



FOCUSED ON FUNDAMENTALS 2006 ANNUAL REPORT



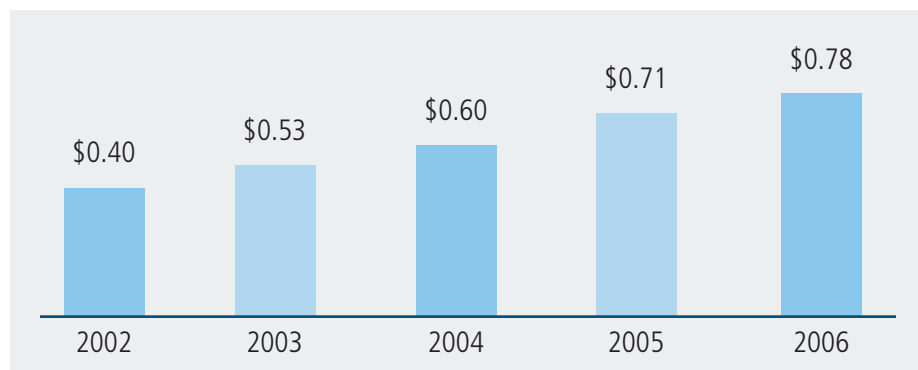
Independent Bank

Independent Bank Corporation (NASDAQ: IBCP), an Ionia, Michigan-based bank holding company with total assets of \$3.4 billion, was founded as First Security Bank in 1864.

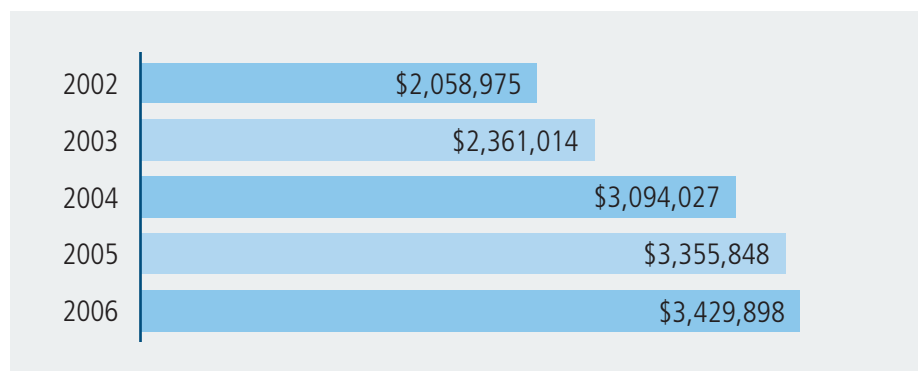
FINANCIAL HIGHLIGHTS			CHANGE	
(dollars in thousands, except per share data)	2006	2005	Amount	Percent
FOR THE YEAR				
Interest income	\$216,895	\$193,035	\$23,860	12.36%
Interest expense	93,698	63,099	30,599	48.49
Net interest income	123,197	129,936	(6,739)	(5.19)
Provision for loan losses	16,344	7,806	8,538	109.38
Service charges on deposits	19,936	19,342	594	3.07
Net gains on the sale of real estate mortgage loans	4,593	5,370	(777)	(14.47)
Other non-interest income	20,321	18,114	2,207	12.18
Non-interest expense	106,216	101,785	4,431	4.35
Income from continuing operations before income tax	45,487	63,171	(17,684)	(27.99)
Income tax expense	11,662	17,466	(5,804)	(33.23)
Income from continuing operations	33,825	45,705	(11,880)	(25.99)
Discontinued operations	(622)	1,207	(1,829)	(151.53)
Net income	\$33,203	\$46,912	\$(13,709)	(29.22)%
PER SHARE DATA				
Income from continuing operations				
Basic	\$1.48	\$1.96	\$(0.48)	(24.49)%
Diluted	1.45	1.92	(0.47)	(24.48)
Net income				
Basic	\$1.45	\$2.01	\$(0.56)	(27.86)%
Diluted	1.43	1.97	(0.54)	(27.41)
Cash dividends declared	0.78	0.71	0.07	9.86
AT YEAR END				
Assets	\$3,429,898	\$3,355,848	\$74,050	2.21%
Loans	2,483,395	2,372,317	111,078	4.68
Deposits	2,602,791	2,474,239	128,552	5.20
Interest earning assets, continuing operations	2,964,351	2,901,655	62,696	2.16
Shareholders' equity	258,167	248,259	9,908	3.99
Book value per share	11.29	10.75	0.54	5.02
RATIOS				
Income from continuing operations to				
Average equity	13.06%	18.63%	(5.57)%	(29.90)%
Average assets	0.99	1.42	(0.43)	(30.28)
Net income to				
Average equity	12.82%	19.12%	(6.30)%	(32.95)%
Average assets	0.97	1.45	(0.48)	(33.10)
As a percent of average earning assets				
Tax equivalent interest income	7.59%	7.09%	0.50%	7.05%
Interest expense	3.18	2.24	0.94	41.96
Tax equivalent net interest income	4.41	4.85	(0.44)	(9.07)

Independent Bank Corporation now operates more than 100 offices across Michigan's Lower Peninsula through four state-chartered bank subsidiaries. These affiliates are known as Independent Bank, Independent Bank East Michigan, Independent Bank South Michigan and Independent Bank West Michigan. Independent Bank Corporation is committed to providing exceptional personal service and value to its customers, its stockholders and the communities it serves.

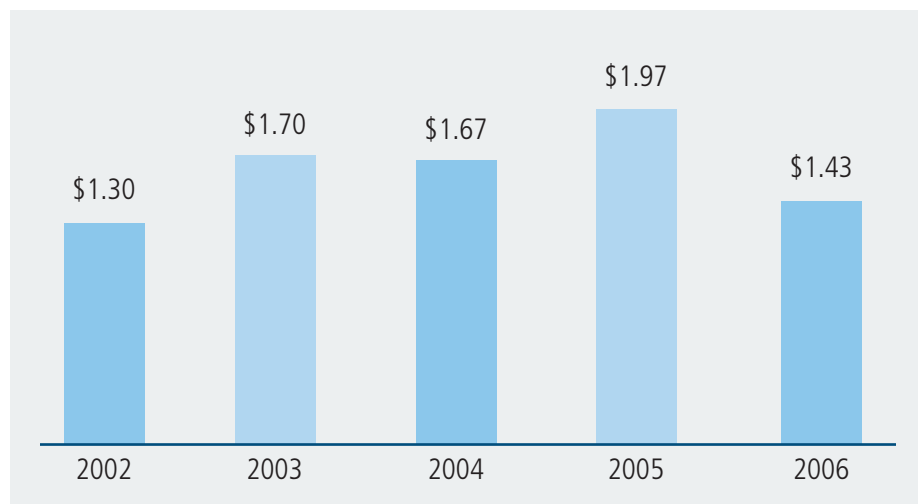
CASH DIVIDENDS DECLARED (per share) (Year ended December 31)



TOTAL ASSETS AT DECEMBER 31 (in thousands)



EARNINGS PER SHARE (Year ended December 31)



CONTENTS

- 1 Financial Highlights
- 3 Shareholder Letter:
Community Focused,
Value Driven
- 5 Charting a Course
for Growth
- 7 Investing for the Future
- 9 Our Greatest Asset
- 10 Executive
Management Team
- 11 Board of Directors
- 13 Shareholder Information
- 15 Financial Statements



COMMUNITY FOCUSED, VALUE DRIVEN

At Independent Bank Corporation (IBC), 2006 will be remembered as one of the more difficult years for the Company and the regional community banking industry.

After more than a decade of sustained growth, IBC experienced the combined challenges of navigating Michigan's economy – still among the softest in the nation – along with a number of other macroeconomic and industry-related factors. Taken as a whole, these circumstances led to a year of additional challenges in what has been often characterized as one of the most competitive community banking markets in the nation.

While some of the challenges facing our industry seem here to stay, we've drawn strength from the fact that, throughout our nearly 150-year history, IBC has always displayed remarkable resiliency, drive, discipline and the ability to chart innovative paths toward renewed growth. We've also had the ability to draw on our strong community roots – roots that the Company has cultivated consistently. At IBC, these attributes remain firmly in place, despite our current environment.

During 2006, we refocused our efforts on the implementation of a long-term growth strategy that emphasizes what IBC does best – community banking – even as we look ahead to promising new avenues of growth. As we look to 2007 and beyond, we are confident that we have the right fundamentals in place to weather the present storm and emerge a much stronger organization.

In today's financial services arena, standing still is not an option, nor do we believe it's possible for IBC to "shrink into prosperity." Instead, the approach IBC initiated in 2006 involved a focus on the core fundamentals of community banking and advancing a number of key initiatives.

Throughout 2006, we continued to rationalize our business model, evaluating what has worked well, and what hasn't. This process has helped further slim IBC's operating model – cutting unnecessary costs and eliminating under-performing business segments – in order to reinvest the cost savings in initiatives that will grow future shareholder value. Our January 2007 sale of Mepco's insurance premium finance business offers a clear example of how we are redeploying shareholder capital to maximize return on equity. Our decision to retain Mepco's warranty payment plan business – one of the largest in the nation today – further illustrates our ability to optimize important niche opportunities for the benefit of the Company and its shareholders.

To broaden our community banking roots, we continued to expand our footprint across Michigan through a combination of acquisitions and organic growth. On the organic front, we have opened new banking offices statewide through our network of affiliate banks. In addition, IBC has continued to carefully assess new acquisitions – using our unique combination of strong discipline and highly effective due diligence systems – to help ensure we're pursuing opportunities that represent the right strategic and cultural fit for our organization.

2006 underscored the fact that retaining and developing an experienced management team has never been more critical. IBC continues to be successful on both fronts and in particular made

important strides during the past year in attracting new senior talent to help achieve our goals. As always, our board of directors, chaired by former IBC CEO Charles Van Loan, continued to provide thoughtful counsel in charting a course for the Company.

In addition, we continued to empower our associates with the tools they need to grow our customer base. In both our retail and commercial operations, we introduced a number of new initiatives and technologies to meet this objective. Our efforts help lay the foundation for the increasingly sophisticated services customers now expect. This will allow us to serve them as effectively as possible, whether they visit our banking offices or engage with us from their homes and offices.

In 2006, we also launched a comprehensive rebranding initiative designed to underscore IBC's core vision statement. This theme and our new corporate identity will continue to gain visibility across the full array of IBC's marketing and informational initiatives, including our advertising, in-bank signage and new Web site.

Success in today's banking environment is increasingly measured by how quickly and effectively a company can identify and optimize emerging and niche opportunities. During 2006, IBC continued to demonstrate its strength in this area. In addition to our focus on Mepco's strong, residual warranty payment plan business, IBC made important strides in providing financial services within the fractional properties ("timeshare") arena, building on the five-year track record of our treasury management services group and growing our on-campus college banking strategy.

While 2006 was a year with its fair share of challenges for IBC, we believe it also illustrated how, time and again, the strength of our team and our "focus on the fundamentals" have positioned the Company to realize new opportunities by leveraging our core competitive strengths. As we continue to implement the elements of our long-term growth strategy in the year ahead, IBC will continue to focus on bridging the gap between strategy and execution. As before, our topmost strategic priorities are to build market share and increase shareholder value.

As we look ahead to 2007, I wish to extend my deepest gratitude to our stakeholders and customers for their ongoing support, along with a special thanks to our associates, whose hard work and commitment to excellence fully epitomize the spirit and heritage of Independent Bank Corporation.



Michael M. Magee Jr.

President and Chief Executive Officer
Independent Bank Corporation



CHARTING A COURSE FOR GROWTH

Without question, 2006 witnessed an extraordinarily challenging operating environment for community banks doing business in Michigan. Indications of slowing loan growth, net interest margin pressure and elevated credit costs forced more than a few community banks to retreat. However, IBC's leadership team remained opportunistic during this period, guided by a vision of targeted investment within markets where our experience and established brand will position us for profitable growth over the long-term. In short, we saw 2006 as an opportunity to grow market share and reinvest for the future.

As we contemplate the coming strategic direction of IBC, our senior team remains committed to keeping an open, ongoing dialogue with our associates, clients, shareholders and other partners. This dialogue has enabled us to make informed decisions about which areas of our business merit further support, and those which may not align with IBC's longer-term growth objectives. By focusing on open lines of communication, we've continually improved our ability to rationalize key facets of our business model to the benefit of our shareholders. Ultimately, this dialogue has helped us better realize the importance of adhering to what we do best: community banking.

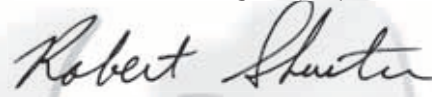
During 2006, we focused on several initiatives designed to re-center our efforts on building IBC's community banking market share in under-penetrated Michigan geographies. While IBC has long been committed to organic banking office growth, our decision to purchase 10 banking offices from TCF Bank in November 2006 enabled us to grow our Michigan market share in the Battle Creek, Bay City and Saginaw regions. Now with 120 banking offices located throughout rural and suburban communities throughout Michigan, we believe we are well-positioned to further grow share in markets and complementary communities in the future.

In keeping with our community banking focus, our senior team made the decision to lessen our exposure to certain non-core businesses during 2006, which resulted in the sale of the Mepco insurance premium financing business. Our decision to move forward with this divestiture came on the heels of poor results at Mepco, results which were impacted by the departure of key management in addition to a flattening yield curve. Overall, we believe our sale of this business, which excludes certain assets associated with the profitable warranty payment plan business, will serve to lessen our exposure to the competitive wholesale funding market, while allowing us to refocus on the fundamental strengths evident in our core community banking model.

Looking ahead, our attention remains firmly rooted in growing market share through new product and service offerings as well as leveraging our unmatched network of relationships in the communities we serve. As our industry continues to navigate Michigan's lackluster state economy, IBC stands well-positioned to capitalize on favorable economic trends within specific, financially robust regions of the state. While managing for sustained, profitable growth remains central to our overall strategy, we remain equally committed to managing risk,

an approach highlighted by our efforts to improve credit quality throughout our loan portfolio through an ongoing review of our lending processes. We are intent on growth, but not by sacrificing our loan credit standards and due diligence. In addition to managing credit quality, our attention remains equally focused on growing our net interest margin back to levels seen in earlier years, particularly as we lessen our reliance on wholesale funding and remove the impact of Mepco's insurance premium finance operations on our overall business.

As we embark on yet another year, we look forward to working together with you, our stakeholders, to become the community bank of choice serving the people of Michigan.



Robert Shuster

Executive Vice President and Chief Financial Officer
Independent Bank Corporation



INVESTING FOR THE FUTURE

At IBC, we invest for the future by:

- Empowering our employees with new technology
- Communicating IBC's vision in new, more effective ways
- Identifying new market opportunities

INVESTING IN TECHNOLOGY

Our retail and commercial customers look to us for ways to help simplify their increasingly busy lives. That's why IBC introduced new technologies during 2006 to help our employees deliver a

higher level of service across our banking offices. By automating a number of standard transaction services, IBC staff can better concentrate on providing our customers the personal attention they've come to expect. Specifically, we've made

it easier for customers to open accounts, track their banking activities and complete important transactions – all with improved privacy protection.

On the commercial side, IBC rolled out important new innovations for our business customers, including paperless transactions, remote deposit capture, courier service and automated underwriting software. We're doing everything possible to streamline these services and make banking with IBC a more pleasant and productive experience.

We expect IBC customers will also appreciate the telephone and online innovations we've introduced. In fact, a redesign of IBC's Web site (IndependentBank.com) is nearing completion and will offer improved navigation and enhanced descriptions of our products and services. The site will continue to provide customers direct access to their accounts and enable them to conduct transactions, such as applying for a home loan, directly from their computers. In addition, the new Web site will offer answers to frequently asked financial questions.

INVESTING IN OUR BRAND

To increase awareness of IBC, communicate our customer-focused vision more clearly and more effectively manage all facets of our brand, the company launched an extensive re-branding campaign.

This new initiative included an update to the IBC eagle logo, making its shape more recognizable, and incorporating an enhanced company color palette. Our campaign tagline, "Soaring above the rest," is designed to convey our message of success.

Our re-branding initiative will continue to gain prominence across IBC's marketing spectrum, including our updated Web site, promotional materials, statewide billboards, lobby merchandising and a new television commercial scheduled to air within the communities we serve.

INVESTING IN NEW MARKETS

One growing opportunity is the college student market. During the past several years, IBC has developed a successful relationship with Central Michigan University and its student population. Based on this and similar experiences, we see significant long-term potential within this educated and motivated market segment.

For many young people, their first encounter with banking occurs during their college years. We believe that by establishing a foundation of trust early on, we can extend this initial banking experience into a lifetime relationship. Today's student is tomorrow's investor, homeowner, parent and retiree, and IBC can be there every step of the way.





OUR GREATEST ASSET? OUR PEOPLE.

The more than 1,300 people who come to work each day at Independent Bank Corporation are the best reflection of our vision and values. They understand the needs of the communities we serve, because they and their families are part of the fabric of these communities. They know their customers by name. They're helping IBC grow, because they know what it takes to stay focused on what we do best.

IBC is filled with these "all-stars," from the front lines of our customer and client service to every corner of our organization. And while it may not be possible to introduce you to every single IBC associate, we thought you'd enjoy meeting three individuals whose leadership, community service and unique commitment to IBC's growth exemplify the spirit of Independent Bank.

JOSÉ A. INFANTE (left)
Senior Vice President
Independent Bank West Michigan
(IBWM)

When José A. Infante joined Independent Bank West Michigan in May 2006, he brought with him a long and successful career in West Michigan banking. José knew IBWM's solid reputation and its people and equally important, he felt a strong connection to IBWM's way of doing business.

"Independent Bank puts customer service first," José says. "We share this philosophy and I couldn't do my job any other way."

As the individual responsible for extending Independent Bank West Michigan's services and geographic reach along the Lake Michigan shore, José is putting the right people and processes in place to meet the complex needs of a growing customer base.

His typical day includes customer calls and visits, following up on referrals and planning for future lakeshore banking services. Evenings are often taken up by work on foundation boards. "It's important to be intimately involved in the life of your community," José acknowledges.

Despite his busy schedule, José remains an engaged father and grandfather. And for a man whose family, civic and work lives often intermingle, it's no surprise that one of his commercial loan officers is someone José used to coach in Little League.

"You've got to keep hand-picking the people who have the drive to do business the right way," José insists. "At Independent Bank, we have a team committed to providing a higher level of service than our competitors. That's the bottom line."

RONA MEHL (center)
Vice President of Treasury
Management Services
Independent Bank (IB)

Rona Mehl joined IB five years ago to head up its newly formed treasury management services group from the Bay City offices.

"When I came on board, our management team said, 'Rona, whatever resources you need, just ask,' and we got to work putting together a variety of innovative services for our government and commercial customers."

Rona's business day finds her working with county and local governments, public school districts and commercial clients statewide. She teams with IB commercial lending team members, banking office managers, vendors and executive management to offer a full range of products and services comparable to those of much larger banks operating in the state, but at a much more competitive rate.

"I do a lot of face-to-face appointments with clients and prospects to determine the best business solutions I can offer them," Rona explains. "I have the 100 percent support of IB's management team to deploy the right resources to build our treasury management and public funds portfolios."

IB also gives Rona the flexibility needed, and she credits everyone from front-line staff to top management in helping her to establish a solid reputation among governments, public schools and businesses throughout Michigan.

"It's easy for me to sell people on Independent Bank because I know that I'm providing good value to our clients," Rona says. "I work for the best financial institution in Michigan today."

DAN KREFT (right)
Banking Office Manager
Independent Bank South Michigan
(IBSM)

When Dan Kreft became manager of Independent Bank South Michigan's Okemos banking office in January 2006, he was crossing over from the mortgage field. "I came here with a strong customer focus," he says, "and I was happy to discover my focus corresponded with Independent Bank's."

Dan's team has a formula that includes acknowledging customers by name, taking care of their immediate needs and looking for more ways to serve them. "We don't have to use an aggressive approach, he explains, "but we let them know we can meet their financial needs."

Dan's team also invests time and effort in community outreach, taking an interest in area schools and civic development and getting to know local builders and other community members. That's important when customers have a multitude of banking choices.

"We wow them with our relationship-focused services," Dan says. That's why many of them are leaving those big banks to come to Independent Bank."

He also credits Independent Bank's corporate culture for helping him do his job better. "There are no barriers to communication. Nothing goes 'to committee.' I can call anyone in the organization and get answers. We're tight and efficient."

Dan knows that's important to his relationship-building efforts. "An MSU student who starts here with a savings account may someday need a car loan, a home mortgage, even a retirement plan. We're always focused on building a long-lasting relationship."

EXECUTIVE MANAGEMENT TEAM



Standing: left to right

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

2 Charles F. Schadler
Senior Vice President of Audit
Independent Bank Corporation

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

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

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

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

Seated: left to right

7 Peter R. Graves
Senior Vice President of Commercial Services
Independent Bank Corporation

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

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

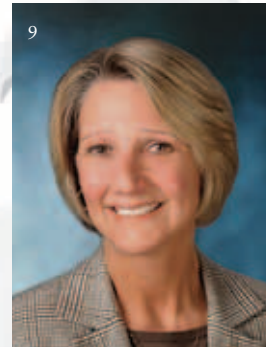
10 Charles C. Van Loan
Chairman of the Board
Independent Bank Corporation

11 Richard E. Butler
Senior Vice President of Operations
Independent Bank Corporation

Not pictured:

Laurinda M. Neve
Senior Vice President of Human Resources
Appointed January 2007

BOARD OF DIRECTORS



1 Charles C. Van Loan
Chairman of the Board (Jan. 1, 2005)
Former President and Chief Executive Officer
Independent Bank Corporation

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

3 James E. McCarty
President
McCarty-Horak, LLC

4 Charles A. Palmer
Professor of Law
Thomas M. Cooley Law School

5 Robert L. Hetzler
Appointed Lead Outside Director
(Jan. 1, 2005)
Retired President, Monitor Sugar Company

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

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

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

9 Donna J. Banks, Ph.D.
Senior Vice President
Global Supply Chain, Kellogg Company



SHAREHOLDER INFORMATION

STOCK

Independent Bank Corporation's common stock trades on the NASDAQ National Market System under the symbol IBCP.

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company, 59 Maiden Lane, Plaza Level, New York, New York 10038, amstock.com, (telephone 800.937.5449), serves as transfer agent and registrar of our common stock. Inquiries related to shareholder records, change of name, address or ownership of stock and lost or stolen stock certificates should be directed to our transfer agent and registrar.

DIVIDEND REINVESTMENT AND DIRECT STOCK PURCHASES OR SALES

Investors Choice is our Dividend Reinvestment & Direct Stock Purchase and Sale Plan sponsored and administered by American Stock Transfer & Trust Company, the transfer agent for Independent Bank Corporation. A plan booklet is available by writing to our Chief Financial Officer. The plan materials are also available at the American Stock Transfer & Trust Company Web site (amstock.com).

DIVIDEND PAYMENTS

Subject to approval by our board of directors, cash dividends customarily are paid on Independent Bank Corporation's common stock on or about January 31, April 30, July 31 and October 31.

ANNUAL MEETING

Our Annual Meeting of Shareholders will be held at 3 pm on April 24, 2007 at the Ionia Theatre, 205 W. Main St., Ionia, Michigan 48846.

FORM 10-K

Shareholders may obtain, without charge, a copy of Form 10-K, the 2006 Annual Report to the Securities and Exchange Commission, through our Web site at IndependentBank.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.

INVESTOR RELATIONS ON THE INTERNET

Go to our Web site at IndependentBank.com to find the latest investor relations information about Independent Bank Corporation, including stock quotes, news releases and financial data.

Member FDIC

2006 FINANCIAL STATEMENTS



Independent Bank
Soaring above the rest



Independent Bank
Soaring above the rest

INDEPENDENT BANK CORPORATION
PO Box 491 230 W. Main St.
Ionia, Michigan 48846

