

INDEPENDENT BANK CORP /MI/
Form 8-K
April 16, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of earliest event reported): April 16, 2003

INDEPENDENT BANK CORPORATION

(Exact name of registrant as specified in its charter)

Michigan

(State or Jurisdiction of Incorporation or Organization)

0-7818

38-2032782

(Commission File Number)

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

230 West Main Street, Ionia, Michigan 48846

(Address of principal executive offices)

(616) 527-9450

(Registrant's telephone number, including area code)

NONE

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

Item 9. Regulation FD Disclosure

The information attached at Exhibit A is supplemental data to the Registrant's press release dated April 16, 2003 regarding its earnings during the quarter ended March 31, 2003.

INDEPENDENT BANK CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Condition

| | | March 31, 2003 |
|--|-------------------|-------------------|
| | | (u) |
| Assets | | (in |
| Cash and due from banks | \$ | 59,798 |
| Securities available for sale | | 386,291 |
| Federal Home Loan Bank stock, at cost | | 10,369 |
| Loans held for sale | | 106,695 |
| Loans | | |
| Commercial | | 561,096 |
| Real estate mortgage | | 593,075 |
| Installment | | 235,720 |
| | Total Loans | 1,389,891 |
| Allowance for loan losses | | (17,128) |
| | Net Loans | 1,372,763 |
| Property and equipment, net | | 40,894 |
| Bank owned life insurance | | 35,800 |
| Accrued income and other assets | | 48,883 |
| | Total Assets | \$ 2,061,493 |
| Liabilities and Shareholders' Equity | | |
| Deposits | | |
| Non-interest bearing | \$ | 184,379 |
| Savings and NOW | | 688,498 |
| Time | | 687,468 |
| | Total Deposits | 1,560,345 |
| Federal funds purchased | | 25,245 |
| Other borrowings | | 225,256 |
| Guaranteed preferred beneficial interests in Company's subordinated debentures | | 67,850 |
| Accrued expenses and other liabilities | | 37,404 |
| | Total Liabilities | 1,916,100 |

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| | |
|--|-----------|
| Shareholders' Equity | |
| Preferred stock, no par value--200,000 shares authorized; none outstanding | |
| Common stock, \$1.00 par value--30,000,000 shares authorized; issued and outstanding: 17,922,268 shares at March 31, 2003 and 17,822,090 shares at December 31, 2002 | 17,922 |
| Capital surplus | 75,863 |
| Retained earnings | 48,081 |
| Accumulated other comprehensive income | 3,527 |
| | ----- |
| Total Shareholders' Equity | 145,393 |
| | ----- |
| Total Liabilities and Shareholders' Equity \$ | 2,061,493 |
| | ===== |

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INDEPENDENT BANK CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

| | | |
|---|----|------------------|
| | | Three Month |
| | | March 31 |
| | | 2003 |
| | | ----- |
| | | (unaudited) |
| | | ----- |
| | | (in thousands) |
| | | except per share |
| Interest Income | | |
| Interest and fees on loans | \$ | 26,661 |
| Securities available for sale | | |
| Taxable | | 2,899 |
| Tax-exempt | | 1,918 |
| Other investments | | 142 |
| | | ----- |
| Total Interest Income | | 31,620 |
| | | ----- |
| Interest Expense | | |
| Deposits | | 7,171 |
| Other borrowings | | 3,642 |
| | | ----- |
| Total Interest Expense | | 10,813 |
| | | ----- |
| Net Interest Income | | 20,807 |
| Provision for loan losses | | 1,000 |
| | | ----- |
| Net Interest Income After Provision for Loan Losses | | 19,807 |
| | | ----- |
| Non-interest Income | | |
| Service charges on deposit accounts | | 3,271 |
| Net gains (losses) on assets | | |
| Real estate mortgage loans | | 4,032 |
| Securities | | 512 |

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| | | | |
|---|----------------------------------|----------|----|
| Title insurance fees | | 743 | |
| Manufactured home loan origination fees and commissions | | 358 | |
| Other income | | 1,499 | |
| | Total Non-interest Income | 10,415 | |
| ----- | | | |
| Non-interest Expense | | | |
| Compensation and employee benefits | | 9,641 | |
| Occupancy, net | | 1,598 | |
| Furniture and fixtures | | 1,320 | |
| Other expenses | | 5,496 | |
| | Total Non-interest Expense | 18,055 | |
| ----- | | | |
| | Income Before Federal Income Tax | 12,167 | |
| Federal income tax expense | | 3,350 | |
| | | ----- | |
| | Net Income | \$ 8,817 | \$ |
| ===== | | | |
| Net Income Per Share | | | |
| Basic | | \$.49 | \$ |
| Diluted | | .49 | |
| Dividends Per Common Share | | | |
| Declared | | \$.14 | \$ |
| Paid | | .14 | |

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Non-performing assets

| | March 31, 2003 | December 31, 2002 |
|---|------------------------|----------------------|
| | ----- | ----- |
| | (dollars in thousands) | |
| Non-accrual loans | \$6,371 | \$5,738 |
| Loans 90 days or more past due and still accruing interest | 2,400 | 3,961 |
| Restructured loans | 163 | 270 |
| | ----- | ----- |
| Total non-performing loans | 8,934 | 9,969 |
| Other real estate | 3,910 | 3,908 |
| | ----- | ----- |
| Total non-performing assets | \$12,844 | \$13,877 |
| ===== | | |
| As a percent of Portfolio Loans | | |
| Non-performing loans | 0.64 % | 0.72 % |
| Allowance for loan losses | 1.23 | 1.21 |
| Non-performing assets to total assets | 0.62 | 0.67 |
| Allowance for loan losses as a percent of non-performing loans | 192 | 168 |

Allowance for loan losses

| | Three months ended March 31, | |
|--|---------------------------------|------------|
| | 2003 | 2002 |
| | ----- | |
| | (in thousands) | |
| Balance at beginning of period | \$16,705 | \$16,167 |
| Additions (deduction) | | |
| Provision charged to operating expense | 1,000 | 927 |
| Recoveries credited to allowance | 340 | 203 |
| Loans charged against the allowance | (917) | (493) |
| | ----- | ----- |
| Balance at end of period | \$17,128 | \$16,804 |
| | ===== | ===== |
| Net loans charged against the allowance to average Portfolio Loans (annualized) | 0.17 % | 0.08 % |

| | March 31, 2003 | | | December 31, 2002 | |
|--|------------------------|---------------------|-------|-------------------|---------------------|
| | Amount | Average Maturity | Rate | Amount | Average Maturity |
| | ----- | | | | |
| | (dollars in thousands) | | | | |
| Brokered CDs(1) | \$272,284 | 1.5 years | 2.58% | \$278,012 | 1.9 years |
| Fixed rate FHLB advances(1) | 75,856 | 6.6 years | 5.16 | 62,861 | 7.9 years |
| Variable rate FHLB advances(1) | 63,700 | 0.3 years | 1.52 | 131,200 | 0.3 years |
| Securities sold under agreements to Repurchase(1) | 85,221 | 0.2 years | 1.41 | 98,712 | 0.1 years |
| Federal funds purchased | 25,245 | 1 day | 1.56 | 23,840 | 1 day |
| | ----- | | | ----- | |
| Total | \$522,306 | 1.8 years | 2.58% | \$594,625 | 1.8 years |
| | ===== | | | ===== | |

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

Capitalization

| | March 31, 2003 | December 31, 2002 |
|----------------|-------------------|----------------------|
| | ----- | |
| | (in thousands) | |
| Unsecured debt | | \$ 12,600 |

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| | | |
|---|-----------|-----------|
| Preferred Securities | \$67,850 | 17,250 |
| | ----- | ----- |
| Shareholders' Equity | | |
| Preferred stock, no par value | | |
| Common Stock, par value \$1.00 per share | 17,922 | 17,822 |
| Capital surplus | 75,863 | 75,076 |
| Retained earnings | 48,081 | 41,785 |
| Accumulated other comprehensive income (loss) | 3,527 | 3,364 |
| | ----- | ----- |
| Total shareholders' equity | 145,393 | 138,047 |
| | ----- | ----- |
| Total capitalization | \$213,243 | \$167,897 |
| | ===== | ===== |

Non-Interest Income

| | Three months ended March 31, | |
|---|---------------------------------|---------|
| | 2003 | 2002 |
| | ----- | ----- |
| | (in thousands) | |
| Service charges on deposit accounts | \$3,271 | \$2,712 |
| Net gains (losses) on assets | | |
| Real estate mortgage loans | 4,032 | 1,806 |
| Securities | 512 | (34) |
| Title insurance fees | 743 | 623 |
| Bank owned life insurance | 378 | |
| Manufactured home loan origination fees and commissions | 358 | 434 |
| Mutual fund and annuity commissions | 256 | 229 |
| Real estate mortgage loan servicing fees | (350) | 295 |
| Other | 1,215 | 1,060 |
| | ----- | ----- |
| Total non-interest income | \$10,415 | \$7,125 |
| | ===== | ===== |

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| | | |
|--|-----------|----------|
| Real estate mortgage loans originated | \$262,128 | \$140,72 |
| Real estate mortgage loans sold | 229,744 | 147,31 |
| Real estate mortgage loans sold with servicing rights released | 16,757 | 12,33 |
| Net gains on the sale of real estate mortgage loans | 4,032 | 1,80 |
| Net gains as a percent of real estate mortgage loans sold ("Loans Sale Margin") | 1.75% | 1.2 |
| Impact of SFAS #133 adjustments on the Loan Sale Margin | | |

Non-Interest Expense

| | Three months ended March 31, | |
|---|---------------------------------|----------|
| | 2003 | 2002 |
| | (in thousands) | |
| Salaries | \$ 6,291 | \$ 5,818 |
| Performance-based compensation and benefits | 1,304 | 1,190 |
| Other benefits | 2,046 | 1,780 |
| Compensation and employee benefits | 9,641 | 8,788 |
| Occupancy, net | 1,598 | 1,306 |
| Furniture and fixtures | 1,320 | 1,106 |
| Data processing | 923 | 713 |
| Communications | 684 | 646 |
| Advertising | 769 | 612 |
| Loan and collection | 942 | 505 |
| Supplies | 464 | 333 |
| Amortization of intangible assets | 276 | 246 |
| Other | 1,438 | 1,487 |
| Total non-interest expense | \$18,055 | \$15,742 |

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Average Balances and Tax Equivalent Rates

| | Three Months Ended March 31, | | |
|--------|---------------------------------|------------------|--------------------|
| | 2003 | | |
| | Average Balance | Interest Rate | Average Balance |
| Assets | | | |

(dollars in thousands)

Average Balances and Tax Equivalent Rates

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| | | | | | |
|--|--------------|-----------|-------|---|-------------|
| Taxable loans (1) | \$ 1,467,558 | \$ 26,504 | 7.28 | % | \$ 1,405,75 |
| Tax-exempt loans (1,2) | 11,988 | 242 | 8.19 | | 11,62 |
| Taxable securities | 210,108 | 2,899 | 5.60 | | 181,54 |
| Tax-exempt securities (2) | 165,236 | 3,037 | 7.45 | | 133,04 |
| Other investments | 10,111 | 142 | 5.70 | | 21,59 |
| | ----- | ----- | | | ----- |
| Interest Earning Assets | 1,865,001 | 32,824 | 7.10 | | 1,753,56 |
| | | ----- | | | ----- |
| Cash and due from banks | 41,139 | | | | 37,99 |
| Other assets, net | 104,742 | | | | 65,69 |
| | ----- | | | | ----- |
| Total Assets | \$ 2,010,882 | | | | \$ 1,857,25 |
| | ===== | | | | ===== |
| Liabilities | | | | | |
| Savings and NOW | \$ 679,372 | 1,420 | 0.85 | | \$ 623,81 |
| Time deposits | 662,630 | 5,751 | 3.52 | | 640,05 |
| Other borrowings | 336,681 | 3,642 | 4.39 | | 288,38 |
| | ----- | ----- | | | ----- |
| Interest Bearing Liabilities | 1,678,683 | 10,813 | 2.61 | | 1,552,25 |
| | | ----- | | | ----- |
| Demand deposits | 160,241 | | | | 142,86 |
| Other liabilities | 29,994 | | | | 27,05 |
| Shareholders' equity | 141,964 | | | | 135,07 |
| | ----- | | | | ----- |
| Total liabilities and shareholders' equity | \$ 2,010,882 | | | | \$ 1,857,25 |
| | ===== | | | | ===== |
| Tax Equivalent Net Interest Income | | \$ 22,011 | | | |
| | | ===== | | | |
| Tax Equivalent Net Interest Income as a Percent of Earning Assets | | | 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%

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SIGNATURES

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

Date April 16, 2003

By s/ Robert N. Shuster

Robert N. Shuster, Principal Financial Officer

Date April 16, 2003

By s/ James J. Twarozynski

James J. Twarozynski, Principal Accounting
Officer