INDEPENDENT BANK CORP /MI/
Form 424B4
August 23, 2013
Filed Pursuant to Rule 424(b)(4)
Registration Statement No. 333-190513
Registration Statement No. 333-190785

PROSPECTUS

11,500,000 Shares

Common Stock

We are offering 11,500,000 shares of our common stock. Our common stock is listed on the Nasdaq Global Select Market under the symbol "IBCP". As of August 22, 2013, the closing sale price for our common stock on the Nasdaq Global Select Market was $8.40 per share. Please see "Market Price and Dividend Information" on page 31 for more information.

Investing in our common stock involves risks. We encourage you to read and carefully consider this prospectus in its entirety, in particular the risk factors beginning on page 20 as well as other information in any documents we incorporate by reference into this prospectus, for a discussion of factors that you should consider with respect to this offering.

	Per Share	Total
Public offering price	$7.7500	$89,125,000
Underwriting discounts and commissions	$0.3875	$4,456,250
Proceeds to us (before expenses)	$7.3625	$84,668,750

This is a firm commitment underwriting. The underwriters have the option to purchase up to an additional 1,725,000 shares of our common stock at the public offering price, less underwriting discounts and commissions, within 30 days of the date of this prospectus solely to cover over-allotments, if any.

The underwriters expect to deliver the common stock in book-entry form only, through the facilities of The Depository Trust Company, against payment on or about August 28, 2013.

The shares of common stock offered are not savings accounts, deposits, or other obligations of any of our bank or non-bank subsidiaries and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission, any state securities commission, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Keefe, Bruyette & Woods
A Stifel Company

Sandler O'Neill + Partners, L.P.

Boenning & Scattergood, Inc.

The date of this prospectus is August 22, 2013.

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You should rely only on the information contained in this prospectus and any "free writing prospectus" we authorize to be delivered to you. We have not, and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained in this prospectus and any such "free writing prospectus." If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, our common stock only in jurisdictions where those offers and sales are permitted. The information contained in this prospectus and any such "free writing prospectus" is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

This prospectus describes the specific details regarding this offering and the terms and conditions of the common stock being offered and the risks of investing in our common stock. You should read this prospectus and the additional information about us described in the section entitled "Where You Can Find More Information" before making your investment decision.

As used in this prospectus, the terms "we," "our," "us," and "IBC" refer to Independent Bank Corporation and its consolidated subsidiaries, unless the context indicates otherwise. When we refer to "our bank" or "Independent Bank" in this prospectus, we are referring to Independent Bank, a Michigan banking corporation and wholly-owned subsidiary of Independent Bank Corporation.

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WHERE YOU CAN FIND MORE INFORMATION

This prospectus, which forms a part of a registration statement filed with the Securities and Exchange Commission (the "SEC"), does not contain all of the information set forth in the registration statement. For further information with respect to us and the securities offered, reference is made to the registration statement.

We file annual, quarterly, and current reports, proxy statements, and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can also request copies of the documents, upon payment of a duplicating fee, by writing the Public Reference Section of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from the SEC's web site at http://www.sec.gov.

FORWARD-LOOKING STATEMENTS

Discussions and statements in this prospectus that are not statements of historical fact, including, without limitation, statements that include terms such as "will," "may," "should," "believe," "expect," "forecast," "anticipate," "estimate," "project," "intend," "likely," "optimistic" and "plan," and statements about future or projected financial and operating results, plans, projections, objectives, expectations, and intentions and other statements that are not historical facts, are forward-looking statements. Forward-looking statements include, but are not limited to, our expected use of the proceeds received from this offering; descriptions of plans and objectives for future operations, products, or services; projections of our future revenue, earnings, or other measures of economic performance; forecasts of credit losses and other asset quality trends; predictions as to our bank's ability to maintain certain regulatory capital standards; our expectation that we will have sufficient cash on hand to meet expected obligations; and descriptions of steps we may take to further improve our capital position. These forward-looking statements express our current expectations, forecasts of future events, or long-term goals and, by their nature, are subject to assumptions, risks, and uncertainties. Although we believe that the expectations, forecasts, and goals reflected in these forward-looking statements are reasonable, actual results could differ materially for a variety of reasons, including, the risks and uncertainties detailed under "Risk Factors" set forth in this prospectus and the following:

- our ability to successfully raise new equity capital, effect a redemption of our outstanding convertible preferred stock held by the U.S. Treasury, exit the Troubled Asset Relief Program ("TARP"), bring quarterly payments on our trust preferred securities current, and otherwise implement our capital plan;

- our receipt of regulatory approvals necessary for us to take certain actions pursuant to our capital plan, including our redemption of the preferred stock and warrant held by the U.S. Treasury;

- the failure of assumptions underlying the establishment of and provisions made to our allowance for loan losses;

- the timing and pace of an economic recovery in Michigan and the United States in general, including regional and local real estate markets;

- the ability of our bank to remain well-capitalized;

- the failure of assumptions underlying our estimate of probable incurred losses from vehicle service contract payment plan counterparty contingencies, including our assumptions regarding future cancellations of vehicle service contracts, the value to us of collateral that may be available to recover funds due from our counterparties, and our ability to enforce the contractual obligations of our counterparties to pay amounts owing to us;

- further adverse developments in the vehicle service contract industry;

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- the risk that sales of our common stock could trigger a reduction in the amount of net operating loss carryforwards that we may be able to utilize for income tax purposes;
- the continued services of our management team; and
- implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act or other new legislation, which may have significant effects on us and the financial services industry, the exact nature and extent of which cannot be determined at this time.

This list provides examples of factors that could affect the results described by forward-looking statements contained in this prospectus, but the list is not intended to be all inclusive. The risk factors disclosed in Part I – Item A of our Annual Report on Form 10-K for the year ended December 31, 2012, as updated by any new or modified risk factors disclosed in Part II – Item 1A of any subsequently filed Quarterly Report on Form 10-Q, include all known risks that our management believes could materially and adversely affect the results described by forward-looking statements in this prospectus. However, those risks may not be the only risks we face. Our results of operations, cash flows, financial position, and prospects could also be materially and adversely affected by additional factors that are not presently known to us, that we currently consider to be immaterial, or that develop after the date of this prospectus. We cannot assure you that our future results will meet expectations. While we believe the forward-looking statements in this prospectus (including in the information incorporated in this prospectus by reference) are reasonable, you should not place undue reliance on any forward-looking statement. In addition, these statements speak only as of the date made. We do not undertake, and expressly disclaim, any obligation to update or alter any statements, whether as a result of new information, future events, or otherwise, except as required by applicable law.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We file annual, quarterly, and current reports, proxy statements, and other information with the SEC. The SEC allows us to "incorporate by reference" the information we file with it. This means we can disclose important information to you by referring you to those documents filed separately with the SEC. The information we incorporate by reference is an important part of this prospectus. We incorporate by reference the documents listed below, filed separately with the SEC, except to the extent that any information contained in those documents is deemed "furnished" in accordance with SEC rules:

- Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on March 13, 2013;
- Quarterly Reports on Form 10-Q filed with the SEC on May 8, 2013, and August 8, 2013;
- Definitive Proxy Statement on Schedule 14A filed with the SEC on March 13, 2013;
- Current Reports on Form 8-K filed with the SEC on January 30, 2013; January 31, 2013; April 24, 2013; May 29, 2013, as amended on June 14, 2013; and August 1, 2013; and
- The description of our capital stock contained in our Restated Articles of Incorporation, filed as Exhibit 3.1 to the Registration Statement on Form S-1 of which this prospectus is a part, and in our Amended and Restated Bylaws, filed as Exhibit 3.2 to our Current Report on Form 8-K dated December 8, 2008 (filed with the SEC on December 12, 2008).

Any statement contained in a document that is incorporated by reference will be modified or superseded for all purposes to the extent that a statement contained in this prospectus modifies or is contrary to that previous statement. Any statement so modified or superseded will not be deemed a part of this prospectus except as so modified or superseded.

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Upon request, we will provide to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the reports or documents that have been incorporated by reference in the prospectus contained in the registration statement, but not delivered with the prospectus. You may request a copy of any of these filings at no cost, by writing or telephoning us at the following address or telephone number:

Independent Bank Corporation
230 Main Street
Ionia, Michigan 48846
(616) 527-5820

Any report or document incorporated by reference may be accessed on our website, http://www.independentbank.com.

The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a site, http://www.sec.gov, where the public may access reports, proxy and information statements, and other information regarding Independent Bank Corporation and other issuers that file electronically with the SEC.

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SUMMARY

This summary does not contain all of the information that may be important to you or that you should consider before investing in our common stock. You should read this entire prospectus, including the "Risk Factors" section and those documents incorporated by reference. Unless otherwise expressly stated or the context otherwise requires, all information in this prospectus assumes that the underwriters do not exercise their option to purchase additional shares of our common stock to cover over-allotments, if any.

Investment Highlights

This "Summary" section contains an overview of our company and the investment opportunity described in this prospectus. Key highlights of the investment opportunity are as follows:

- We are a Michigan-based bank holding company with total assets of approximately $2.1 billion. Our subsidiary bank, Independent Bank, is one of the oldest banks in Michigan and operates 71 banking offices across the lower peninsula of Michigan. We are founded on a community banking philosophy and emphasize service and convenience as a principal means of competing in the delivery of financial services.

- This offering is being conducted in an effort to allow us to exit from our participation in the U.S. Troubled Asset Relief Program ("TARP"). We plan to use the proceeds of this offering to redeem the preferred stock and related warrant held by the U.S. Department of the Treasury (the "Treasury") pursuant to TARP in accordance with the terms and conditions of that certain Securities Purchase Agreement, dated July 26, 2013, between us and the Treasury (the "Redemption Agreement").

- Following this offering and our exit from TARP, we believe our bank will be in a position to take advantage of opportunities within Michigan as market conditions continue to stabilize and improve.

- We believe there have been positive trends in the Michigan economy, including a reduction in unemployment rates and improvement in housing values. While we continue to exercise prudence in monitoring our loan portfolios, we are optimistic that our positive asset quality trends reflect both our disciplined approach to the credit problems we have faced as well as improving market conditions within Michigan.

- We believe our competitive strengths include our historically strong net interest margin, our core deposit base, our experienced management team, our successful acquisition and integration history, and our position as a local community bank within our multiple banking markets.

- Based on our financial performance over the past six quarters as well as our forecasts for future profitability, we have concluded that, as of June 30, 2013, the realization of our deferred tax assets is now more likely than not. As a result, in the second quarter of 2013, we reversed substantially all of the existing valuation allowance on our deferred tax assets. This resulted in recording an income tax benefit of $57.6 million.

- We have deleveraged our loan portfolios and intend to employ our enhanced credit policies to focus our loan origination efforts on high quality commercial and consumer installment loans and on residential mortgage loans that are eligible for sale in the secondary market.

- Our asset quality continues to improve. As of June 30, 2013, non-performing loans totaled $20.1 million, a reduction of $12.8 million, or 39.0%, during the first six months of 2013 and a reduction of $89.8 million, or 81.7%, since the end of 2009. Loan net charge-offs totaled $4.7 million during the first six months of 2013 compared to $12.9 million during the first six months of 2012. Total non-performing assets totaled $37.9 million at June 30, 2013, a reduction of $21.2 million, or 35.8%, during the first six months of 2013 and a reduction of $103.5 million, or 73.2%, since the end of 2009.

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- As of June 30, 2013, we were servicing approximately $1.7 billion in mortgage loans for other lenders on which servicing rights have been capitalized. This mortgage loan servicing function represents a significant amount of revenue for us, generating income of $2.3 million during the first six months of 2013.

- Mepco Finance Corporation ("Mepco") is a wholly owned subsidiary of our bank that operates a vehicle service contract payment plan business throughout the United States. Beginning in 2009, Mepco experienced significant losses primarily as a result of the failure of one of its counterparties and other adverse changes in its market. However, we believe the current amount of reserves we have established for Mepco's business are appropriate given our estimate of probable incurred losses. In addition, we have significantly reduced the size of Mepco's business. Although such reduction has had an adverse impact on our net interest income, we believe the reduction was desirable in order for us to reduce the risk associated with this business and return to our core banking competencies. As of June 30, 2013, the net payment plan receivables held by Mepco represented approximately 3.6% of our consolidated assets, down from a high of 15.0% at July 31, 2009.

- The second quarter of 2013 reflected our sixth consecutive quarter of profitability. We reported second quarter 2013 net income applicable to our common stock of $62.2 million, or $2.64 per diluted share, compared to net income applicable to our common stock of $3.2 million, or $0.11 per diluted share, in the second quarter of 2012. Second quarter 2013 results included a $57.6 million income tax benefit associated with the reversal of substantially all of our existing valuation allowance on deferred tax assets, as referenced above. We recorded net income applicable to common stock of $66.9 million, or $2.90 per diluted share, and $5.7 million, or $0.19 per diluted share, respectively, during the six months ended June 30, 2013 and 2012.

About Independent Bank Corporation

Independent Bank Corporation, headquartered in Ionia, Michigan, is a Michigan-based bank holding company providing commercial banking services to individuals, small to medium-sized businesses, community organizations, and public entities. Our wholly-owned banking subsidiary, Independent Bank, was founded in 1864 and operates 71 banking offices that are primarily located in mid-sized Michigan communities such as Grand Rapids, Lansing, Troy, and Saginaw, as well as more rural and suburban communities throughout the lower peninsula of Michigan.

Our bank provides a comprehensive array of products and services to individuals and businesses in the markets we serve. These products and services include checking and savings accounts, commercial loans, direct and indirect consumer financing, mortgage lending, and commercial and municipal treasury management services. In addition, Mepco acquires and services payment plans used by consumers to purchase vehicle service contracts and similar products provided and administered by third parties. We also offer title insurance services through a separate subsidiary of our bank and investment and insurance services through a third party agreement with Cetera Investment Services LLC.

Background to the Offering

In December 2008, we participated in TARP through the Treasury's investment of $72.0 million in shares of our preferred stock. As described below, we have been deferring quarterly payments on the preferred stock held by the Treasury and our outstanding trust preferred securities as a means of preserving capital. We have reached an agreement with the Treasury that will allow us to redeem the preferred stock (including all accrued and unpaid dividends) and warrant being held by the Treasury for an aggregate payment by us of $81.0 million, subject to the condition that we raise aggregate gross cash proceeds of at least $86.0 million through a sale of our common stock. We are conducting this offering in order to satisfy that condition and raise the proceeds necessary to fund the redemption of these securities in order to exit the TARP program. Set forth below is an overview of our recapitalization efforts, which have led to this offering.

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Our bank began to experience rising levels of non-performing loans and higher provisions for loan losses in 2006 as the Michigan economy experienced economic stress ahead of national trends. The bank incurred significant losses starting in the third quarter of 2008 and lasting through 2011. Although the bank has now had six consecutive quarters of profitability, the losses it incurred pressured its capital ratios and resulted in us taking various actions, described below, to improve our capital position.

Prior to 2007, we operated through four separate Michigan bank charters. In 2007, we reduced operating expenses by consolidating our four charters into a single Michigan bank charter.

In December 2008, we issued shares of our preferred stock with an original aggregate liquidation value of $72.0 million to the Treasury pursuant to TARP. We also issued the Treasury a warrant to purchase 346,154 shares of our common stock.

In 2009, we retained financial and legal advisors to assist us in reviewing our capital alternatives. Beginning in the fourth quarter of 2009, we discontinued cash dividends on our common stock and exercised our right to defer all quarterly distributions on our outstanding trust preferred securities, as well as on all shares of preferred stock issued to the Treasury under TARP. We are currently still deferring all quarterly distributions on our outstanding trust preferred securities and on all shares of preferred stock held by the Treasury.

Since 2009, our board of directors has been focused on improving our bank's capital position in order to better position us to pursue our core business strategy and take advantage of opportunities in Michigan. In December 2009, the board of directors of our bank adopted resolutions designed to enhance and strengthen our operations, performance, and financial condition. Importantly, alongside other resolutions aimed at improving asset quality, earnings, liquidity, and risk management, the resolutions required our bank to achieve and maintain a minimum Tier 1 leverage ratio of 8% and a minimum total risk-based capital ratio of 11%. In January 2010, our board of directors adopted a capital restoration plan (the "Capital Plan") that documented our objectives and plans for meeting these target ratios. Although the Capital Plan has been modified from time to time since its initial adoption, the target capital ratios have remained the same.

Since late 2009, we have taken the following actions toward implementing our Capital Plan and achieving the minimum target ratios established by our board of directors:

- On January 29, 2010, we held a special shareholder meeting at which our shareholders approved an increase in the number of shares of common stock we are authorized to issue from 60 million to 500 million. Our shareholders also gave the required shareholder approval for the conversion of preferred stock held by the Treasury into shares of our common stock and the issuance of shares of our common stock in exchange for our outstanding trust preferred securities.

- On April 16, 2010, we closed an Exchange Agreement with the Treasury pursuant to which the Treasury exchanged $72 million in aggregate liquidation value of our Series A Preferred Stock issued to the Treasury under TARP, plus approximately $2.4 million in accrued but unpaid dividends on such shares, into mandatorily convertible preferred stock (new Series B Convertible Preferred Stock). As part of this exchange, we also amended and restated the terms of the Warrant issued to the Treasury in December 2008 to purchase 346,154 shares of our common stock in order to adjust the initial exercise price of the Warrant to be equal to the conversion price applicable to the Series B Convertible Preferred Stock.

The shares of Series B Convertible Preferred Stock are convertible into shares of our common stock. Subject to the receipt of applicable approvals, the Treasury has the right to convert the Series B Convertible Preferred Stock into our common stock at any time. We have the right to compel a conversion of the Series B Convertible Preferred Stock into our common stock at any time provided the following conditions are met:

(1) we receive appropriate approvals from the Federal Reserve;

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(2) at least $40 million aggregate liquidation amount of our trust preferred securities are exchanged for shares of our common stock;

(3) we complete new cash equity raises of not less than $100 million on terms acceptable to the Treasury in its sole discretion (other than with respect to the price offered per share); and

(4) we make any required anti-dilution adjustments to the rate at which the Series B Convertible Preferred Stock is converted into our common stock, to the extent required.

If we were to meet the conditions described above, the Series B Convertible Preferred Stock would be convertible into shares of our common stock, as follows: for each share of Series B Convertible Preferred Stock with a $1,000 liquidation value, a number of shares of common stock equal to $750 (i.e., a 25% discount to par) divided by a conversion price of $7.234, subject to any necessary anti-dilution adjustments. Unless earlier converted, the Series B Convertible Preferred Stock will convert into shares of our common stock on a mandatory basis on April 16, 2017, subject to the prior receipt of any required regulatory and shareholder approvals. In that case, the shares of preferred stock will convert based on the full $1,000 liquidation value per share (i.e., there will be no 25% discount to par as there will be for an early conversion by us or the Treasury).

- On June 23, 2010, we completed the exchange of approximately 5.1 million newly issued shares of our common stock for $41.4 million in aggregate liquidation amount of our outstanding trust preferred securities.

- On July 7, 2010, we entered into an equity line facility with Dutchess Opportunity Fund, II, LP as a contingent source of liquidity at the parent company level. Pursuant to this equity line facility, Dutchess committed to purchase up to $15.0 million of our common stock over a 36-month period ending November 1, 2013. We have the right, but no obligation, to draw on this equity line facility from time to time during such 36-month period by selling shares of our common stock to Dutchess at a 5% discount to the market price at the time of the draw. We have used this equity line facility to raise a total of approximately $4.2 million in net proceeds, which have been used to pay expenses and increase cash on hand at the parent company level. Assuming the offering described in this prospectus is successful, we do not anticipate making any additional draws on this equity line facility before the November 1, 2013 termination date.

- On August 31, 2010, we effected a reverse stock split of our issued and outstanding common stock. Pursuant to this reverse split, each 10 shares of our common stock issued and outstanding immediately prior to the reverse split was converted into 1 share of our common stock. We conducted this reverse split primarily as a means to maintain our share price above $1.00 per share in order to continue to meet Nasdaq listing standards. All share or per share information included in this prospectus has been retroactively restated to reflect the effects of the reverse split.

- On December 7, 2012, we sold 21 branches to another financial institution. The branches sold included 6 branch locations in the Battle Creek, Michigan market area and 15 branch locations in Northeast Michigan. The branch sale resulted in the transfer of approximately $403.1 million of deposits in exchange for our receipt of a deposit premium of approximately $11.5 million. We also sold approximately $48.0 million of loans at a discount of 1.75% and premises and equipment totaling approximately $8.1 million. The branch sale also resulted in our transfer of $336.1 million of cash to the purchaser. We recorded a net gain on the branch sale of approximately $5.4 million in the fourth quarter of 2012.

- In addition to this sale of 21 branches, since 2011 we have restructured our branch network and improved operating efficiencies through the consolidation or closure of 15 additional branch locations throughout Michigan.

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- The second quarter of 2013 was our sixth consecutive quarter of profitability. We reported second quarter 2013 net income applicable to our common stock of $62.2 million, or $2.64 per diluted share. These results included an income tax benefit of $57.6 million associated with the reversal of substantially all of our deferred tax asset valuation allowance in June 2013.

- On July 26, 2013, we entered into the Redemption Agreement with the Treasury. Under the Redemption Agreement, the Treasury has agreed to sell to us all of the Series B Convertible Preferred Stock (including all accrued but unpaid dividends) and the related Warrant for an aggregate purchase price of $81.0 million. The closing of the purchase and sale contemplated by the Redemption Agreement is conditioned upon our receipt of applicable regulatory approvals and our completion of one or more cash equity raises of $86.0 million or more in gross cash proceeds. We elected to pursue and enter into the Redemption Agreement, rather than compel the conversion of the Series B Convertible Preferred Stock at the above-referenced discount to par, in order to avoid the issuance of $100 million in equity and the resulting uncertainty as to the future disposition of the common shares that would be held by the Treasury. As of September 30, 2013, the aggregate of the par value of the Series B Convertible Preferred Stock, the accrued and unpaid dividends on those shares, and the value of the related warrant is estimated to be approximately $90.0 million.

Before we can repurchase these securities from the Treasury, we need to bring current the quarterly payments on our outstanding trust preferred securities. As of June 30, 2013, the aggregate amount of accrued but unpaid payments on these trust preferred securities was approximately $7.7 million. This amount will be approximately $8.3 million as of September 30, 2013. As described under "Capital Plan and This Offering" below, we are in the process of taking certain steps necessary for us to bring these payments current. We recently obtained the necessary approvals of our federal and state regulators in order to have our bank return needed funds to our holding company and to bring these payments current.

We have requested the required regulatory approval to complete the transactions described in the Redemption Agreement. See "Capital Plan and This Offering" below for more details.

Our Markets

We have a relationship-based, community bank model, with a 71-branch network that provides a full offering of banking products and services to retail and business customers in the Michigan markets we cover.

The table below presents the composition of our branch footprint and deposit base as of June 30, 2013 by the regions of Michigan in which we operate:

($ in millions)

Region	Representative Cities	Branches	Deposits	% of Deposits		Loans	% of Loans	
East / "Thumb"	Bay City / Saginaw	29	$ 678	37	%	$291	21	%
West	Ionia / Grand Rapids	23	534	30	%	399	29	%
Central	Lansing	12	273	15	%	194	14	%
Southeast	Troy	7	215	12	%	268	19	%
Other Deposits[1]	N/A	--	116	6	%	--	--	
Resort Lending	N/A	--	--	--		158	11	%
Payment Plans	N/A	--	--	--		76	6	%
Total		71	$ 1,816	100	%	$1,386	100	%

(1) Consists of reciprocal deposits, brokered deposits, and certain other "non-market" deposits (such as custodial deposits for Fannie Mae and Freddie Mac).

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These regions have distinct demographic and economic characteristics, as summarized below:

- East / "Thumb" Region: We have a substantial branch footprint in the eastern part of the state, which is primarily comprised of rural communities that provide strong core deposits and pricing leverage. Saginaw, Midland, and Bay counties are included in this region. The counties of Saginaw and Bay are well-known for their agricultural communities and manufacturing sector and are also home to a growing medical device and technology sector. Midland County includes the headquarters for Dow Chemical Company.

- West Region: The west region includes our headquarters in Ionia and the Grand Rapids metropolitan statistical area. Grand Rapids is in Kent County, which has generally experienced lower levels of unemployment as compared to the Michigan state level. As of June 2013, Kent County had an unemployment rate of 6.9%, compared to 9.4% for the State of Michigan as a whole, on a seasonally unadjusted basis. Kent County is the home to several major employers, including Meijer, Steelcase, Spectrum Heath, Spartan Stores, Wolverine World Wide, and the world headquarters for Alticor Inc., the parent company of Amway.

- Central Region: Our operations throughout the central part of Michigan are primarily located in Lansing and surrounding markets. Lansing, in Ingham County, is the state capital and home to Michigan State University, which provides the core of a stable employment base.

- Southeast Region: A smaller portion of our franchise is in southeastern Michigan, primarily in Oakland County, which has attractive demographics. With a population of 1.2 million people, Oakland County had the highest median family income in the state of approximately $85,000 (2010 Census). While the southeast region currently only accounts for approximately 12% of our deposit base, we believe Oakland County presents a good opportunity for future deposit growth and lending opportunities.

Michigan Economic Update

While the Michigan economy has generally been under stress for the past several years, we believe our markets have stabilized. Below is a summary of certain economic trends of our markets: