	2,129		2,129
Mandatory commitments to sell real estate mortgage loans	(4,045)		(4,045)
Fair value hedges	22		22
Ineffectiveness of cash flow hedges	72		72
Cash flow hedges	43	\$(8,182)	(8,139)
Reclassification adjustment	6,807		6,807
	-----	-----	-----
Total	(931)	(1,375)	(2,306)
Federal income tax	(326)	(481)	(807)
	-----	-----	-----
Total, net of federal income tax	\$ (605)	\$ (894)	\$(1,499)
	=====	=====	=====

NOTE 16 - RELATED PARTY TRANSACTIONS

Certain of our directors and executive officers, including companies in which they are officers or have significant ownership, were loan and deposit customers of the Banks during 2004 and 2003.

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:

	2004	2003
	-----	-----
	(in thousands)	
Balance at beginning of year ...	\$ 26,759	\$ 26,000
New loans and advances	4,263	23,611
Repayments	(19,265)	(22,852)
	-----	-----
Balance at end of year	\$ 11,757	\$ 26,759
	=====	=====

Deposits held by us for directors and executive officers totaled \$3.4 million and \$4.9 million at December 31, 2004 and 2003, respectively.

All loans and commitments included in the table above were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve an unusual risk of collectibility or present other unfavorable features.

NOTE 17 - OTHER NON-INTEREST EXPENSES

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

	2004	2003	2002
	-----	-----	-----
	(in thousands)		
Data processing	\$ 4,462	\$ 3,942	\$ 3,209
Advertising	3,787	4,011	2,813
Loan and collection	3,556	3,352	3,028
Communications	3,553	2,895	2,484
Legal and professional	2,718	1,651	1,238
Mepeco claims expense	2,700		
Amortization of intangible assets ...	2,479	1,721	1,014
Supplies	2,140	1,920	1,626
Other	9,531	7,398	5,383
	-----	-----	-----
Total non-interest expense	\$34,926	\$26,890	\$20,795
	=====	=====	=====

NOTE 18 - LEASES

We have non-cancelable operating leases for office facilities that provide for renewal options.

A summary of future minimum lease payments under non-cancelable operating leases at December 31, 2004, follows:

	(in thousands)

2005	\$1,309
2006	1,194
2007	1,065
2008	576
2009	359
2010 and thereafter...	-----
Total	\$4,503
	=====

Rental expense on operating leases totaled \$1.1 million, \$0.8 million and \$0.4 million in 2004, 2003 and 2002, respectively.

NOTE 19 - CONCENTRATIONS OF CREDIT RISK

Credit risk is the risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with our organization, or otherwise fail to perform as agreed. Credit risk can occur outside of our traditional lending activities and can exist in any activity where success depends on counter-party, issuer or borrower performance. Concentrations of credit risk (whether on- or off-balance sheet) arising from financial instruments can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries or certain geographic regions. Credit risk associated with these concentrations could arise when a significant amount of loans or other financial instruments, related by similar characteristics, are simultaneously impacted by changes in economic or other conditions that cause their probability of repayment or other type of settlement to be adversely affected. Our major concentrations of credit risk arise by collateral type in relation to loans and commitments. The significant concentrations by collateral type at December 31, 2004 include loans secured by residential real estate which totaled

\$806.2 million and construction and development loans which totaled \$261.5 million. Additionally, within our commercial real estate and commercial loan portfolio we had significant standard industry classification concentrations in the following categories as of December 31, 2004: Operators of Nonresidential Buildings; Operators of Apartment Buildings; Construction and General Contractors; and Land Subdividers and Developers. A geographic concentration arises because the Company primarily conducts its lending activities in the State of Michigan.

NOTE 20 - REGULATORY MATTERS

Capital guidelines adopted by Federal and State regulatory agencies and restrictions imposed by law limit the amount of cash dividends our Banks can pay to us. At December 31, 2004, using the most restrictive of these conditions for each Bank, the aggregate cash dividends that our Banks can pay us without prior approval was \$66.2 million. It is not our intent to have dividends paid in amounts which would reduce the capital of our Banks to levels below those which we consider prudent and in accordance with guidelines of regulatory authorities.

We are also subject to various regulatory capital requirements. 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. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly discretionary, actions by regulators that could have a material effect on our consolidated financial statements. Under capital adequacy guidelines, we must meet specific capital requirements that involve quantitative measures as well as qualitative judgments by the regulators. The most recent notification from the FDIC categorized each of our Banks as well capitalized. Management is not aware of any conditions or events that would have changed the most recent FDIC categorization.

Our actual capital amounts and ratios at December 31, 2004 follow:

Actual ----- Amount	Minimum Ratio for Adequately Capitalized Institutions	Minimum Ratio for Well-Capitalized Institutions
-----	-----	-----

(dollars in thousands)

2004

Total capital to risk-weighted assets

Consolidated	\$243,876	10.55%	8.00%	10.00%
Independent Bank	115,909	10.68	8.00	10.00
Independent Bank West Michigan	41,440	10.48	8.00	10.00
Independent Bank South Michigan	32,365	10.69	8.00	10.00
Independent Bank East Michigan	55,000	10.67	8.00	10.00

Tier 1 capital to risk-weighted assets

Consolidated	\$217,280	9.40%	4.00%	6.00%
Independent Bank	102,850	9.48	4.00	6.00
Independent Bank West Michigan	36,824	9.31	4.00	6.00
Independent Bank South Michigan	29,719	9.82	4.00	6.00
Independent Bank East Michigan	48,680	9.44	4.00	6.00

Tier 1 capital to average assets

Consolidated	\$217,280	7.36%	4.00%	5.00%
Independent Bank	102,850	7.41	4.00	5.00
Independent Bank West Michigan	36,824	7.44	4.00	5.00
Independent Bank South Michigan	29,719	7.11	4.00	5.00
Independent Bank East Michigan	48,680	7.65	4.00	5.00

Actual Amount	Ratio	Minimum Ratio for Adequately Capitalized Institutions	Minimum Ratio for Well-Capitalized Institutions
------------------	-------	---	---

(dollars in thousands)

2003

Total capital to risk-weighted assets

Consolidated	\$199,823	11.57%	8.00%	10.00%
Independent Bank	93,029	10.76	8.00	10.00
Independent Bank West Michigan	38,566	10.83	8.00	10.00
Independent Bank South Michigan	27,351	10.78	8.00	10.00
Independent Bank East Michigan	26,529	10.81	8.00	10.00

Tier 1 capital to risk-weighted assets

Consolidated	\$182,145	10.55%	4.00%	6.00%
Independent Bank	84,592	9.78	4.00	6.00
Independent Bank West Michigan	34,152	9.59	4.00	6.00
Independent Bank South Michigan	24,859	9.80	4.00	6.00
Independent Bank East Michigan	24,080	9.81	4.00	6.00

Tier 1 capital to average assets

Consolidated	\$182,145	7.91%	4.00%	5.00%
Independent Bank	84,592	7.46	4.00	5.00
Independent Bank West Michigan	34,152	7.42	4.00	5.00
Independent Bank South Michigan	24,859	7.06	4.00	5.00
Independent Bank East Michigan	24,080	6.85	4.00	5.00

NOTE 21 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Most of our assets and liabilities are considered financial instruments. Many of these financial instruments lack an available trading market and it is our general practice and intent to hold the majority of our 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 and accrued interest.

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.

We have purchased a "stable value wrap" for our bank owned life insurance that permits a surrender of this investment at the greater of its fair market or book value.

Financial instrument liabilities 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.

Capitalized mortgage servicing rights have been valued based upon a valuation performed by an independent third party.

Derivative financial instruments have principally been valued based on discounted value of contractual cash flows using a discount rate approximating current market rates.

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:

	2004		2003	
	Estimated Fair Value	Recorded Book Balance	Estimated Fair Value	Recorded Book Balance

(in thousands)

Assets

Cash and due from banks	\$ 72,800	\$ 72,800	\$ 61,700	\$ 61,700
Securities available for sale	550,900	550,900	454,000	454,000
Net loans and loans held for sale	2,223,900	2,239,300	1,690,700	1,683,200
Bank owned life insurance	38,300	38,300	36,900	36,900
Accrued interest receivable	12,600	12,600	11,100	11,100
Capitalized mortgage servicing rights ...	12,800	11,400	10,100	8,900
Derivative financial instruments	1,000	1,000		

Liabilities

Deposits with no stated maturity	\$1,136,800	\$1,136,800	\$ 893,300	\$ 893,300
Deposits with stated maturity	1,038,100	1,040,200	816,100	809,500
Other borrowings	595,800	587,100	449,500	436,300
Accrued interest payable	5,800	5,800	4,100	4,100
Derivative financial instruments		4,100	4,100	

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 22 - OPERATING SEGMENTS

Our reportable segments are based upon legal entities. We have five reportable segments: Independent Bank ("IB"), Independent Bank West Michigan ("IBWM"), Independent Bank South Michigan ("IBSM"), Independent Bank East Michigan ("IBEM") and Mepco Insurance Premium Financing, Inc. ("Mepco"). The accounting policies of the segments are the same as those described in Note 1 to the Consolidated Financial Statements. We evaluate performance based principally on net income of the respective reportable segments. Certain operational and administrative functions have been consolidated at the parent company and the costs of these functions are allocated to each segment.

A summary of selected financial information for our reportable segments follows:

	IB	IBWM	IBSM	IBEM	Mepco	Other(1)	Elimination	Total
	(in thousands)							
2004								
Total assets	\$1,183,924	\$507,574	\$433,573	\$674,799	\$282,680	\$321,436	\$309,959	\$3,094,027
Interest income	63,317	28,539	20,780	29,063	20,856	61	69	162,547
Net interest income	45,223	22,568	14,500	22,685	17,496	(4,939)		117,533
Provision for loan losses ...	2,095	681	466	644	423			4,309
Income (loss) before income tax	24,085	14,751	8,858	9,515	3,045	(7,279)	621	52,354
Net income (loss)	17,816	10,480	6,567	7,232	1,999	(4,915)	621	38,558
2003								
Total assets	\$1,008,409	\$464,927	\$360,059	\$352,933	\$164,707	\$224,858	\$214,879	\$2,361,014
Interest income	60,821	28,508	18,473	20,073	11,534	35	78	139,366
Net interest income	40,762	21,081	12,454	14,339	10,474	(3,857)		95,253
Provision for loan losses ...	2,060	1,056	(118)	630	404			4,032
Income (loss) before income tax	23,317	15,249	7,857	6,196	3,942	(4,311)	931	51,319
Net income (loss)	17,212	10,681	5,816	5,076	2,412	(2,674)	931	37,592
2002								
Total assets	\$ 965,653	\$427,578	\$322,118	\$342,069		\$176,548	\$174,991	\$2,058,975
Interest income	61,450	27,678	19,622	21,112		29	76	129,815
Net interest income	37,698	19,682	12,511	13,754		(1,838)		81,807
Provision for loan losses ...	1,657	890	390	625				3,562
Income (loss) before income tax	19,970	11,716	6,697	5,615		(2,432)	703	40,863
Net income (loss)	14,628	8,125	4,849	4,539		(1,971)	703	29,467

(1) Includes amounts relating to our parent company and certain insignificant operations.

NOTE 23 - INDEPENDENT BANK CORPORATION (PARENT COMPANY ONLY) FINANCIAL INFORMATION

Presented below are condensed financial statements for our parent company.

CONDENSED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2004	2003
	(in thousands)	
ASSETS		
Cash and due from banks	\$ 12,688	\$ 10,894
Investment in subsidiaries	295,585	200,070
Other assets	11,450	9,900
Total Assets	\$319,723	\$220,864
LIABILITIES AND SHAREHOLDERS' EQUITY		
Notes payable	\$ 9,000	
Subordinated debentures	64,947	\$ 52,165
Other liabilities	15,484	6,483
Shareholders' equity	230,292	162,216
Total Liabilities and Shareholders' Equity	\$319,723	\$220,864

CONDENSED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2004	2003	2002
	(in thousands)		
OPERATING INCOME			
Dividends from subsidiaries	\$26,350	\$26,775	\$26,450
Management fees from subsidiaries and other income	20,246	19,252	17,708
Total Operating Income	46,596	46,027	44,158
OPERATING EXPENSES			
Interest expense	5,000	3,892	1,867
Administrative and other expenses	23,467	21,084	19,340
Total Operating Expenses	28,467	24,976	21,207
Income Before Income Tax and Undistributed Net Income			
of Subsidiaries	18,129	21,051	22,951
Income tax credit	2,685	2,119	825
Income Before Equity in Undistributed Net Income of Subsidiaries ...			
Equity in undistributed net income of subsidiaries	17,744	14,422	5,691
Net Income	\$38,558	\$37,592	\$29,467

CONDENSED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2004	2003	2002
	(in thousands)		
Net Income	\$ 38,558	\$ 37,592	\$ 29,467
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	1,238	1,191	1,087
Gain on sale of securities	(146)		
Increase in other assets	(457)	(1,093)	(886)
Increase in other liabilities	2,930	1,925	1,388
Equity in undistributed net income of subsidiaries	(17,744)	(14,422)	(5,691)
Total Adjustments	(14,033)	(12,399)	(4,248)
Net Cash from Operating Activities	24,525	25,193	25,219
CASH FLOW USED IN INVESTING ACTIVITIES			
Proceeds from the sale of securities available for sale			206
Investment in subsidiaries	(16,889)	(15,610)	(1,824)
Capital expenditures	(2,315)	(799)	(1,833)
Net Cash Used in Investing Activities	(19,204)	(16,409)	(3,451)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings			2,100
Proceeds from long-term debt	10,000		
Repayment of long-term debt	(1,000)		
Repayment of other borrowings		(12,600)	
Proceeds from issuance of subordinated debentures net of cash paid for common securities		48,712	
Redemption of subordinated debentures net of cash receipt for common securities		(17,250)	
Dividends paid	(12,500)	(11,040)	(8,406)
Repurchase of common stock	(2,002)	(12,578)	(23,191)
Proceeds from issuance of common stock	1,975	1,738	2,565
Net Cash Used in Financing Activities	(3,527)	(3,018)	(26,932)
Net Increase (Decrease) in Cash and Cash Equivalents	1,794	5,766	(5,164)
Cash and Cash Equivalents at Beginning of Year	10,894	5,128	10,292

Cash and Cash Equivalents at End of Year	\$ 12,688	\$ 10,894	\$ 5,128
=====	=====	=====	=====

QUARTERLY FINANCIAL DATA (UNAUDITED)

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

Three Months Ended				
March 31,	June 30,	September 30,	December 31,	

(in thousands, except per share amounts)

2004				
Interest income	\$35,615	\$37,732	\$43,469	\$45,731
Net interest income	25,375	27,748	31,456	32,954
Provision for loan losses	801	709	2,456	343
Income before income tax expense ...	11,353	12,080	14,313	14,608
Net income	8,443	8,983	10,318	10,814
Income per share				
Basic	\$.43	\$.45	\$.49	\$.51
Diluted .....	.42	.44	.48	.50

2003				
Interest income	\$31,620	\$35,458	\$35,971	\$36,317
Net interest income	20,807	23,467	25,259	25,720
Provision for loan losses	1,000	785	606	1,641
Income before income tax expense ...	12,167	12,521	14,210	12,421
Net income	8,817	9,131	10,320	9,324
Income per share				
Basic	\$.45	\$.46	\$.53	\$.48
Diluted .....	.44	.45	.51	.47

During the fourth quarter of 2004 we recognized \$2.3 million of severance costs as a result of the termination of the employment contracts of certain Mepco officers in December 2004. These costs are included in compensation and benefits in the consolidated statements of operations.

QUARTERLY SUMMARY

Reported Sale Prices of Common Shares									
-----						Cash Dividends			
2004		2003		Close		2004		2003	
High	Low	Close	High	Low	Close	2004	2003	2004	2003
-----						-----			
First quarter	\$29.50	\$26.55	\$27.86	\$19.55	\$17.41	\$18.27	\$16	\$13	
Second quarter ...	28.37	23.77	25.40	25.00	17.96	23.36	.16	.15	
Third quarter	27.09	24.41	27.00	27.95	22.96	26.62	.17	.16	
Fourth quarter ...	30.85	25.82	29.83	31.00	26.61	28.36	.17	.16	

We have approximately 2,700 holders of record of our common stock. Our common stock trades on the Nasdaq National Market System 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 Corporation Act, our ability to pay dividends is limited by our ability to obtain funds from our Banks and by regulatory capital guidelines applicable to us. (See Note #20 to the Consolidated Financial Statements.)

SHAREHOLDER INFORMATION

HOW TO ORDER FORM 10-K

Shareholders may obtain, without charge, a copy of Form 10-K, the 2004 Annual Report to the Securities and Exchange Commission, through our website at www.ibcp.com or by writing to the Chief Financial Officer, Independent Bank Corporation, P.O. Box 491, Ionia, Michigan 48846 or by e-mail at info@ibcp.com.

PRESS RELEASES

Our press releases, including earnings and dividend announcements as well as other financial information, are available on our website at www.ibcp.com.

NOTICE OF ANNUAL MEETING

Our Annual Meeting of Shareholders will be held at 3:00 p.m. on April 26, 2005, in the Ionia Theater located at 205 West Main Street, Ionia, Michigan, 48846.

TRANSFER AGENT AND REGISTRAR

EquiServe, P.O. Box 43010, Providence, RI 02940-3011, 800/426-5523, www.equiserve.com, serves as transfer agent and registrar of our common stock.

DIVIDEND REINVESTMENT

We maintain an Automatic Dividend Reinvestment and Stock Purchase Plan which provides an opportunity for shareholders of record to reinvest cash dividends into our common stock. Optional cash purchases up to \$10,000 per quarter are also permitted. A prospectus is available by writing to our Chief Financial Officer.

EXECUTIVE OFFICERS AND DIRECTORS

EXECUTIVE OFFICERS

Charles C. Van Loan, Chairman of the Board, Independent Bank Corporation

Michael M. Magee, Jr., President and Chief Executive Officer, Independent Bank Corporation

William B. Kessel, President and Chief Executive Officer, Independent Bank

Ronald L. Long, President and Chief Executive Officer, Independent Bank East Michigan

David C. Reglin, President and Chief Executive Officer, Independent Bank West Michigan

Edward B. Swanson, President and Chief Executive Officer, Independent Bank South Michigan

Robert N. Shuster, Executive Vice President and Chief Financial Officer, Independent Bank Corporation

Richard E. Butler, Senior Vice President, Independent Bank Corporation
Peter R. Graves, Senior Vice President, Independent Bank Corporation

James J. Twarozynski, Senior Vice President and Controller, Independent Bank Corporation

DIRECTORS

Jeffrey A. Bratsburg, Retired, former President and Chief Executive Officer, Independent Bank West Michigan

Stephen L. Gulis, Jr., Executive Vice President and Chief Financial Officer, Wolverine World Wide, Inc., Rockford

Terry L. Haske, President, Ricker & Haske, C.P.A.s, P.C., Marlette

Robert L. Hetzler, Retired, former President, Monitor Sugar Company, Food Processor, Bay City

Michael M. Magee, Jr., President and Chief Executive Officer, Independent Bank Corporation

James E. McCarty, President, McCarty Communications, Graphic Design and Commercial Printing, Saranac

Charles A. Palmer, Professor of Law, Thomas M. Cooley Law School, Lansing

Charles C. Van Loan, Chairman of the Board, Independent Bank Corporation, Ionia

INDEPENDENT BANK CORPORATION
P.O. Box 491, 230 West Main Street
Ionia, Michigan 48846
616-527-9450

EXHIBIT 21

INDEPENDENT BANK CORPORATION
Subsidiaries of the Registrant

State of Incorporation

IBC Capital Finance II Ionia, Michigan	Delaware
Midwest Guarantee Trust I Ionia, Michigan	Delaware
Gaylord Partners, Limited Partnership Ionia, Michigan	Michigan
Independent Bank Bay City, Michigan	Michigan
Independent Bank West Michigan Rockford, Michigan	Michigan
Independent Bank South Michigan Leslie, Michigan	Michigan
Independent Bank East Michigan Troy, Michigan	Michigan
IBC Financial Services, Inc., Bay City, Michigan (a subsidiary of Independent Bank)	Michigan
IBC Financial Services West Michigan, Inc., Grand Rapids, Michigan (a subsidiary of Independent Bank West Michigan)	Michigan
IBC Financial Services South Michigan, Inc., Okemos, Michigan (a subsidiary of Independent Bank South Michigan)	Michigan
IBC Financial Services East Michigan, Inc. Caro, Michigan (a subsidiary of Independent Bank East Michigan)	Michigan
Independent Title Services, Inc., Grand Rapids, Michigan (a subsidiary of Independent Bank, Independent Bank West Michigan, Independent Bank South Michigan and Independent Bank East Michigan)	Michigan
First Home Financial, Inc., Grand Rapids, Michigan (a subsidiary of Independent Bank)	Michigan
Mepco Insurance Premium Financing, Inc., ("Mepco"), Chicago, Illinois (a subsidiary of Independent Bank)	Michigan
Mepco Acceptance Corporation, Chicago, Illinois (a subsidiary of Mepco)	California
Mepco Services, Inc., Chicago, Illinois (a subsidiary of Mepco)	Illinois
Mepco Securitization, LLC, Chicago, Illinois (a subsidiary of Mepco)	Delaware
Independent Mortgage Company Central Michigan Bay City, Michigan (a subsidiary of Independent Bank)	Michigan
Independent Mortgage Company West Michigan Grand Rapids, Michigan (a subsidiary of Independent Bank West Michigan)	Michigan
Independent Mortgage Company South Michigan Okemos, Michigan (a subsidiary of Independent Bank South Michigan)	Michigan
Independent Mortgage Company East Michigan Caro, Michigan (a subsidiary of Independent Bank East Michigan)	Michigan

EXHIBIT 23

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. 333-47352, 333-32269 and 333-89072) on Forms S-8 of Independent Bank Corporation of our reports dated March 4, 2005, relating to the consolidated statements of financial condition of Independent Bank Corporation and subsidiaries as of December 31, 2004, and 2003, 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, 2004, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 and the effectiveness of internal control over financial reporting as of December 31, 2004, which reports appear in the December 31, 2004 annual report on Form 10-K of Independent Bank Corporation.

/s/ KPMG LLP
Detroit, Michigan
March 15, 2005

EXHIBIT 31.1

CERTIFICATION

I, Michael M. Magee, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Independent Bank Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15.15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

INDEPENDENT BANK CORPORATION

Date: March 8, 2005

/s/ Michael M. Magee, Jr.

Michael M. Magee, Jr.
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Robert N. Shuster, certify that:

1. I have reviewed this annual report on Form 10-K of Independent Bank Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15.15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

INDEPENDENT BANK CORPORATION

Date: March 8, 2005

/s/ Robert N. Shuster

Robert N. Shuster
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATE OF THE
CHIEF EXECUTIVE OFFICER OF
INDEPENDENT BANK CORPORATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350):

I, Michael M. Magee, Jr., Chief Executive Officer of Independent Bank Corporation, certify, to the best of my knowledge and belief, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) that:

(1) The annual report on Form 10-K for the annual period ended December 31, 2004, which this statement accompanies, fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and;

(2) The information contained in this annual report on Form 10-K for the annual period ended December 31, 2004, fairly presents, in all material respects, the financial condition and results of operations of Independent Bank Corporation.

INDEPENDENT BANK CORPORATION

Date: March 8, 2005

/s/ Michael M. Magee, Jr.

Michael M. Magee, Jr.
Chief Executive Officer

The signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Independent Bank Corporation and will be retained by Independent Bank Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATE OF THE
CHIEF FINANCIAL OFFICER OF
INDEPENDENT BANK CORPORATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350):

I, Robert N. Shuster, Chief Financial Officer of Independent Bank Corporation, certify, to the best of my knowledge and belief, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) that:

(1) The annual report on Form 10-K for the quarterly period ended December 31, 2004, which this statement accompanies, fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and;

(2) The information contained in this annual report on Form 10-K for the quarterly period ended December 31, 2004, fairly presents, in all material respects, the financial condition and results of operations of Independent Bank Corporation.

INDEPENDENT BANK CORPORATION

Date: March 8, 2005

/s/ Robert N. Shuster

Robert N. Shuster
Chief Financial Officer

The signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Independent Bank Corporation and will be retained by Independent Bank Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

