

INDEPENDENT BANK CORP /MI/  
Form S-4/A  
January 30, 2018  
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**AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 30, 2018**

**File No. 333-222358**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**AMENDMENT NO.1  
TO  
FORM S-4**

REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933

**INDEPENDENT BANK CORPORATION**  
(Exact Name of Registrant as Specified in its Charter)

|   |   |   |
|---|---|---|
| <b>Michigan</b>   | <b>6022</b>   | <b>38-2032782</b>                       |
| (State or Other Jurisdiction<br>of Incorporation or Organization) | (Primary Standard Industrial<br>Classification Code Number) | (IRS Employer<br>Identification Number) |

**4200 East Beltline**

**Grand Rapids, Michigan 49525**

**(616) 527-5820**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**Robert N. Shuster**

**4200 East Beltline**

**Grand Rapids, Michigan 49525**

**(616) 527-5820**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

**Kimberly A. Baber**  
**Varnum LLP**  
**333 Bridge Street, P.O. Box 352**  
**Grand Rapids, MI 49501-0352**  
**(616) 336-6851**

**Charlie Goode**  
**Warner Norcross & Judd LLP**  
**111 Lyon Street, N.W., Suite 900**  
**Grand Rapids, Michigan 49503-2487**  
**(616) 752-2176**

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  
 Smaller reporting company  Emerging Growth Company  Non-accelerated filer  (do not check if smaller reporting company)

If an emerging growth company, indicated by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

#### CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Amount to be Registered <sup>(1)</sup> | Proposed Maximum Offering Price Per Share <sup>(2)</sup> | Proposed Maximum Aggregate Offering Price <sup>(2)</sup> | Amount of Registration Fee <sup>(3)</sup> |
|--|--|--|--|---|
| Common Stock                                       | 2,902,157                              | N/A  | \$ 36,777,280  | \$ 4,579                                  |

(1) Represents the maximum number of shares of Independent Bank Corporation common stock that may be issued upon the completion of the merger described in this registration statement.

Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(f) under the Securities Act. The proposed maximum aggregate offering price was calculated by multiplying (i) 2,599,101, the estimated maximum number of shares of TCSB Bancorp, Inc. common stock to be received by the Registrant or (2) cancelled upon completion of the merger, including 2,428,001 shares of common stock and 171,100 shares of common stock reserved for issuance upon the exercise of outstanding stock options, by (ii) \$14.15, the book value per share of TCSB Bancorp, Inc. common stock as of November 30, 2017, the latest practicable date prior to the date of filing the registration statement

(3) Previously paid.

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this**

**registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this prospectus and proxy statement is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

### **PRELIMINARY PROSPECTUS AND PROXY STATEMENT DATED JANUARY 30, 2018, SUBJECT TO COMPLETION**

#### **MERGER PROPOSED – YOUR VOTE IS VERY IMPORTANT**

The board of directors of TCSB Bancorp, Inc. ( TCSB ) is furnishing this prospectus and proxy statement and the accompanying form of proxy to the shareholders of TCSB to solicit proxies to vote at a special meeting of TCSB s shareholders to be held on [•], 2018, at [•], [•], Michigan [•] at [•] local time and at any adjournments of the special meeting. At the special meeting, the shareholders of TCSB will consider and vote upon a proposal to approve an agreement and plan of merger ( merger agreement ) with Independent Bank Corporation ( IBCP ), under which TCSB will be merged with and into IBCP (the merger ). This prospectus and proxy statement, when delivered to shareholders of TCSB, is also a prospectus of IBCP relating to an offering of IBCP common stock. This offering is made only to holders of TCSB common stock.

Completion of the merger is subject to regulatory approval, approval of the merger agreement by TCSB shareholders, and other customary closing conditions. If the merger agreement is approved and the merger is completed, each outstanding share of TCSB common stock that you hold will be converted into the right to receive 1.1166 shares (the Exchange Ratio ) of IBCP common stock plus cash in lieu of any fractional share (together, the Merger Consideration ). IBCP s common stock is listed on The NASDAQ Global Select Market under the trading symbol IBCP. On December 4, 2017, the date of execution of the merger agreement, the closing price of a share of IBCP common stock was \$22.55. On [•], 2018, the closing price of a share of IBCP common stock was \$[•]. TCSB s common stock is not traded on any exchange.

There are three circumstances under which the Exchange Ratio may change. First, if TCSB s consolidated shareholders equity, as calculated in accordance with the merger agreement, is less than \$34.5 million as of the Final Statement Date (as such term is defined in the merger agreement), the Exchange Ratio will be reduced so that the aggregate value of the Merger Consideration is reduced by the amount of such shortfall in TCSB s consolidated shareholders equity. There is no cap on this potential decrease to the Exchange Ratio. As of December 31, 2017, TCSB s consolidated shareholders equity, as calculated in accordance with the merger agreement, was approximately \$35.0 million. Although there can be no guarantee, as of the date of this prospectus and proxy statement, TCSB and IBCP do not anticipate there will be any adjustment to the Exchange Ratio as a result of this provision of the merger agreement.

The second circumstance under which the Exchange Ratio may change would result in a potential increase to the Exchange Ratio. This potential increase to the Exchange Ratio would occur if the average price of IBCP common stock during a period prior to closing, as calculated in accordance with the merger agreement, is less than \$19.07 and certain other conditions are met. There is no cap on this potential increase to the Exchange Ratio. IBCP has the right to decline to adjust the Exchange Ratio pursuant to this provision of the merger agreement, which could lead to a termination of the merger agreement by TCSB. As of [•], 2018, the closing price of a share of IBCP common stock was \$[•]. Although there can be no guarantee, as of the date of this prospectus and proxy statement, TCSB and IBCP do not anticipate there will be any adjustment to the Exchange Ratio as a result of this provision of the merger agreement.

Finally, the Exchange Ratio will be proportionately adjusted if there is a recapitalization or similar event with respect

to the outstanding shares of IBCP common stock or TCSB common stock prior to the merger, which is not currently expected. There is no cap on this potential adjustment to the Exchange Ratio. Please see *The Merger Agreement - What TCSB Shareholders will Receive in the Merger* starting on page 41 below for more details regarding each of these potential adjustments to the Exchange Ratio.

Assuming the Exchange Ratio does not get adjusted, and based on a total of [•] shares of TCSB common stock outstanding as of the record date, the aggregate Merger Consideration will consist of approximately 2.7 million shares of IBCP common stock. Based on the closing price of IBCP common stock on [•], 2018 of \$[•], the value of such aggregate Merger Consideration is approximately \$[•].

TCSB's board of directors has unanimously determined that the merger is in substantial compliance with all applicable laws and is fair to and in the best interests of TCSB and TCSB's shareholders, adopted the merger agreement and authorized the merger and the other transactions contemplated by the merger agreement, and unanimously recommends that TCSB shareholders vote FOR approval of the merger agreement. In the opinion of D.A. Davidson & Co., the Exchange Ratio is fair, from a financial point of view, to TCSB.

**Your vote is important. Approval of the merger agreement requires the affirmative vote of a majority of the outstanding shares of TCSB common stock as of the record date for the special meeting. Please submit your proxy as soon as possible, regardless of whether or not you expect to attend the meeting in person.**

**Please read this prospectus and proxy statement carefully because it contains important information about the merger and the merger agreement. Read carefully the risk factors beginning on page 12. You can also obtain additional information about IBCP from documents that it has filed with the Securities and Exchange Commission ( SEC ) at [www.sec.gov](http://www.sec.gov).**

**The shares of IBCP common stock to be issued in the merger are not deposits or savings accounts or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency. IBCP common stock is subject to investment risks, including possible loss of value.**

**Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus and proxy statement is truthful or complete. Any representation to the contrary is a criminal offense.**

This prospectus and proxy statement is dated [•], 2018,  
and it is first being mailed to TCSB shareholders on or about [•], 2018.

## **AVAILABLE INFORMATION**

As permitted by SEC rules, this document incorporates certain important business and financial information about IBCP from other documents that are not included in or delivered with this document. These documents are available to you without charge upon your written or oral request. Your requests for these documents should be directed to the following:

Independent Bank Corporation  
4200 East Beltline  
Grand Rapids, Michigan 49525  
Attn.: Robert N. Shuster, Chief Financial Officer  
(616) 527-5820

**A shareholder making such a request must request the information at least five business days before the date they must make their investment decision to ensure timely delivery. Accordingly, the deadline for a TCSB shareholder to make a request is [•], 2018.**

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**TCSB BANCORP, INC.**

**333 West Grandview Parkway  
Traverse City, Michigan 49684**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

To the Shareholders of TCSB Bancorp, Inc.:

A special meeting of shareholders of TCSB Bancorp, Inc. will be held on [•], 2018, at [•], [•], Michigan [•] at [•] local time, for the following purposes:

1. To consider and vote upon a proposal to approve the merger agreement by and between TCSB Bancorp, Inc. and Independent Bank Corporation;
2. To consider and vote upon a proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event there are not sufficient votes present at the special meeting in person or by proxy to approve the merger agreement (the Adjournment Proposal ); and
3. To transact such other business as may properly come before the special meeting.

The board of directors has established the close of business on [•], 2018, as the record date for the determination of shareholders entitled to notice of and to vote at the special meeting and any adjournment of the special meeting.

**TCSB s board of directors has unanimously determined that the merger is in substantial compliance with all applicable laws and is fair to and in the best interests of TCSB and TCSB s shareholders, adopted the merger agreement and authorized the merger and the other transactions contemplated by the merger agreement, and unanimously recommends that TCSB shareholders vote FOR approval of the merger agreement and FOR approval of the Adjournment Proposal.**

[•], 2018 By Order of the Board of Directors,

Raymond Weigel III  
Chairman of the Board

**YOUR VOTE IS IMPORTANT. EVEN IF YOU PLAN TO  
ATTEND THE SPECIAL MEETING, PLEASE  
SUBMIT YOUR PROXY PROMPTLY.**

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### **FORWARD-LOOKING STATEMENTS**

This prospectus and proxy statement contain forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates and projections about the financial services industry, the economy, and IBCP and TCSB. Words such as anticipates, believes, estimates, expects, forecasts, intends, is likely, judgment, opinion, plans, predicts, probable, projects, should, trend, will, strategy and variations of such words and expressions are intended to identify such forward-looking statements. Such statements are based upon current beliefs and expectations and involve substantial risks and uncertainties which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These statements include, among others, statements related to future levels of loan charge-offs, future levels of provisions for loan losses, real estate valuation, future levels of nonperforming assets, the rate of asset dispositions, future capital levels, future changes in regulatory requirements, future dividends, future growth and funding sources, future liquidity levels, future profitability levels, future deposit insurance premiums, the effects on earnings of future changes in interest rates, the future level of other revenue sources, future economic trends and conditions, future initiatives to expand market share, expected performance and cash flows from acquired loans, future effects of new or changed accounting standards, future opportunities for acquisitions, opportunities to increase top line revenues, the ability to grow core franchise, future cost savings and the ability to maintain adequate liquidity and capital based on the requirements adopted by the Basel Committee on Banking Supervision and U.S. regulators. All statements referencing future time periods are forward-looking.

Management's determination of the provision and allowance for loan losses; the carrying value of acquired loans, goodwill and mortgage servicing rights; the fair value of investment securities (including whether any impairment on any investment security is temporary or other-than-temporary and the amount of any impairment); and management's assumptions concerning pension and other postretirement benefit plans involve judgments that are inherently forward-looking. There can be no assurance that future loan losses will be limited to the amounts estimated. All of the information concerning interest rate sensitivity is forward-looking. The future effect of changes in the financial and credit markets and the national and regional economies on the banking industry, generally, and on IBCP and TCSB, specifically, are also inherently uncertain. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ( risk factors ) that are difficult to predict with regard to timing, extent, likelihood, and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements. IBCP and TCSB undertake no obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events, or otherwise.

Risk factors relating to IBCP's business in general include, without limitation:

- Economic, market, operational, liquidity, credit, and interest rate risks associated with IBCP's business;
  - Economic conditions generally and in the financial services industry, particularly economic conditions within Michigan and the regional and local real estate markets in which Independent Bank operates;
  - The failure of assumptions underlying the establishment of, and provisions made to, IBCP's allowance for loan losses;
  - Increased competition in the financial services industry, either nationally or regionally;
  - IBCP's ability to achieve loan and deposit growth;
  - Volatility and direction of market interest rates;
  - The continued services of IBCP's management team; and
  - Implementation of new legislation, which may have significant effects on IBCP and the financial services industry.
- Risk factors relating both to the merger and the integration of TCSB into IBCP after the effective time of the merger include, without limitation:

• Completion of the merger is dependent on, among other things, receipt of regulatory and TCSB shareholder approvals, the timing of which cannot be predicted with precision at this point and which may not be received at all.



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The impact of the completion of the merger on IBCP's financial statements will be affected by the timing of the transaction.

The merger may be more expensive to complete and the anticipated benefits, including anticipated cost savings and strategic gains, may be significantly harder or take longer to achieve than expected or may not be achieved in their entirety as a result of unexpected factors or events.

The integration of TCSB's business and operations into IBCP, which will include conversion of TCSB's operating systems and procedures, may take longer than anticipated or be more costly than anticipated or have unanticipated adverse results relating to TCSB's or IBCP's existing businesses.

- IBCP's ability to achieve anticipated results from the merger is dependent on the state of the economic and financial markets going forward. Specifically, IBCP may incur more credit losses from TCSB's loan portfolio than expected and deposit attrition may be greater than expected.

Important factors that could cause actual results to differ materially from expectations include, but are not limited to, the risk factors described under Risk Factors beginning on page 12 of this prospectus and proxy statement. These and other factors are representative of the risk factors that may emerge and could cause a difference between an ultimate outcome and a preceding forward-looking statement.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

**Q: What am I being asked to vote on?**

You are being asked to vote to approve the merger agreement between IBCP and TCSB (attached as **Appendix A** to this prospectus and proxy statement and incorporated herein by reference), pursuant to which TCSB will merge with and into IBCP, with IBCP as the surviving entity. Additionally, you are being asked to vote to approve the Adjournment Proposal.

**Q: If I own TCSB common stock, what will I receive in the merger?**

If the merger agreement is approved and the merger is subsequently completed, subject to possible adjustment in certain limited circumstances, each outstanding share of TCSB common stock that you hold will be converted into the right to receive 1.1166 shares of IBCP common stock plus cash in lieu of any fractional share.

**Q: What should I do now?**

After you have carefully read this prospectus and proxy statement, simply indicate on your proxy how you want to vote with respect to the proposal to approve the merger agreement and the Adjournment Proposal. You may submit a proxy by completing, signing, dating, and mailing the proxy in the enclosed postage-paid return envelope or visiting the internet site listed on the enclosed proxy and following the instructions provided on that site.

**Q: Should I send in my stock certificates now? What if I hold my shares in book-entry form?**

No. Please DO NOT send in your stock certificates with your proxy. As soon as reasonably practicable after the effective time of the merger, you will be sent transmittal materials from an exchange agent with instructions for exchanging your certificated shares of TCSB common stock for shares of IBCP common stock. You should carefully read and follow the instructions in the transmittal materials regarding how and when to surrender your TCSB common stock certificates.

If you hold shares in book-entry form, you do not need to take any action at this time to exchange your shares. After the effective time of the merger, you will receive instructions on how to exchange your shares.

**Q: Who can vote and what vote is required to approve the merger agreement?**

TCSB shareholders of record on the record date, [•], 2018, are entitled to receive notice of and vote at the special meeting.

The presence, in person or by proxy, of the holders of shares representing a majority of the votes entitled to be cast by the TCSB shareholders at the special meeting is necessary to constitute a quorum. Abstentions will be counted as present and entitled to vote for purposes of determining a quorum.

The affirmative vote of the holders of a majority of the shares of TCSB common stock outstanding as of the record date for the special meeting is required to approve the merger agreement. Because the required vote of TCSB shareholders on the merger agreement is based upon the number of outstanding shares of TCSB common stock entitled to vote rather than upon the number of shares actually voted, a failure to vote and abstentions will have the same practical effect as a vote against approval of the merger agreement.

The affirmative vote of the holders of a majority of votes cast at the special meeting is necessary to approve the Adjournment Proposal. A failure to vote and abstentions will have no effect on this proposal.

If you properly complete and sign your proxy but do not indicate how your shares of TCSB common stock should be voted on a proposal, the shares of TCSB common stock represented by your proxy will be voted FOR approval of the merger agreement and FOR approval of the Adjournment Proposal.

No approval by IBCP shareholders is required.

**Q: Can I change my vote after I have mailed my signed proxy card?**

**A:** Yes. If you have not voted through your broker, there are three ways for you to revoke your proxy and change your vote. First, you may send a written notice to the President and Chief Financial Officer of TCSB,

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Ann Bollinger, stating that you would like to revoke your proxy. This notice must be received before the special meeting date. Second, you may complete and submit a new proxy, dated at a date later than your most recent proxy. Third, you may attend the special meeting and vote in person. Your attendance at the special meeting will not, however, by itself revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions you receive from your broker to change your vote. Your last vote will be the vote that is counted.

**Q: If my shares are held in street name by my broker, will my broker vote my shares for me?**

Without instructions from you, your broker cannot vote your shares on the proposal to approve the merger agreement or the Adjournment Proposal. If your shares are held in street name, you should instruct your broker as to how to vote your shares, following the instructions contained in the voting instructions that your broker or its agent provides to you. Without instructions, your shares will not be voted, which will have the same effect as if you voted against approval of the merger agreement.

**Q: What risks should I consider before I vote on the merger agreement?**

We encourage you to read carefully the detailed information contained in this prospectus and proxy statement, including the section entitled Risk Factors beginning on page 12.

**Q: Am I entitled to dissenters' rights?**

A: No. Holders of TCSB common stock will not have dissenters' rights in connection with the merger.

**Q: Can either TCSB or IBCP terminate the merger agreement?**

A: TCSB and IBCP can mutually agree to terminate the merger agreement.

Each party also has the right to terminate the merger agreement if a governmental entity prohibits the merger, if the merger does not occur on or before September 4, 2018, or if the TCSB shareholder meeting is finally adjourned without the TCSB shareholders having approved the merger, provided that, in each case, the failure of the party seeking to terminate the merger agreement to perform its obligations under the merger agreement has not been a substantial cause of, or a substantial factor that resulted in, any of such events having occurred.

In addition, each party has certain other rights to terminate the merger agreement in limited circumstances. Please see Termination of the Merger Agreement beginning on page 55 below for more information.

**Q: Whom should I contact with questions about the special meeting or the merger?**

TCSB Bancorp, Inc.  
333 West Grandview Parkway  
A: Traverse City, Michigan 49684  
Attn.: Ann Bollinger  
(231) 995-5500

Independent Bank Corporation  
4200 East Beltline  
Grand Rapids, Michigan 49525  
Attn.: Robert N. Shuster  
(616) 527-5820

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### **SUMMARY**

*This summary highlights selected information from this prospectus and proxy statement. It may not contain all of the information that is important to you. For a more complete understanding of the merger between IBCP and TCSB, we urge you to carefully read and consider this entire document, the merger agreement (attached as **Appendix A** to this prospectus and proxy statement and incorporated herein by reference).*

### **The Companies**

#### *IBCP*

Independent Bank Corporation  
4200 East Beltline  
Grand Rapids, Michigan 49525  
(616) 527-5820

Independent Bank Corporation (NASDAQ: IBCP) is a Michigan-based bank holding company. Founded as First National Bank of Ionia in 1864, IBCP operates a branch network across Michigan's Lower Peninsula through one state-chartered bank subsidiary. This subsidiary (Independent Bank) provides a full range of financial services, including commercial banking, mortgage lending, investments and insurance. IBCP is committed to providing exceptional personal service and value to its customers, stockholders and the communities it serves.

As of September 30, 2017, IBCP had total assets of \$2.8 billion, total loans (including loans held for sale) of \$2.0 billion, total deposits of \$2.3 billion, and total shareholders' equity of \$267.7 million. As discussed under **Recent Developments** on page 84 below, as a result of the Tax Cuts and Jobs Act enacted in December 2017, IBCP was required to revalue its net deferred tax assets. This revaluation resulted in an increase in income tax expense of \$6.0 million, which was recorded in the fourth quarter of 2017.

#### *TCSB*

TCSB Bancorp, Inc.  
333 West Grandview Parkway  
Traverse City, Michigan 49684  
(231) 995-5500

TCSB Bancorp, Inc. is a Michigan-based bank holding company. Founded in 2000, TCSB is the parent company of Traverse City State Bank and provides a full array of banking services through five full-service branches in the Traverse City area.

As of September 30, 2017, TCSB had total assets of \$348.9 million, total loans of \$280.3 million, total deposits of \$291.6 million, and total shareholders' equity of \$33.4 million. As a result of the Tax Cuts and Jobs Act enacted in December 2017, TCSB recorded a tax benefit of approximately \$426,000, which was recorded in the fourth quarter of 2017.

### **Summary of Certain Aspects of the Merger**

*Structure of the Merger; Bank Consolidation (page 41)*

If the merger is completed, TCSB will be merged with and into IBCP, with IBCP as the surviving corporation. Following completion of the merger, IBCP intends to consolidate Traverse City State Bank with and into Independent Bank, with Independent Bank as the surviving bank.

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*What TCSB Shareholders will Receive in the Merger (page 41)*

If the merger is completed as planned, each share of TCSB common stock will be converted into the right to receive the Merger Consideration, consisting of 1.1166 shares (the Exchange Ratio) of IBCP common stock, plus cash in lieu of any fractional share of IBCP common stock. The Merger Consideration is subject to the following adjustments:

If, as of the Final Statement Date (as defined below and in the merger agreement), the Company Consolidated Shareholders' Equity (as defined below and in the merger agreement) is less than \$34,500,000, then the Stock Purchase Value (as defined below and in the merger agreement) will be reduced by an amount equal to (a) \$34,500,000 minus (b) the Company Consolidated Shareholders' Equity as of the Final Statement Date.

Company Consolidated Shareholders' Equity means TCSB's total consolidated shareholders' equity as of the Final Statement Date computed in accordance with U.S. generally accepted accounting principles (GAAP), consistently applied and excluding the net accumulated other comprehensive income/(loss) related to unrealized investment securities gains/(losses), and subject to additional adjustments as set forth in Section 5.26.1 of the merger agreement.

Final Statement Date means the last day of the calendar month preceding the date on which both TCSB's shareholders have approved the merger and all regulatory approvals required by law to consummate the merger have been obtained (statutory waiting periods need not have expired), or such other date as agreed upon by IBCP and TCSB.

Stock Purchase Value is equal to the Exchange Ratio in effect at the time of the adjustment multiplied by the total number of shares of TCSB common stock outstanding as of the effective time of the merger multiplied by the Final Purchaser Price (as defined below and in the merger agreement).

If the Final Purchaser Price of a share of IBCP common stock is less than \$19.07 and the number determined by dividing the Final Purchaser Price by \$22.44 is less than the number obtained by subtracting (i) 15% from (ii) the quotient obtained by dividing the Final Index Price (as defined below) by the Initial Index Price (as defined below), then TCSB will have the right to request an adjustment to the Exchange Ratio. If IBCP declines to adjust the Exchange Ratio as requested, then TCSB will have the right to terminate the merger agreement.

The Final Purchaser Price means the 15-day volume weighted average price of IBCP common stock ending on the sixth business day prior to the closing date for the merger in transactions reported on The Nasdaq Global Select Market.

The Initial Index Price means the closing price of the KBW Regional Banking Index (KRX), a sector index maintained by the Nasdaq Stock Market on December 1, 2017.

The Final Index Price means the closing price of the KBW Regional Banking Index (KRX) on the sixth business day prior to the closing date for the merger.

IBCP will not issue fractional shares of IBCP common stock in the merger. A TCSB shareholder who would otherwise be entitled to receive a fraction of a share of IBCP common stock in the merger will instead receive an amount of cash determined by multiplying that fraction by the Final Purchaser Price.

If, prior to the effective time of the merger, Traverse City State Bank receives a net recovery on a particular loan that is in default, TCSB is entitled to make a special cash dividend to its shareholders, in an amount specified by the merger agreement. See *The Merger Agreement – Potential Special Dividend* below for more information.

*Recommendation of TCSB's Board of Directors (page 22)*

TCSB's board of directors has unanimously determined that the merger is in substantial compliance with all applicable laws and is fair to and in the best interests of TCSB and TCSB's shareholders, adopted the merger agreement and authorized the merger and the other transactions contemplated by the merger agreement, and unanimously recommends that TCSB shareholders vote FOR approval of the merger agreement and FOR approval of the Adjournment Proposal.

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### *Vote Required for Approval; Voting Agreement (page 23)*

The affirmative vote of the holders of a majority of the shares of TCSB common stock outstanding as of the record date for the special meeting is required to approve the merger agreement. The affirmative vote of the holders of a majority of votes cast at the special meeting is necessary to approve the Adjournment Proposal. No approval by IBCP shareholders is required.

As of the record date, TCSB's directors, executive officers and their affiliates beneficially owned [•] shares of TCSB common stock, or approximately [•]% of the shares of TCSB common stock entitled to vote at the special meeting. Each of TCSB's directors has entered into a voting agreement pursuant to which he or she has agreed, subject to certain exceptions, to vote his or her shares, and to use reasonable efforts to cause all shares owned by such director jointly with another person or by such director's spouse or over which the director has voting influence or control to be voted, in favor of approval of the merger agreement.

### *Fairness Opinion of TCSB's Financial Advisor (page 30)*

In connection with the merger, the board of directors of TCSB received a written opinion, dated December 4, 2017, from TCSB's financial advisor, D.A. Davidson & Co. ( DADCO ), to the effect that, as of the date of the opinion and based on and subject to the various considerations described in the opinion, the Exchange Ratio is fair, from a financial point of view, to TCSB. The full text of DADCO's written opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and limitations on the review undertaken by DADCO in rendering its opinion, is attached to this document as **Appendix B**. We encourage you to read the entire opinion carefully. The opinion of DADCO is directed to the board of directors of TCSB and does not constitute a recommendation to any TCSB shareholder as to how to vote at the special meeting or any other matter relating to the merger agreement or the merger.

### *Conditions to Complete the Merger (page 52)*

The completion of the merger depends on a number of conditions being satisfied or, where permissible, waived. These conditions include, among others, receipt of regulatory approval, approval of TCSB shareholders, and other customary closing conditions. We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

### *Regulatory Approvals for the Merger (page 52)*

Completion of the merger is subject to the approval of the Federal Reserve Board and the Michigan Department of Insurance and Financial Services. The applications to obtain such approval have been filed with these regulatory agencies as of the date of this prospectus and proxy statement. Although IBCP does not know of any reason why it will not obtain these regulatory approvals in a timely manner, it cannot be certain when or if it will obtain them.

### *Termination of the Merger Agreement (page 55) and Termination Fee (page 56)*

The merger agreement can be terminated at any time prior to completion of the merger by mutual consent of the boards of directors of IBCP and TCSB. Also, either party can terminate the merger agreement in various circumstances. In some circumstances, TCSB is required to pay IBCP a termination fee of \$2,529,658.

### *No Dissenters' Rights in the Merger (page 39)*

Dissenters' rights are rights that, if available under law, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. Dissenters' rights are not available in all circumstances, and exceptions to these rights are provided in the Michigan Business Corporation Act (MBCA). Under the MBCA and TCSB's articles of incorporation, holders of TCSB common stock will not have dissenters' rights in connection with the merger.

*Material United States Federal Income Tax Consequences (page 39)*

IBCP and TCSB expect the merger to qualify as a reorganization for U.S. federal income tax purposes. If the merger qualifies as a reorganization, then, in general, holders of TCSB common stock who exchange their TCSB stock for IBCP stock will not recognize any gain or loss for U.S. federal income tax purposes upon that exchange.

**You are urged to consult your own tax advisor regarding the particular consequences to you of the merger.**

TABLE OF CONTENTS**Market Value of Securities**

IBCP common stock trades on The NASDAQ Global Select Market under the symbol IBCP. The following table presents quotation information for IBCP common stock on The NASDAQ Global Select Market for December 4, 2017, which was the last trading day prior to announcement of the signing of the merger agreement, and December 28, 2017, which was the last practicable trading day for which information was available prior to the date of this proxy statement and prospectus.

|                   | <b>IBCP Common Stock</b> |            |              |
|-------------------|--------------------------|------------|--------------|
|                   | <b>High</b>              | <b>Low</b> | <b>Close</b> |
| December 4, 2017  | \$ 23.00                 | \$ 22.45   | \$ 22.55     |
| December 28, 2017 | \$ 23.05                 | \$ 22.65   | \$ 22.85     |

TCSB common stock is not traded on an established public trading market.

**Summary Selected Consolidated Financial Information of IBCP**

The selected consolidated financial data presented below, as of and for the nine months ended September 30, 2017 and 2016, is unaudited. The selected consolidated financial data presented below, as of and for each of the years in the five-year period ended December 31, 2016, is derived from IBCP's audited historical financial statements. You should read this information in conjunction with IBCP's consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations starting on page 83 below. Results for past periods are not necessarily indicative of results that may be expected for any future period.

|   | <b>Nine Months Ended</b> |               | <b>Year Ended December 31,</b> |                  |                  |                  |                  |
|---|--------------------------|---------------|--------------------------------|------------------|------------------|------------------|------------------|
|   | <b>September 30,</b>     |               | <b>2016</b>                    | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      |
| <i>(\$ in thousands, except per share data)</i> | <b>2017</b>              | <b>2016</b>   | <b>2016</b>                    | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      |
|   | <b>(unaudited)</b>       |               |                                |                  |                  |                  |                  |
| <b>SUMMARY OF OPERATIONS:</b>                   |                          |               |                                |                  |                  |                  |                  |
| Interest income                                 | \$ 72,283                | \$ 64,366     | \$ 86,523                      | \$ 80,842        | \$ 80,555        | \$ 87,121        | \$ 99,398        |
| Interest expense                                | 6,413                    | 4,975         | 6,882                          | 5,856            | 7,299            | 9,162            | 13,143           |
| Net interest income                             | 65,870                   | 59,391        | 79,641                         | 74,986           | 73,256           | 77,959           | 86,255           |
| Provision for loan losses                       | 806                      | (1,439 )      | (1,309 )                       | (2,714 )         | (3,136 )         | (3,988 )         | 6,887            |
| Net gain on securities                          | 62                       | 302           | 563                            | 20               | 320              | 369              | 887              |
| Net gain on branch sale                         | —                        | —             | —                              | 1,193            | —                | —                | 5,402            |
| Gain on extinguishment of debt                  | —                        | —             | —                              | —                | 500              | —                | —                |
| Other Non-interest income                       | 31,027                   | 28,795        | 41,735                         | 38,917           | 37,955           | 44,460           | 57,276           |
| Non-interest expenses                           | 68,946                   | 65,469        | 90,347                         | 88,450           | 89,951           | 104,118          | 116,735          |
| Income before income tax                        | 27,207                   | 24,458        | 32,901                         | 29,380           | 25,216           | 22,658           | 26,198           |
| Income tax expense (benefit)                    | 8,443                    | 7,547         | 10,135                         | 9,363            | 7,195            | (54,851 )        | —                |
| <b>Net income</b>                               | <b>\$ 18,764</b>         | <b>16,911</b> | <b>\$ 22,766</b>               | <b>\$ 20,017</b> | <b>\$ 18,021</b> | <b>\$ 77,509</b> | <b>\$ 26,198</b> |
| Preferred stock dividends                       | —                        | —             | —                              | —                | —                | (3,001 )         | (4,347 )         |
| Preferred stock discount                        | —                        | —             | —                              | —                | —                | 7,554            | —                |



|  |                  |                  |                  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Net income applicable to common stock</b> | <b>\$ 18,764</b> | <b>\$ 16,911</b> | <b>\$ 22,766</b> | <b>\$ 20,017</b> | <b>\$ 18,021</b> | <b>\$ 82,062</b> | <b>\$ 21,851</b> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|

**PER COMMON SHARE DATA:**

Net income per common share

|                                  |         |         |         |         |         |         |         |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Basic                            | \$ 0.88 | \$ 0.79 | \$ 1.06 | \$ 0.88 | \$ 0.79 | \$ 5.87 | \$ 2.51 |
| Diluted                          | 0.87    | 0.78    | 1.05    | 0.86    | 0.77    | 3.55    | 0.80    |
| Cash dividends declared and paid | 0.30    | 0.24    | 0.34    | 0.26    | 0.18    | 0.00    | 0.00    |
| Book value                       | 12.55   | 11.82   | 11.71   | 11.28   | 10.91   | 10.15   | 5.58    |

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|   | <b>Nine Months Ended<br/>September 30,</b> |              | <b>Year Ended December 31,</b> |              |              |              |              |
|---|--|--------------|--------------------------------|--------------|--------------|--------------|--------------|
| <i>(\$ in thousands,<br/>except per<br/>share data)</i>         | <b>2017</b>                                | <b>2016</b>  | <b>2016</b>                    | <b>2015</b>  | <b>2014</b>  | <b>2013</b>  | <b>2012</b>  |
|   | <b>(unaudited)</b>                         |              |                                |              |              |              |              |
| <b>SELECTED<br/>BALANCES:</b>                                   |  |              |                                |              |              |              |              |
| Assets  | \$ 2,753,446                               | \$ 2,538,319 | \$ 2,548,950                   | \$ 2,409,066 | \$ 2,248,730 | \$ 2,209,943 | \$ 2,023,867 |
| Loans   | 1,937,094                                  | 1,607,354    | 1,608,248                      | 1,515,050    | 1,409,962    | 1,374,570    | 1,419,139    |
| Allowance for<br>loan losses                                    | 21,478                                     | 22,043       | 20,234                         | 22,570       | 25,990       | 32,325       | 44,275       |
| Deposits  | 2,343,761                                  | 2,206,960    | 2,225,719                      | 2,085,963    | 1,924,302    | 1,884,806    | 1,779,537    |
| Shareholders'<br>equity   | 267,710                                    | 250,902      | 248,980                        | 251,092      | 250,371      | 231,581      | 134,975      |
| Other<br>borrowings   | 72,849                                     | 11,527       | 9,433                          | 11,954       | 12,470       | 17,188       | 17,622       |
| Subordinated<br>debentures                                      | 35,569                                     | 35,569       | 35,569                         | 35,569       | 35,569       | 40,723       | 50,175       |
| <b>SELECTED<br/>RATIOS:</b>                                     |  |              |                                |              |              |              |              |
| Net interest<br>income to<br>average interest<br>earning assets | 3.65 %                                     | 3.55 %       | 3.52 %                         | 3.58 %       | 3.67 %       | 4.11 %       | 4.04 %       |
| Net income to <sup>(2)</sup>                                    |  |              |                                |              |              |              |              |
| Average<br>common equity  | 10.27                                      | 10.20        | 9.21                           | 7.89         | 7.43         | 64.22        | 68.29        |
| Average assets  | 1.01                                       | 1.02         | 0.92                           | 0.86         | 0.80         | 3.87         | 0.92         |
| Average<br>shareholder's<br>equity to<br>average assets         | 9.89                                       | 10.03        | 9.98                           | 10.93        | 10.83        | 8.69         | 4.82         |
| Tier 1 capital to<br>average assets                             | 10.63                                      | 10.56        | 10.50                          | 10.91        | 11.18        | 10.61        | 8.08         |
| Non-performing<br>loans to<br>Portfolio Loans                   | 0.43                                       | 0.67         | 0.83                           | 0.71         | 1.08         | 1.30         | 2.32         |
| <b>ASSET<br/>QUALITY<br/>RATIOS:</b>                            |  |              |                                |              |              |              |              |
| Net loan<br>charge-offs to<br>average                           | (0.03 )%                                   | (0.06 )%     | 0.06 %                         | 0.05 %       | 0.23 %       | 0.58 %       | 1.39 %       |

|   |          |          |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|----------|----------|
| portfolio loans   |          |          |          |          |          |          |          |
| Allowance for loan losses to total originated portfolio loans                 | 1.11 %   | 1.37 %   | 1.26 %   | 1.49 %   | 1.84 %   | 2.35 %   | 3.12 %   |
| Allowance for loan losses to total nonperforming loans                        | 255.39 % | 204.08 % | 151.41 % | 210.48 % | 170.56 % | 180.54 % | 134.43 % |
| Nonperforming loans to total portfolio loans                                  | 0.43 %   | 0.67 %   | 0.83 %   | 0.71 %   | 1.08 %   | 1.30 %   | 2.32 %   |
| Nonperforming assets to total assets  | 0.38 %   | 0.62 %   | 0.72 %   | 0.74 %   | 0.96 %   | 1.64 %   | 2.92 %   |
| <b>SELECTED RATIOS:</b>   |          |          |          |          |          |          |          |
| Total portfolio loans to total deposits                                       | 82.65 %  | 72.83 %  | 72.26 %  | 72.63 %  | 73.27 %  | 72.93 %  | 79.75 %  |
| Average total loans (including loans held for sale) to average earning assets | 73.61 %  | 70.13 %  | 70.09 %  | 69.30 %  | 69.01 %  | 73.94 %  | 72.08 %  |
| Noninterest income to net revenue   | 30.07 %  | 31.13 %  | 32.83 %  | 33.17 %  | 32.49 %  | 33.97 %  | 39.01 %  |
| Leverage ratio  | 10.63 %  | 10.56 %  | 10.50 %  | 10.91 %  | 11.18 %  | 10.61 %  | 8.08 %   |
| Tier 1 risk-based capital ratio   | 14.04 %  | 14.79 %  | 14.70 %  | 15.38 %  | 16.80 %  | 16.08 %  | 13.37 %  |
| Total risk-based capital ratio  | 15.14 %  | 16.05 %  | 15.86 %  | 16.65 %  | 18.06 %  | 17.35 %  | 14.71 %  |
| Average equity to average assets  | 9.83 %   | 10.02 %  | 9.84 %   | 10.93 %  | 10.83 %  | 8.69 %   | 4.82 %   |
| Tangible common equity to tangible assets                                     | 9.67 %   | 9.81 %   | 9.70 %   | 10.34 %  | 11.03 %  | 10.35 %  | 6.49 %   |
| Dividend payout ratio   | 34.11 %  | 30.45 %  | 31.95 %  | 29.45 %  | 22.91 %  | 0.00 %   | 0.00 %   |

TABLE OF CONTENTS**Summary Selected Consolidated Financial Information of TCSB**

The following tables set forth summary selected historical consolidated financial information of TCSB as of and for the nine months ended September 30, 2017 and 2016 and as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012. The summary selected balance sheet data as of December 31, 2016, 2015, 2014, 2013 and 2012 and the summary selected income statement data for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 was derived from TCSB's audited consolidated financial statements. The summary selected balance sheet and income statement data as of and for the nine months ended September 30, 2017 and 2016 was derived from TCSB's unaudited interim consolidated financial statements. Results for past periods are not necessarily indicative of results that may be expected for any future period.

| (\$ in thousands,<br>except per share<br>data)          | Nine Months Ended        |                          |                         | Year Ended              |                         |                         |                         |
|---|--------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | September<br>30,<br>2017 | September<br>30,<br>2016 | December<br>31,<br>2016 | December<br>31,<br>2015 | December<br>31,<br>2014 | December<br>31,<br>2013 | December<br>31,<br>2012 |
| <b>INCOME STATEMENT DATA:</b>                           |                          |                          |                         |                         |                         |                         |                         |
| Interest income   | \$ 10,171                | \$ 8,658                 | \$ 11,751               | \$ 10,938               | \$ 10,149               | \$ 8,758                | \$ 8,218                |
| Interest expense  | 1,088                    | 900                      | 1,198                   | 1,203                   | 1,139                   | 1,033                   | 1,500                   |
| Net interest income                                     | 9,083                    | 7,758                    | 10,553                  | 9,735                   | 9,010                   | 7,725                   | 6,718                   |
| Provision for loan losses                               | 700                      | 200                      | 800                     | 325                     | 75                      | 625                     | 1,210                   |
| Noninterest income                                      | 2,576                    | 2,814                    | 3,975                   | 3,570                   | 3,737                   | 4,329                   | 5,058                   |
| Noninterest expense                                     | 8,069                    | 7,467                    | 10,030                  | 9,306                   | 9,067                   | 9,022                   | 8,423                   |
| Net income  | \$ 1,982                 | \$ 2,000                 | \$ 2,515                | \$ 2,527                | \$ 2,421                | \$ 1,637                | \$ 1,452                |
| Cash Dividends Declared Per Common Share <sup>(1)</sup> | —                        | —                        | —                       | —                       | —                       | —                       | —                       |
| <b>PERFORMANCE:</b>                                     |                          |                          |                         |                         |                         |                         |                         |
| Basic earnings per share                                | \$ 0.82                  | \$ 0.85                  | \$ 1.07                 | \$ 1.08                 | \$ 1.03                 | \$ 0.84                 | \$ 0.75                 |
| Diluted earnings per share                              | \$ 0.80                  | \$ 0.83                  | \$ 1.05                 | \$ 1.05                 | \$ 0.99                 | \$ 0.83                 | \$ 0.75                 |
| Book value per common share                             | \$ 13.83                 | \$ 12.45                 | \$ 12.51                | \$ 11.58                | \$ 10.49                | \$ 9.44                 | \$ 9.22                 |
| Return on average assets                                | 0.79 %                   | 0.89 %                   | 0.83 %                  | 0.87 %                  | 0.96 %                  | 0.79 %                  | 0.76 %                  |
| Return on average shareholders' equity                  | 8.28 %                   | 9.45 %                   | 8.83 %                  | 9.79 %                  | 10.50 %                 | 8.75 %                  | 8.61 %                  |
| Net interest margin                                     | 3.80 %                   | 3.57 %                   | 3.60 %                  | 3.45 %                  | 3.71 %                  | 3.92 %                  | 3.77 %                  |
| <b>BALANCE SHEET DATA:</b>                              |                          |                          |                         |                         |                         |                         |                         |
| Total assets  | \$ 348,924               | \$ 312,068               | \$ 314,377              | \$ 295,817              | \$ 267,786              | \$ 232,230              | \$ 192,265              |

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|                      |         |         |         |         |         |         |         |
|----------------------|---------|---------|---------|---------|---------|---------|---------|
| Total loans          | 277,891 | 238,139 | 250,311 | 222,184 | 208,878 | 178,404 | 137,191 |
| Total deposits       | 291,607 | 264,430 | 266,061 | 249,625 | 220,290 | 190,350 | 162,524 |
| FHLB Advances        | 16,500  | 11,500  | 11,500  | 11,500  | 16,500  | 13,000  | 3,500   |
| Shareholders' equity | 33,401  | 29,202  | 30,038  | 27,171  | 24,597  | 22,136  | 17,868  |

**AVERAGE  
BALANCE  
SHEET  
SUMMARY:**

|                      |            |            |            |            |            |            |            |
|----------------------|------------|------------|------------|------------|------------|------------|------------|
| Total assets         | \$ 332,767 | \$ 300,640 | \$ 303,590 | \$ 288,777 | \$ 252,867 | \$ 208,248 | \$ 190,620 |
| Earning assets       | 319,192    | 290,791    | 293,457    | 281,810    | 242,969    | 197,008    | 178,209    |
| Total loans          | 268,068    | 228,034    | 233,175    | 217,698    | 194,580    | 153,702    | 135,501    |
| Total deposits       | 273,589    | 253,088    | 255,717    | 242,897    | 208,656    | 170,545    | 158,863    |
| FHLB Advances        | 16,060     | 11,500     | 11,500     | 13,486     | 13,412     | 9,681      | 3,500      |
| Shareholders' equity | 31,925     | 28,296     | 28,545     | 25,880     | 23,160     | 18,877     | 17,006     |

**ASSET QUALITY  
RATIOS:**

|   |          |          |          |         |         |         |         |
|---|----------|----------|----------|---------|---------|---------|---------|
| Net loan charge-offs<br>to average loans                        | 0.48 %   | (0.04 )% | 0.12 %   | 0.23 %  | 0.16 %  | 0.52 %  | 0.37 %  |
| Allowance for loan<br>losses to total loans                     | 0.85 %   | 0.61 %   | 1.17 %   | 1.08 %  | 1.24 %  | 1.57 %  | 2.16 %  |
| Allowance for loan<br>losses to total<br>nonperforming<br>loans | 127.11 % | 36.90 %  | 107.35 % | 55.18 % | 79.00 % | 46.20 % | 34.45 % |
| Nonperforming<br>loans to total loans                           | 0.33 %   | 1.13 %   | 0.73 %   | 1.53 %  | 1.47 %  | 2.50 %  | 4.42 %  |
| Nonperforming<br>assets to total assets                         | 0.53 %   | 1.25 %   | 0.87 %   | 1.48 %  | 1.23 %  | 2.65 %  | 4.55 %  |

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| (\$ in thousands, except per share data)      | Nine Months Ended  |                    |                   | Year Ended        |                   |                   |                   |
|---|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | September 30, 2017 | September 30, 2016 | December 31, 2016 | December 31, 2015 | December 31, 2014 | December 31, 2013 | December 31, 2012 |
| <b>SELECTED RATIOS:</b>                       |                    |                    |                   |                   |                   |                   |                   |
| Total loans to total deposits                 | 95.30 %            | 90.06 %            | 94.08 %           | 89.01 %           | 94.82 %           | 93.72 %           | 84.41 %           |
| Average total loans to average earning assets | 83.97 %            | 78.42 %            | 79.46 %           | 77.25 %           | 80.08 %           | 78.02 %           | 76.03 %           |
| Noninterest income to net revenue             | 20.21 %            | 24.53 %            | 25.28 %           | 24.61 %           | 26.91 %           | 33.08 %           | 38.10 %           |
| Leverage ratio                                | 9.83 %             | 9.74 %             | 9.73 %            | 9.46 %            | 9.13 %            | 9.76 %            | 9.92 %            |
| Tier 1 risk-based capital ratio               | 12.51 %            | 13.07 %            | 12.67 %           | 13.66 %           | 12.12 %           | 12.17 %           | 13.28 %           |
| Total risk-based capital ratio                | 13.40 %            | 14.27 %            | 13.92 %           | 14.83 %           | 13.37 %           | 13.43 %           | 15.81 %           |
| Average equity to average assets              | 9.59 %             | 9.41 %             | 9.40 %            | 8.96 %            | 9.16 %            | 9.06 %            | 8.92 %            |
| Tangible common equity to tangible assets     | 8.83 %             | 8.52 %             | 8.73 %            | 8.30 %            | 8.21 %            | 8.41 %            | 7.93 %            |
| Dividend Payout Ratio                         | —                  | —                  | —                 | —                 | —                 | —                 | —                 |
| <b>Comparative Per Share Data (Unaudited)</b> |                    |                    |                   |                   |                   |                   |                   |

The following table shows information about earnings per share, dividends paid per share, and tangible book value per share, on a historical basis and on a pro forma combined and pro forma equivalent per share basis.

| Comparative Per Share Data            | IBCP Historical | TCSB Historical | Pro Forma Combined <sup>(1)(2)</sup> | Equivalent Pro                         |
|---------------------------------------|-----------------|-----------------|--------------------------------------|--|
|                                       |                 |                 |                                      | Forma Per Share of TCSB <sup>(3)</sup> |
| Nine Months ended September 30, 2017: |                 |                 |                                      |  |
| Basic earnings                        | \$ 0.88         | \$ 0.82         | \$ 0.85                              | \$ 0.95                                |
| Diluted earnings                      | \$ 0.87         | \$ 0.80         | \$ 0.83                              | \$ 0.93                                |
| Cash dividends paid                   | \$ 0.30         | \$ —            | \$ 0.30                              | \$ 0.33                                |
| Tangible book value                   | \$ 12.47        | \$ 12.65        | \$ 12.15                             | \$ 13.57                               |
| Year ended December 31, 2016          |                 |                 |                                      |  |
| Basic earnings                        | \$ 1.06         | \$ 1.07         | \$ 1.03                              | \$ 1.15                                |
| Diluted earnings                      | \$ 1.05         | \$ 1.05         | \$ 1.01                              | \$ 1.13                                |
| Cash dividends paid                   | \$ 0.34         | \$ —            | \$ 0.34                              | \$ 0.38                                |
| Tangible book value                   | \$ 11.62        | \$ 11.32        | \$ 11.26                             | \$ 12.57                               |

(1) The pro forma combined earnings per share amounts were calculated by totaling the historical earnings of IBCP and TCSB, adjusted for purchase accounting entries, and dividing the resulting amount by the average pro forma shares of IBCP and TCSB, giving effect to the merger as if it had occurred as of the beginning of the period presented, excluding any merger transaction costs. The pro forma combined tangible book value amount, however, does include the impact of estimated merger and integration costs. The average pro forma shares of IBCP and

TCSB reflect historical basic and diluted shares, plus historical basic and diluted average shares of TCSB, as adjusted based on the fixed Exchange Ratio of 1.1166 shares of IBCP common stock for each share of TCSB common stock. The number of shares to be issued is subject to adjustment in certain limited circumstances.

(2) Pro forma combined cash dividends paid represents IBCP's historical amounts only.

The equivalent pro forma per share of TCSB amounts were calculated by multiplying the pro forma combined

(3) amounts by the fixed Exchange Ratio of 1.1166 shares of IBCP common stock for each share of TCSB common stock.

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### **RISK FACTORS**

In addition to the matters addressed in this prospectus and proxy statement, including the information under the heading Forward-Looking Statements, you should carefully consider the following risk factors in deciding how to vote on the merger agreement.

#### **Risks Related to IBCP's Business**

Investing in IBCP's common stock involves risks, including (among others) the following factors:

*General political, economic or industry conditions, either domestically or internationally, may be less favorable than expected.*

Local, domestic, and international economic, political and industry-specific conditions affect the financial services industry, directly and indirectly. Conditions such as or related to inflation, recession, unemployment, volatile interest rates, international conflicts and other factors outside of IBCP's control, such as real estate values, energy costs, fuel prices, state and local municipal budget deficits, and government spending and the U.S. national debt, may, directly and indirectly, adversely affect IBCP. As has been the case with the impact of recent economic conditions, economic downturns could result in the delinquency of outstanding loans, which could have a material adverse impact on IBCP's earnings.

*Governmental monetary and fiscal policies may adversely affect the financial services industry and therefore impact IBCP's financial condition and results of operations.*

Monetary and fiscal policies of various governmental and regulatory agencies, particularly the Federal Reserve, affect the financial services industry, directly and indirectly. The Federal Reserve regulates the supply of money and credit in the U.S., and its monetary and fiscal policies determine in a large part IBCP's cost of funds for lending and investing and the return that can be earned on such loans and investments. Changes in such policies, including changes in interest rates, will influence the origination of loans, the value of investments, the generation of deposits and the rates received on loans and investment securities and paid on deposits. Changes in monetary and fiscal policies are beyond IBCP's control and difficult to predict. IBCP's financial condition and results of operations could be materially adversely impacted by changes in governmental monetary and fiscal policies.

*Volatility and disruptions in global capital and credit markets may adversely impact IBCP's business, financial condition and results of operations.*

Even though IBCP operates in a distinct geographic region in the U.S., it is impacted by global capital and credit markets, which are sometimes subject to periods of extreme volatility and disruption. Disruptions, uncertainty or volatility in the capital and credit markets may limit IBCP's ability to access capital and manage liquidity, which may adversely affect IBCP's business, financial condition and results of operations. Further, IBCP's customers may be adversely impacted by such conditions, which could have a negative impact on IBCP's business, financial condition and results of operations.

*The soundness of other financial institutions could adversely affect IBCP.*

IBCP's ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. IBCP has exposure to many different industries and counterparties, and it routinely executes transactions with counterparties in the financial industry. As a result, defaults by, or even rumors or



questions about, one or more financial services institutions, or the financial services industry generally, have led, and may further lead, to market-wide liquidity problems and could lead to losses or defaults by IBCP or by other institutions. Many of these transactions could expose IBCP to credit risk in the event of default by a counterparty. In addition, IBCP's credit risk may be impacted when the collateral held by it cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to it. There is no assurance that any such losses would not adversely affect IBCP and possibly be material in nature.

*Changes in regulation or oversight may have a material adverse impact on IBCP's operations.*

IBCP is subject to extensive regulation, supervision and examination by the Federal Reserve Board, the FDIC, the Michigan Department of Insurance and Financial Services, the SEC and other regulatory bodies. Such regulation and supervision governs the activities in which IBCP may engage. Regulatory authorities have extensive discretion

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in their supervisory and enforcement activities, including the imposition of restrictions on IBCP's operations, investigations and limitations related to IBCP's securities, the classification of its assets and determination of the level of its allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material adverse impact on IBCP's business, financial condition or results of operations.

In particular, Congress and other regulators have increased their focus on the regulation of the financial services industry in recent years. While recent changes in the executive branch may mitigate this impact, the effects on IBCP of recent legislation and regulatory actions cannot reliably be fully determined at this time. Moreover, as some of the legislation and regulatory actions previously implemented in response to the recent financial crisis expire, the impact of the conclusion of these programs on the financial sector and on the economic recovery is unknown. Any delay in the economic recovery or a worsening of current financial market conditions could adversely affect IBCP. IBCP can neither predict when or whether future regulatory or legislative reforms will be enacted nor what their contents will be. The impact of any future legislation or regulatory actions on IBCP's businesses or operations cannot be determined at this time, and such impact may adversely affect IBCP.

***IBCP has credit risk inherent in its loan portfolios, and its allowance for loan losses may not be sufficient to cover actual loan losses.***

IBCP's loan customers may not repay their loans according to their respective terms, and the collateral securing the payment of these loans may be insufficient to cover any losses IBCP may incur. IBCP makes various assumptions and judgments about the collectability of its loan portfolio, including the creditworthiness of its borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of its loans. Non-performing loans amounted to \$8.4 million and \$13.4 million at September 30, 2017 and December 31, 2016, respectively. IBCP's allowance for loan losses coverage ratio of non-performing loans was 255.39% and 151.41% at September 30, 2017 and December 31, 2016, respectively. In determining the size of the allowance for loan losses, IBCP relies on its experience and its evaluation of current economic conditions. If IBCP's assumptions or judgments prove to be incorrect, its current allowance for loan losses may not be sufficient to cover certain loan losses inherent in its loan portfolio, and adjustments may be necessary to account for different economic conditions or adverse developments in its loan portfolio. Material additions to its allowance for loan losses would adversely impact its operating results.

In addition, federal and state regulators periodically review IBCP's allowance for loan losses and may require IBCP to increase its provision for loan losses or recognize additional loan charge-offs, notwithstanding any internal analysis that has been performed. Any increase in IBCP's allowance for loan losses or loan charge-offs required by these regulatory agencies could have a material adverse effect on its results of operations and financial condition.

***IBCP has credit risk in its securities portfolio.***

IBCP maintains 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, mortgage-backed securities, corporate securities and asset-backed securities. IBCP seeks to limit credit losses in its securities portfolios by principally purchasing highly rated securities (generally rated AA or higher by a major debt rating agency) and by conducting due diligence on the issuer. However, gross unrealized losses on securities available for sale in its portfolio totaled approximately \$1.8 million as of September 30, 2017 (compared to approximately \$7.6 million as of December 31, 2016). IBCP believes these unrealized losses are temporary in nature and are expected to be recovered within a reasonable time period as it believes it has the ability to hold the securities to maturity or until such time as the unrealized losses reverse. However, IBCP evaluates securities available for sale for other than temporary impairment (OTTI) at least quarterly and more frequently when economic or market concerns warrant such evaluation. Those evaluations may result in OTTI charges to its earnings. In addition to these impairment charges,

IBCP may, in the future, experience additional losses in its securities portfolio which may result in charges that could materially adversely affect its results of operations.

***IBCP has agreed to indemnify the purchaser of Mepco's business against certain losses it may incur as a result of its purchase of the business.***

In connection with IBCP's sale of substantially all of the assets of its Mepco subsidiary in May of 2017, it agreed to contractually indemnify the purchaser from certain losses the purchaser may incur, including as a result of its failure to collect certain receivables it purchased as part of the business as well as breaches of representations and

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warranties IBCP made in the sale agreement, subject to various limitations. IBCP has not accrued any liability related to this sale in its financial statements because it believes the likelihood of having to pay any amount as a result of these indemnification obligations is remote. However, if the purchaser is unable to collect the receivables it purchased from Mepco or otherwise encounters difficulties in operating the business, it is possible it could make one or more claims against IBCP pursuant to the sale agreement. In that event, IBCP may incur expenses in defending any such claims and/or amounts paid to such purchaser to resolve such claims. As of September 30, 2017, the balance of these receivables had declined to \$22.5 million, and to date the purchaser has made no claims for indemnification.

***IBCP's mortgage-banking revenues are susceptible to substantial variations, due in part to factors it does not control, such as market interest rates.***

A portion of IBCP's revenues are derived from net gains on mortgage loans. These net gains primarily depend on the volume of loans IBCP sells, which in turn depends on its ability to originate real estate mortgage loans and the demand for fixed-rate obligations and other loans that are outside of its established interest-rate risk parameters. Net gains on mortgage loans are also dependent upon economic and competitive factors as well as IBCP's ability to effectively manage exposure to changes in interest rates. Consequently, they can often be a volatile part of IBCP's overall revenues. IBCP realized net gains of \$8.9 million on mortgage loans during the first nine months of 2017 compared to \$7.7 million during the first nine months of 2016, and IBCP realized net gains of \$10.6 million on mortgage loans during 2016 compared to \$7.4 million during 2015 and \$5.6 million during 2014.

***IBCP is subject to liquidity risk in its operations, which could adversely impact its ability to fund various obligations.***

Liquidity risk is the possibility of being unable to meet obligations as they come due or capitalize on growth opportunities as they arise because of an inability to liquidate assets or obtain adequate funding on a timely basis, at a reasonable cost and within acceptable risk tolerances. Liquidity is required to fund various obligations, including credit obligations to borrowers, loan originations, withdrawals by depositors, repayment of debt, dividends to shareholders, operating expenses and capital expenditures. Liquidity is derived primarily from retail deposit growth and earnings retention, principal and interest payments on loans and investment securities, net cash provided from operations and access to other funding. If IBCP is unable to maintain adequate liquidity, then its business, financial condition and results of operations could be negatively impacted.

***IBCP must rely on dividends or returns of capital from its subsidiary bank for most of its cash flow.***

IBCP is a separate and distinct legal entity from its subsidiary bank, Independent Bank. Generally, the parent company receives substantially all of its cash flow from dividends or returns of capital from the subsidiary bank. These dividends or returns of capital are the principal source of funds to pay the parent company's operating expenses and for cash dividends on its common stock. Various federal and/or state laws and regulations limit the amount of dividends that the bank may pay to the parent company.

***Any future strategic acquisitions or divestitures may present certain risks to IBCP's business and operations.***

Difficulties in capitalizing on the opportunities presented by a future acquisition may prevent IBCP from fully achieving the expected benefits from the acquisition, or may cause the achievement of such expectations to take longer to realize than expected. Further, the assimilation of the acquired entity's customers and markets could result in higher than expected deposit attrition, loss of key employees, disruption of IBCP's businesses or the businesses of the acquired entity or otherwise adversely affect IBCP's ability to maintain relationships with customers and employees or achieve the anticipated benefits of the acquisition. These matters could have an adverse effect on IBCP for an undetermined period. IBCP will be subject to similar risks and difficulties in connection with any future decisions to

downsize, sell or close units or otherwise change its business mix.

***Compliance with new capital requirements may adversely affect IBCP.***

The capital requirements applicable to IBCP as a bank holding company as well as to its subsidiary bank have been substantially revised in connection with Basel III and the requirements of the Financial Reform Act. These more stringent capital requirements, and any other new regulations, could adversely affect IBCP's ability to pay dividends in the future, or could require it to reduce business levels or to raise capital, including in ways that may adversely affect its results of operations or financial condition and/or existing shareholders. The ultimate impact of the new

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capital requirements cannot be determined at this time and will depend on a number of factors, including treatment and implementation by the U.S. bank regulators. However, maintaining higher levels of capital may reduce IBCP's profitability and otherwise adversely affect its business, financial condition, or results of operations.

***Declines in the businesses or industries of IBCP's customers could cause increased credit losses, which could adversely affect IBCP.***

IBCP's business customer base consists, in part, of customers in volatile businesses and industries such as the automotive production industry and the real estate business. These industries are sensitive to global economic conditions and supply chain factors. Any decline in one of those customers' businesses or industries could cause increased credit losses, which in turn could adversely affect IBCP.

***The introduction, implementation, withdrawal, success and timing of business initiatives and strategies may be less successful or may be different than anticipated, which could adversely affect IBCP's business.***

IBCP makes certain projections and develops plans and strategies for its banking and financial products. If IBCP does not accurately determine demand for or changes in its banking and financial product needs, it could result in IBCP incurring significant expenses without the anticipated increases in revenue, which could result in a material adverse effect on its business.

***IBCP may not be able to utilize technology to efficiently and effectively develop, market, and deliver new products and services to its customers.***

The financial services industry experiences rapid technological change with regular introductions of new technology-driven products and services. The efficient and effective utilization of technology enables financial institutions to better serve customers and to reduce costs. IBCP's future success depends, in part, upon its ability to address the needs of its customers by using technology to market and deliver products and services that will satisfy customer demands, meet regulatory requirements, and create additional efficiencies in its operations. IBCP may not be able to effectively develop new technology-driven products and services or be successful in marketing or supporting these products and services to its customers, which could have a material adverse impact on its financial condition and results of operations.

***Operational difficulties, failure of technology infrastructure or information security incidents could adversely affect IBCP's business and operations.***

IBCP is exposed to many types of operational risk, including reputational risk, legal and compliance risk, the risk of fraud or theft by employees or outsiders, failure of its controls and procedures and unauthorized transactions by employees or operational errors, including clerical or recordkeeping errors or those resulting from computer or telecommunications systems malfunctions. Given the high volume of transactions IBCP processes, certain errors may be repeated or compounded before they are identified and resolved. In particular, IBCP's operations rely on the secure processing, storage and transmission of confidential and other information on its technology systems and networks. Any failure, interruption or breach in security of these systems could result in failures or disruptions in its customer relationship management, general ledger, deposit, loan and other systems.

IBCP also faces the risk of operational disruption, failure or capacity constraints due to its dependency on third party vendors for components of its business infrastructure, including its core data processing systems which are largely outsourced. While IBCP has selected these third party vendors carefully, it does not control their operations. As such, any failure on the part of these business partners to perform their various responsibilities could also adversely affect IBCP's business and operations.

IBCP may also be subject to disruptions of its operating systems arising from events that are wholly or partially beyond its control, which may include, for example, computer viruses, cyberattacks, spikes in transaction volume and/or customer activity, electrical or telecommunications outages, or natural disasters. Although IBCP has programs in place related to business continuity, disaster recovery and information security to maintain the confidentiality, integrity, and availability of its systems, business applications and customer information, such disruptions may give rise to interruptions in service to customers and loss or liability to IBCP.

The occurrence of any failure or interruption in IBCP's operations or information systems, or any security breach, could cause reputational damage, jeopardize the confidentiality of customer information, result in a loss of customer business, subject IBCP to regulatory intervention or expose it to civil litigation and financial loss or liability, any of which could have a material adverse effect on IBCP.

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### ***Changes in the financial markets, including fluctuations in interest rates and their impact on deposit pricing, could adversely affect IBCP's net interest income and financial condition.***

The operations of financial institutions such as IBCP are dependent to a large degree on net interest income, which is the difference between interest income from loans and investments and interest expense on deposits and borrowings. Prevailing economic conditions, the trade, fiscal and monetary policies of the federal government and the policies of various regulatory agencies all affect market rates of interest and the availability and cost of credit, which in turn significantly affect financial institutions' net interest income. Volatility in interest rates can also result in disintermediation, which is the flow of funds away from financial institutions into direct investments, such as federal government and corporate securities and other investment vehicles, which, because of the absence of federal insurance premiums and reserve requirements, generally pay higher rates of return than financial institutions. IBCP's financial results could be materially adversely impacted by changes in financial market conditions.

### ***Competitive product and pricing pressures among financial institutions within IBCP's markets may change.***

IBCP operates in a very competitive environment, which is characterized by competition from a number of other financial institutions in each market in which it operates. IBCP competes with large national and regional financial institutions and with smaller financial institutions in terms of products and pricing. If IBCP is unable to compete effectively in products and pricing in its markets, business could decline, which could have a material adverse effect on IBCP's business, financial condition or results of operations.

### ***Changes in customer behavior may adversely impact IBCP's business, financial condition and results of operations.***

IBCP uses a variety of methods to anticipate customer behavior as a part of its strategic planning and to meet certain regulatory requirements. Individual, economic, political, industry-specific conditions and other factors outside of its control, such as fuel prices, energy costs, real estate values or other factors that affect customer income levels, could alter predicted customer borrowing, repayment, investment and deposit practices. Such a change in these practices could materially adversely affect IBCP's ability to anticipate business needs and meet regulatory requirements.

Further, difficult economic conditions may negatively affect consumer confidence levels. A decrease in consumer confidence levels would likely aggravate the adverse effects of these difficult market conditions on IBCP, its customers and others in the financial institutions industry.

### ***IBCP's ability to maintain and expand customer relationships may differ from expectations***

The financial services industry is very competitive. IBCP not only vies for business opportunities with new customers, but also competes to maintain and expand the relationships it has with its existing customers. While IBCP believes that it can continue to grow many of these relationships, IBCP will continue to experience pressures to maintain these relationships as its competitors attempt to capture its customers. Failure to create new customer relationships and to maintain and expand existing customer relationships to the extent anticipated may adversely impact IBCP's earnings.

### ***IBCP's ability to retain key officers and employees may change.***

IBCP's future operating results depend substantially upon the continued service of its executive officers and key personnel. IBCP's future operating results also depend in significant part upon its ability to attract and retain qualified management, financial, technical, marketing, sales and support personnel. Competition for qualified personnel is intense, and IBCP cannot ensure success in attracting or retaining qualified personnel. There may be only a limited number of persons with the requisite skills to serve in these positions, and it may be increasingly difficult for IBCP to



hire personnel over time.

Further, IBCP's ability to retain key officers and employees may be impacted by legislation and regulation affecting the financial services industry. IBCP's business, financial condition or results of operations could be materially adversely affected by the loss of any key employees, or its inability to attract and retain skilled employees.

***Legal and regulatory proceedings and related matters with respect to the financial services industry, including those directly involving IBCP, could adversely affect it or the financial services industry in general.***

IBCP has been, and may in the future be, subject to various legal and regulatory proceedings. It is inherently difficult to assess the outcome of these matters, and there can be no assurance that IBCP will prevail in any

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proceeding or litigation. Any such matter could result in substantial cost and diversion of IBCP's efforts, which by itself could have a material adverse effect on IBCP's financial condition and operating results. Further, adverse determinations in such matters could result in actions by IBCP's regulators that could materially adversely affect its business, financial condition or results of operations.

### ***Methods of reducing risk exposures might not be effective.***

Instruments, systems and strategies used to hedge or otherwise manage exposure to various types of credit, market and liquidity, operational, compliance, business risks and enterprise-wide risk could be less effective than anticipated. As a result, IBCP may not be able to effectively mitigate its risk exposures in particular market environments or against particular types of risk, which could have a material adverse impact on its business, financial condition or results of operations.

### ***Terrorist activities or other hostilities may adversely affect the general economy, financial and capital markets, specific industries, and IBCP.***

Terrorist attacks or other hostilities may disrupt IBCP's operations or those of its customers. In addition, these events have had and may continue to have an adverse impact on the U.S. and world economies in general and consumer confidence and spending in particular, which could harm IBCP's operations. Any of these events could increase volatility in the U.S. and world financial markets, which could harm IBCP's stock price and may limit the capital resources available to it and its customers. This could have a material adverse impact on IBCP's operating results, revenues and costs and may result in increased volatility in the market price of its common stock.

### ***Catastrophic events, including, but not limited to, hurricanes, tornadoes, earthquakes, fires and floods, may adversely affect the general economy, financial and capital markets, specific industries, and IBCP.***

IBCP has significant operations and a significant customer base in Michigan where natural and other disasters may occur, such as tornadoes and floods. These types of natural catastrophic events at times have disrupted the local economy, IBCP's business, and IBCP's customers and have posed physical risks to its property. In addition, catastrophic events occurring in other regions of the world may have an impact on IBCP's customers and in turn, on IBCP. A significant catastrophic event could materially adversely affect IBCP's operating results.

### ***Changes in accounting standards could materially impact IBCP's financial statements.***

From time to time, changes are made to the financial accounting and reporting standards that govern the preparation of IBCP's financial statements. These changes can be difficult to predict and can materially impact how IBCP records and reports its financial condition and results of operations. In some cases, IBCP could be required to apply a new or revised standard retroactively, resulting in changes to previously reported financial results, or a cumulative charge to accumulated deficit.

### ***IBCP's failure to appropriately apply certain critical accounting policies could result in a misstatement of its financial results and condition.***

Accounting policies and processes are fundamental to how IBCP records and reports its financial condition and results of operations. IBCP must exercise judgment in selecting and applying many of these accounting policies and processes so they comply with U.S. GAAP. In some cases, IBCP must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet may result in IBCP reporting materially different results than would have been reported under a different alternative.

IBCP has identified certain accounting policies as being critical because they require IBCP to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. IBCP has established detailed policies and control procedures that are intended to ensure these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding management's judgments and the estimates pertaining to these matters, IBCP cannot guarantee that it will not be required to adjust accounting policies or restate prior period financial statements. See note #1, Accounting Policies in the Notes to Consolidated Financial Statements included in the financial schedules delivered with this prospectus and proxy statement.

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### ***The trading price of IBCP's common stock may be subject to significant fluctuations and volatility.***

The market price of IBCP's common stock could be subject to significant fluctuations due to, among other things:

- variations in quarterly or annual results of operations;
- changes in dividends per share;
- deterioration in asset quality, including declining real estate values;
- changes in interest rates;
- significant acquisitions or business combinations, strategic partnerships, joint ventures, or capital commitments by or involving IBCP or its competitors;
- regulatory actions, including changes to regulatory capital levels, the components of regulatory capital and how regulatory capital is calculated;
- new regulations that limit or significantly change IBCP's ability to continue to offer products or services;
- volatility of stock market prices and volumes;
- issuance of additional shares of common stock or other debt or equity securities;
- changes in market valuations of similar companies;
- changes in securities analysts' estimates of financial performance or recommendations;
- perceptions in the marketplace regarding the financial services industry, IBCP and/or its competitors; and/or
- the occurrence of any one or more of the risk factors described above.

### **Risks Related to Proposed Merger**

#### ***The value of the Merger Consideration will fluctuate with the price of IBCP common stock.***

Upon completion of the merger, each share of TCSB common stock will be converted into the right to receive the Merger Consideration.

Except as provided in the merger agreement, there will be no adjustment made to the Merger Consideration as a result of fluctuations in the market price of IBCP common stock or the value of TCSB common stock. As a result, it is possible that the value of any IBCP common stock you receive in the merger will be different than the value of such shares on the date that the TCSB board of directors adopted the merger agreement, on the date of the information concerning stock value presented in this prospectus and proxy statement, and on the date that you vote to approve the merger agreement. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in IBCP's business, operations and prospects, and regulatory considerations. Many of these factors are beyond IBCP's control. Accordingly, at the time of the special meeting, you will not necessarily know or be able to calculate the exact value of the shares of IBCP common stock you will receive upon completion of the merger. You should obtain current market quotations for shares of IBCP common stock.

In addition, the Merger Consolidation is subject to adjustment in certain circumstances. See [What TCSB Shareholders will Receive in the Merger](#) on [page 41](#) below.

#### ***Regulatory approvals may not be received, may take longer to receive than expected, or may impose conditions that are not presently anticipated.***

Before the transactions contemplated in the merger agreement may be completed, regulatory approvals must be obtained from the Federal Reserve Board and the Michigan Department of Insurance and Financial Services. These governmental entities will consider, among other factors, the competitive impact of the merger, IBCP's financial and managerial resources, the convenience and needs of the communities to be served, capital position, safety and soundness, legal and regulatory compliance matters, and Community Reinvestment Act matters, and they may impose conditions on the completion of the merger or require changes to the terms of the merger agreement. There can be no

assurance as to whether regulatory approvals will be received, the timing of those approvals, or whether any conditions will be imposed.

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***Each party is subject to business uncertainties and contractual restrictions while the merger is pending, which could adversely affect each party's business and operations.***

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on TCSB and IBCP. These uncertainties may impair TCSB's ability to attract, retain and motivate key personnel until the merger is consummated. Retention of certain employees by TCSB may be challenging during the pendency of the merger, as certain employees may experience uncertainty about their future roles with IBCP or TCSB. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with IBCP, IBCP's business following the merger could be harmed. In addition, uncertainties related to the merger could cause customers and others that deal with TCSB or IBCP to seek to change existing business relationships with TCSB or IBCP, or delay or defer certain business decisions with respect to TCSB or IBCP, which could negatively affect IBCP's or TCSB's respective revenues, earnings and cash flows, as well as the market price of IBCP common stock or the value of TCSB common stock, regardless of whether the merger is completed. Furthermore, the merger agreement restricts TCSB from taking specified actions without the consent of IBCP until the merger occurs or the merger agreement is terminated. These restrictions may prevent TCSB from pursuing attractive business opportunities that may arise prior to the completion of the merger. See The Merger Agreement – Conduct of Business Pending the Merger for a summary of certain of the contractual restrictions to which TCSB is subject.

***Combining the two companies may be more difficult, costly, or time-consuming than expected.***

The difficulties of merging the operations of TCSB with those of IBCP include, among others, integrating personnel with diverse business backgrounds, combining different corporate cultures, retaining key employees, and converting operating systems. The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of the companies, and the loss of key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and integration of TCSB into IBCP could have an adverse effect on the business and results of operations of TCSB or IBCP. As with any merger of banking institutions, there also may be business disruptions that cause the banks to lose customers or cause customers to take their deposits out of the banks. The success of the combined company following the merger may depend in large part on the ability to integrate the two businesses, business models and cultures. Inability to integrate our operations successfully and in a timely manner could result in the expected benefits of the merger not being realized.

***TCSB shareholders' percentage ownership of IBCP will be much smaller than their percentage ownership of TCSB.***

TCSB shareholders currently have the right to vote in the election of the TCSB board of directors and on other matters affecting TCSB. When the merger occurs, each TCSB shareholder will become a shareholder of IBCP with a percentage ownership of the combined organization that is much smaller than the shareholder's percentage ownership of TCSB. Because of this, the TCSB shareholders will have less influence on the management and policies of IBCP than they now have on the management and policies of TCSB.

***Directors and officers of TCSB have interests in the merger that differ from the interests of non-director or non-management shareholders.***

Some of the directors and officers of TCSB have interests in the merger that differ from, or are in addition to, their interests as shareholders of TCSB generally. These interests exist because of, among other things, employment or severance agreements that the officers entered into with TCSB, rights that TCSB officers and directors have under TCSB's benefit plans, and rights to indemnification and directors' and officers' insurance following the merger. The members of each of TCSB's and IBCP's boards of directors knew about these additional interests and considered them when they adopted the merger agreement and approved the merger. For a more detailed discussion of these interests,

see Interests of Certain Directors and Executive Officers in the Merger.

***The merger agreement limits TCSB's ability to pursue alternatives to the merger.***

The merger agreement contains provisions that limit TCSB's ability to encourage or consider competing third-party proposals to acquire TCSB, all or a significant part of its assets or stock, or other similar business combinations. These provisions, which include a \$2,529,658 termination fee payable to IBCP under certain circumstances, might discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of TCSB from considering or proposing that acquisition even if it were prepared to pay consideration

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with a higher per share price than that proposed in the merger, or might result in a potential competing acquirer proposing to pay a lower per share price to acquire TCSB than it might otherwise have proposed to pay. See *The Merger Agreement – Acquisition Proposals by Third Parties* and *The Merger Agreement – Termination Fee*.

***The merger agreement may be terminated in accordance with its terms and the merger may not be completed, which could have a negative impact on TCSB.***

The merger agreement is subject to a number of conditions that must be fulfilled in order to complete the merger. Those conditions include completion of the merger by September 4, 2018, receipt of TCSB shareholder approval, receipt of regulatory approvals, continued accuracy of certain representations and warranties by both parties, and performance by both parties of certain covenants and agreements. In addition, the merger agreement may be terminated in certain circumstances. In particular, IBCP is not obligated to complete the merger if the Company Consolidated Shareholders' Equity is less than \$33,000,000 as of the Final Statement Date.

If the merger agreement is terminated, there may be various consequences to TCSB, including:

TCSB's business may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the merger without realizing any of the anticipated benefits of completing the merger; and TCSB may have incurred substantial expenses in connection with the merger without realizing any of the anticipated benefits of completing the merger.

If the merger agreement is terminated and the TCSB board of directors seeks another merger or business combination, under certain circumstances, TCSB is required to pay IBCP a \$2,529,658 termination fee. TCSB shareholders cannot be certain that TCSB would be able to find a party willing to pay an equivalent or more attractive price than the price IBCP has agreed to pay in the merger.

***IBCP may fail to realize the cost savings estimated for the merger.***

IBCP expects to achieve cost savings from the merger when the two companies have been fully integrated. The cost savings estimates assume the ability to combine the businesses of IBCP and TCSB in a manner that permits those cost savings to be realized. If the estimates turn out to be incorrect or if IBCP is not able to combine successfully the two companies, the anticipated cost savings may not be fully realized or realized at all, or may take longer to realize than expected.

***The fairness opinion obtained by TCSB from its financial advisor will not reflect changes between the date of the opinion and the effective time of the merger.***

D.A. Davidson & Co., the financial advisor to TCSB, has delivered a fairness opinion to the board of directors of TCSB. The opinion of DADCO is directed to the board of directors of TCSB and is not a recommendation to any shareholder on how to vote on the merger agreement or any other matter. The opinion, which was issued on December 4, 2017, states that, based upon and subject to the assumptions and limitations on review set forth in the opinion, the Exchange Ratio is fair, from a financial point of view, to TCSB. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, and therefore does not address the fairness of the Exchange Ratio as of the date of this prospectus and proxy statement, the date of the special meeting, or at the time the merger will be completed.

***The merger may fail to qualify as a reorganization for federal income tax purposes, resulting in your recognition of taxable gain or loss in respect of all of your TCSB common stock.***



IBCP and TCSB intend for the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code ). The Internal Revenue Service ( IRS ) will not provide a ruling on the matter. IBCP and TCSB each will, as a condition to closing, obtain an opinion from counsel that the merger will constitute a reorganization for federal income tax purposes. However, these opinions do not bind the IRS or prevent the IRS from adopting a contrary position. If the merger fails to qualify as a reorganization, TCSB shareholders generally would recognize gain or loss on each share of TCSB common stock surrendered in an amount equal to the difference between the shareholder's adjusted tax basis in that share and the fair market value of the IBCP common stock received in exchange for that share upon completion of the merger. See Proposal 1 – The Merger – Material United States Federal Income Tax Consequences on page 39.

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***The shares of IBCP common stock to be received by TCSB shareholders as a result of the merger will have different rights from the shares of TCSB common stock.***

The rights associated with TCSB common stock are different from the rights associated with IBCP common stock. See [Comparison of Common Shareholder Rights](#) for a discussion of the different rights associated with IBCP common stock as compared to TCSB common stock.

***Litigation may be filed against TCSB, its board of directors, and/or IBCP that could prevent or delay the completion of the merger or result in the payment of damages following completion of the merger.***

In connection with the merger, it is possible that TCSB shareholders may file putative shareholder class action lawsuits against TCSB, its board of directors, and/or IBCP. Among other remedies, the plaintiffs may seek to enjoin the merger. The outcome of any such litigation is uncertain. If a dismissal is not granted or a settlement is not reached, such potential lawsuits could prevent or delay completion of the merger and result in substantial costs to TCSB and IBCP, including any costs associated with indemnification. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger is consummated may adversely affect TCSB's and IBCP's business, financial condition, results of operations, cash flows and market price.

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### **TCSB SPECIAL MEETING AND GENERAL PROXY INFORMATION**

#### **Date, Time, Place, and Purpose**

The TCSB board of directors is sending you this prospectus and proxy statement and proxy to use at the special meeting. At the special meeting, the TCSB board of directors will ask you to vote (1) to approve the merger agreement and (2) to approve the Adjournment Proposal.

The special meeting will be held on [•], 2018, at [•], local time, at [•], [•], Michigan [•].

#### **Recommendation of TCSB's Board of Directors**

TCSB's board of directors has unanimously determined that the merger is in substantial compliance with all applicable laws and is fair to and in the best interests of TCSB and TCSB's shareholders, adopted the merger agreement and authorized the merger and the other transactions contemplated by the merger agreement, and unanimously recommends that TCSB shareholders vote FOR approval of the merger agreement and FOR the Adjournment Proposal.

#### **Voting by Proxy; Record Date**

TCSB's board of directors has designated [•], 2018, as the record date for determination of shareholders entitled to notice of and to vote at the special meeting. As of the record date, [•] shares of TCSB common stock were issued and outstanding and held by approximately [•] record holders. TCSB shareholders are entitled to one vote on each matter considered and voted on at the special meeting for each share of TCSB common stock held of record at the close of business on the record date. If a holder of shares of TCSB common stock as of the record date properly submits a proxy, the shares represented by that proxy will be voted at the special meeting and at any adjournment of that meeting. If a shareholder specifies a choice, the proxy will be voted in accordance with the shareholder's specification. If no specification is made, your shares of TCSB common stock represented by your proxy will be voted FOR approval of the merger agreement and FOR approval of the Adjournment Proposal.

TCSB's management currently is not aware of any other matter to be presented at the special meeting. If other matters are presented, the shares for which proxies have been received will be voted in accordance with the discretion of the persons named as proxies.

#### **Revocation of Proxies**

A TCSB shareholder who has given a proxy may revoke it at any time before its exercise at the special meeting by one of three ways. First, you may send a written notice to the President and Chief Financial Officer of TCSB, Ann Bollinger, 333 West Grandview Parkway, Traverse City, Michigan 49684, stating that you would like to revoke your proxy. Second, you may complete and submit a new proxy, dated at a date later than your most recent proxy. Third, you may attend the special meeting and vote in person. Your attendance at the special meeting will not, however, by itself revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions you receive from your broker to change your vote. Your last vote will be the vote that is counted.

#### **Proxy Solicitation**

The board of directors and management of TCSB will initially solicit proxies by mail. If they deem it advisable, directors, officers, and employees of TCSB may also solicit proxies in person, by telephone or by electronic means without additional compensation. In addition, nominees and other fiduciaries may solicit proxies. Such persons may,

at the request of TCSB's management, mail material to or otherwise communicate with the beneficial owners of shares held by them.

**Expenses**

Except for internal costs and fees of TCSB, IBCP will pay all expenses incurred in connection with the solicitation of proxies of TCSB shareholders. IBCP will pay all expenses incurred in connection with the printing and mailing of this prospectus and proxy statement and all filing costs associated with the registration statement and the applications for regulatory approval. Otherwise, IBCP and TCSB will each pay their own fees and expenses incident to preparing for, entering into, and carrying out the merger agreement and procuring any necessary approvals, including fees and expenses of its own legal counsel and accountants and postage expenses.

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### **Quorum**

The presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast by the TCSB shareholders at the special meeting is necessary to constitute a quorum. Abstentions will be counted as present and entitled to vote for purposes of determining a quorum.

### **Vote Required for Approval; Voting Agreement**

The affirmative vote of the holders of a majority of the shares of TCSB common stock outstanding as of the record date for the special meeting is required to approve the merger agreement. Because the required vote of TCSB shareholders on the merger agreement is based upon the number of outstanding shares of TCSB common stock entitled to vote rather than upon the number of shares actually voted, a failure to vote and abstentions will have the same practical effect as a vote against approval of the merger agreement. The affirmative vote of the holders of a majority of votes cast at the special meeting is necessary to approve the Adjournment Proposal. A failure to vote and abstentions will have no effect on this proposal. No approval by IBCP shareholders is required.

As of the record date, TCSB's directors, executive officers, and their affiliates beneficially owned [•] shares of TCSB common stock, or approximately [•]% of the shares of TCSB common stock entitled to vote at the special meeting. Each of TCSB's directors has entered into a voting agreement pursuant to which he or she has agreed, subject to certain exceptions, to vote his or her shares, and to use reasonable efforts to cause all shares owned by such director jointly with another person or by such director's spouse or over which such director has voting influence or control to be voted, in favor of approval of the merger agreement.

### **PROPOSAL 1 – THE MERGER**

*The following discussion summarizes certain aspects of the merger. This summary discussion does not purport to be a complete description of the merger and is qualified in its entirety by reference to the merger agreement, which is attached as Appendix A to this prospectus and proxy statement and incorporated herein by reference into this prospectus and proxy statement.*

#### **Background of the Merger**

TCSB's Board of Directors and management regularly evaluate and assess TCSB's strategy and opportunities to strengthen its business and achieve profitable growth and value for its shareholders through various strategic initiatives, alternatives and transactions, giving consideration to the context of developments in the banking industry, including industry consolidation, the regulatory environment, conditions in the markets that TCSB serves, competitive considerations and other factors. TCSB's board of directors regularly reviews the company's performance, risks, opportunities, stock valuation, capital needs and strategy and discusses these matters at meetings.

When considering strategic alternatives from time to time, management and the board of directors examined the possibility of acquiring other institutions to gain additional profitability through scale. However, opportunities were limited due in large part to the existence of very few banks of a smaller, realistic size which were available for potential acquisition and in attractive markets.

Management and the board of directors also regularly considered the merits of maintaining an independence strategy versus the opportunity to pursue additional shareholder value through the sale of TCSB. The independence strategy was maintained in recent years due to, among other things, the strong financial performance of TCSB and its prospects for generating additional shareholder value through organic growth.

However, for several years, the board of directors has viewed the general lack of liquidity and market in TCSB common stock as a weakness to the independence strategy. Shares of TCSB common stock are not traded in an established market. They are traded infrequently and generally in private transactions between individuals.

In addition, during the years since the financial crisis, management and the board of directors assessed significant operating risk increases in the banking industry. Specifically, costs associated with increasing compliance and safety and soundness regulatory burdens, necessary technology enhancements, cybersecurity risks and increasing competition were noted as challenges to a continued independence strategy. The board of directors also began to recognize and discuss that as the financial performance, market share and reputation of TCSB continued to grow, so too did the prospects and rationale for pursuing a potential sale of the company, including that combining with a larger company would increase scale, scope, strength and diversity of operations, product lines and delivery systems and enhance the ability to provide more comprehensive financial services and higher loan limits.

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On March 22, 2017, the board of directors held its annual strategic planning meeting. All of these factors combined led the board of directors to serious consideration of whether the present independence strategy should be retained or modified to seek a strategic partnership through a potential sale of TCSB. Based on, among other things, TCSB's internal strengths (solid financial performance and metrics, low levels of classified assets, excellent sales force and projected growth rates) combined with optimism in the political and economic climate (rising interest rates, presumed softening of the bank regulatory environment and potential corporate income tax cuts), the board of directors unanimously determined to preliminarily explore the possibility of selling TCSB in the relative near-term. The board of directors authorized management to consult with its corporate counsel, Warner Norcross & Judd LLP ( Warner Norcross ), to provide guidance on the initial phases of a potential sales process and to explore the engagement of an investment banking firm to act as financial advisor to TCSB in connection with a potential sale of the company.

On May 16, 2017, the board of directors held a special meeting. A representative of Warner Norcross attended the meeting. In addition, representatives of two investment banking firms (D.A. Davidson & Co. ( DADCO ) and another reputable firm) separately attended the meeting and gave detailed presentations to the board of directors, which addressed, among other things: the firm's industry experience and qualifications in M&A transactions; recent stock market performance, with an emphasis on the financial institutions sector; factors influencing the M&A market for community banks; precedent M&A transactions; M&A valuation of TCSB as of May 16, 2017 based on precedent M&A transactions, ability-to-pay analysis and net present value analysis; select potential merger partners, including considerations for evaluation of each potential merger partner; overview of a sales process (which included various different approaches) and timeline; considerations of stock versus cash as transaction consideration; and the firm's fee proposal.

Warner Norcross advised of the fiduciary and legal obligations applicable to directors when considering a merger or sale of TCSB. Warner Norcross also reviewed Article XI (Business Combinations) of TCSB's articles of incorporation, which requires the board of directors, when considering a business combination transaction, to first conclude that the transaction would be in substantial compliance with all applicable laws, and second conclude that the transaction would be in the best interests of the corporation and its shareholders, based on relevant factors, including: the fairness of the consideration to be received; the possible social and economic impact on TCSB, its employees and customers and the communities it serves; the business, financial condition, safety and soundness and prospects of the offering party; the competence, experience and integrity of the offering party and its management; and the intentions of the offering party regarding the operation of TCSB after completion of the transaction ( Article XI Factors ).

The board of directors extensively discussed a potential sale of TCSB and the presentations from the investment banking firms. Following the discussion, the board of directors unanimously authorized continuation of exploration of a potential sale of TCSB. The board of directors elected to defer the selection of an investment banking firm to act as financial advisor to a later date to allow directors additional time to review and consider the information provided by the two investment banking firms.

On May 23, 2017, the board of directors held a regular meeting. Following discussion, the board of directors unanimously approved the engagement of DADCO to act as financial advisor to TCSB in connection with a potential sale of the company and authorized management to proceed to negotiate a definitive engagement letter with DADCO. In approving the engagement of DADCO, the board of directors considered, among other things, the type and amount of DADCO's fees, DADCO's expertise in advising financial institutions, including in M&A transactions, and DADCO's professional reputation. In addition, the board of directors designated and appointed a special committee, consisting of Directors Dickinson, Pangborn and Weigel, to act on behalf of the board of directors on all matters relating to a potential sale of TCSB, if necessary.

On June 5, 2017, the special committee held a meeting. A representative from Warner Norcross attended the meeting. Warner Norcross reviewed the terms of a proposed definitive engagement letter with DADCO. The special committee

instructed Warner Norcross to negotiate certain changes to the engagement letter and authorized management to execute the engagement letter, subject to the negotiation of the requested changes.

On June 13, 2017, TCSB executed a definitive engagement letter with DADCO to act as financial advisor to TCSB in connection with a potential sale of the company.

On June 29, 2017, the board of directors held a special meeting. A representative of Warner Norcross and a representative of DADCO attended the meeting. DADCO presented select potential merger partners, which included



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21 institutions located in Michigan, Indiana and Wisconsin. For each potential merger partner, DADCO reviewed general company information, financial information, including select income statement and balance sheet information, financial performance ratios, deposit and loan composition, stock performance, capacity to pay analysis and summary historical M&A transactions (if any). DADCO presented the potential merger partners in three tiers – Tier 1 being the most likely merger partners, Tier 2 being moderately likely merger partners and Tier 3 being the least likely merger partners. DADCO also reviewed various different approaches to a proposed sales process and a timeline.

Warner Norcross advised of the fiduciary and legal obligations applicable to directors when considering a merger or sale of TCSB and reviewed the Article XI factors.

The board discussed in detail the select potential merger partners and the various different approaches to a sales process. Following the discussion, the board of directors authorized DADCO to approach 12 potential merger partners to gauge their interest in a potential merger with TCSB. The board of directors also approved the preparation and delivery of a confidential information memorandum ( CIM ) about TCSB to, and the preparation, negotiation and entering into of a non-disclosure agreement ( NDA ) with, each selected potential merger partner.

Beginning in late July, 2017, DADCO contacted the 12 potential merger partners to gauge their interest in a potential merger with TCSB and presented each with a NDA for execution. Seven potential merger partners expressed interest in a potential merger with TCSB and executed a NDA. The remaining five potential merger partners declined any interest in a potential merger with TCSB and did not execute a NDA. In early August, 2017, DADCO sent the CIM to each of the remaining seven potential merger partners and invited each to submit a written, preliminary indication of interest in a potential merger with TCSB. Shortly after delivery of the CIM, two of the potential merger partners declined any further interest in a potential merger with TCSB. At the end of August, 2017 and the beginning of September, 2017, all of the remaining five potential merger partners submitted written, preliminary indications of interest in a potential merger with TCSB.

On September 7, 2017, the board of directors held a special meeting. A representative of Warner Norcross and a representative of DADCO attended the meeting. Warner Norcross advised of the fiduciary and legal obligations applicable to directors when considering a merger or sale of TCSB and reviewed the Article XI factors. Management summarized the results of their in-person interviews with each of the remaining five potential merger partners.

DADCO presented a detailed financial presentation, which addressed, among other things: a market update since the May 16, 2017 board of directors meeting; precedent M&A transactions; overview of sales process and timeline; M&A valuation of TCSB as of May 16, 2017 based on precedent M&A transactions, ability-to-pay analysis and net present value analysis; and a summary of contact with potential merger partners, including process and responses. In addition, DADCO reviewed, in detail, the written, preliminary indications of interest in a potential merger with TCSB submitted by each of the remaining five potential merger partners, which addressed, among other things: a comparison of the terms and conditions outlined in each indication of interest, including consideration, price per share, implied transaction value and valuation ratios, exchange ratio and transaction structure; and for each potential merger partner, general company information, financial information, including select income statement and balance sheet information, financial performance ratios, deposit and loan composition, and stock performance, summary historical M&A transactions (if any) and institutional shareholder ownership.

The board extensively discussed the potential merger partners and the preliminary indications of interest. Following the discussion, the board of directors unanimously authorized continuation of the sales process and the pursuit of a potential merger with three of the five remaining potential merger partners (including IBCP, Potential Merger Partner #2 and Potential Merger Partner #3). For various reasons, the board of Directors determined it was in the best interests of TCSB and its shareholders to no longer pursue a potential merger with Potential Merger Partner #4 and Potential Merger Partner #5. In addition, the board of directors authorized commencement of due diligence of TCSB by the

three remaining potential merger partners and their respective advisors and reverse due diligence of the three remaining merger partners by TCSB and its advisors and the preparation of a prototype merger agreement for delivery to the three remaining merger partners for review and comment in connection with submission of final indications of interest.

Following the September 7, 2017 board of directors meeting, each of the three remaining potential merger partners submitted due diligence request lists. TCSB established a virtual data room and began populating it. Each

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of the three potential merger partners was granted access to the virtual data room to perform its due diligence review. In addition, TCSB and its advisors conducted reverse due diligence of each of the three remaining potential merger partners. Warner Norcross prepared a prototype merger agreement.

During the weeks of October 1 and 8, 2017, each of the three remaining potential merger partners separately conducted onsite credit due diligence of TCSB's loan portfolio at the offices of Warner Norcross.

On October 9, 2017, Potential Merger Partner #3 informed TCSB that it was withdrawing from the process and declined any further interest in a potential merger with TCSB. Also on this date, a prototype merger agreement was delivered to IBCP and Potential Merger Partner #2 for review and comment in connection with submission of final indications of interest.

On October 16, 2017, the board of directors held a special meeting. A representative of Warner Norcross and a representative of DADCO attended the meeting. Executive officers from each of IBCP and Potential Merger Partner #2 separately presented to the board of directors about their respective companies and provided their respective views on a range of topics, including considerations and investment thesis for owning shares of their respective common stock, intended plans for the integration of TCSB and its customers, employees and the communities it serves and why they should be the preferred merger partner. The board of directors engaged in an in-depth and detailed discussion about the potential merger partners and their respective presentations. Following the discussion, the board of directors authorized the continuation of the sales process and pursuit of a potential merger with IBCP and Potential Merger Partner #2.

On October 31, 2017, each of IBCP and Potential Merger Partner #2 submitted written, final indications of interest in a potential merger with TCSB and their respective comments to the prototype merger agreement. IBCP's proposal offered merger consideration consisting of all IBCP common stock or a mix of IBCP common stock and cash, and Potential Merger Partner #2's proposal offered merger consideration consisting of a mix of Potential Merger Partner #2 common stock and cash. IBCP's all-stock proposal represented the distinctly higher economic value of total consideration per share proposed by each at the time.

On November 6, 2017, the board of directors held a special meeting. A representative of Warner Norcross and a representative of DADCO attended the meeting. Warner Norcross reviewed the status of reverse due diligence on IBCP and Potential Merger Partner #2 to date and the Article XI factors, and advised of the fiduciary and legal obligations applicable to directors when considering a merger or sale of TCSB. Warner Norcross also summarized the comments of IBCP and Potential Merger Partner #2 to the prototype merger agreement.

DADCO presented a detailed financial presentation, which addressed, among other things: a market update since the September 7, 2017 board of directors meeting; precedent M&A transactions; overview of sales process and timeline; M&A valuation of TCSB as of May 16, 2017 based on precedent M&A transactions, ability-to-pay analysis and net present value analysis; and a summary of contact with potential merger partners, including process and responses. In addition, DADCO reviewed, in detail, the written, final indications of interest in a potential merger with TCSB submitted by IBCP and Potential Merger Partner #2, which addressed, among other things: a comparison of the terms and conditions outlined in each indication of interest, including consideration, price per share, implied transaction value and valuation ratios, exchange ratio and transaction structure; and for each potential merger partner, general company information, financial information, including select income statement and balance sheet information, financial performance ratios, deposit and loan composition, stock performance, liquidity and dividend analysis, peer analysis, summary historical M&A transactions (if any), institutional shareholder ownership and the potential for the sale of the potential merger partner following completion of a merger with TCSB.

The board of directors engaged in an in-depth and detailed discussion on a range of topics, including, among other things: the perceived relative advantages and disadvantages of each potential merger partner as a merger partner, focusing primarily on the Article XI factors and without regard to the value of the merger consideration proposed by each; the business and prospects of each and how TCSB's business would align; the perceived relative merits of owning the common stock of each; the perceived market reaction to a merger transaction between TCSB and each; and the value of the merger consideration proposed by each (it was noted that IBCP's all-stock proposal represented the distinctly higher economic value of total consideration per share proposed by each at the time). After the discussion, the board of directors unanimously determined that IBCP was an acceptable merger partner and that IBCP's final indication of interest was an acceptable proposal, subject to a request that IBCP permit one TCSB

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director to serve on IBCP's board of directors following completion of the merger. Following IBCP's agreement to this request, which was obtained during the course of the meeting, the board of directors authorized management to proceed to negotiate a definitive merger agreement with IBCP substantially on the basis set forth in IBCP's final indication of interest.

During the time period beginning on November 7, 2017 and ending on December 4, 2017, Warner Norcross and Varnum LLP (legal counsel to IBCP), with the participation of DADCO and management, proceeded to negotiate a definitive merger agreement. Multiple drafts of the merger agreement were exchanged between Warner Norcross and Varnum LLP and several negotiating sessions occurred. Also, during this time period, each party completed due diligence and prepared, circulated and finalized its disclosure letter listing certain supplements and exceptions to the representations and warranties and covenants contained in the merger agreement.

On December 4, 2017, the board of directors held a special meeting. A representative of Warner Norcross and a representative of DADCO attended the meeting. Warner Norcross advised that a proposed merger agreement had been successfully negotiated and would be presented for adoption by the board of directors at the meeting. Warner Norcross reviewed the status and findings of reverse due diligence of IBCP to date and the Article XI factors, advised of the fiduciary and legal obligations applicable to directors when considering a merger or sale of TCSB and provided its oral opinion that the merger would be in substantial compliance with all applicable laws. Warner Norcross provided a comprehensive review of the proposed merger agreement, including customary fiduciary out provisions in the event TCSB were to receive a superior proposal.

DADCO presented its fairness opinion analysis. This analysis included, among other things, an overview of the sales process and timeline; a review of the fairness opinion process; a summary of the terms of the proposed merger, including the merger consideration; transaction metrics, including implied valuation multiples (it was noted that, based on the price per share of IBCP common stock as of market close on November 27, 2017, the proposed merger represented a price to tangible book value (9/30/17) multiple of 206% and a price to earnings per share (9/30/17 LTM) multiple of 25.3x); a price sensitivity analysis; implied per share transaction value based on IBCP's common stock performance for the last 12 months; a dividend reinvestment analysis; pro forma metrics, including the earn-back period for dilution to IBCP's tangible book value; a contribution analysis; peer analyses; precedent M&A transactions; a net present value analysis; and financial and stock information about IBCP. DADCO delivered its oral opinion that, as of December 4, 2017, and based upon and subject to the assumptions presented, the exchange ratio (as defined in the merger agreement) to be paid in the merger was fair, from a financial point of view, to TCSB.

The board of directors engaged in an in-depth and detailed discussion about the merger agreement and the fairness opinion analysis. Following the discussion, the Board of Directors unanimously determined that the merger would be in substantial compliance with all applicable laws and in the best interests of TCSB and its shareholders, adopted the merger agreement, approved and authorized the merger and related transactions and recommended that TCSB shareholders approve the merger agreement. Following the meeting, TCSB and IBCP executed and delivered the merger agreement and respective disclosure letters.

On December 4, 2017, after the U.S. financial markets closed, TCSB and IBCP issued a joint press release announcing execution of the merger agreement and certain terms of the merger.

### **TCSB's Reasons for the Merger and Recommendation of TCSB's Board of Directors**

TCSB's board of directors has unanimously determined that the merger is in the best interests of the company and its shareholders. In adopting the merger agreement, the board of directors consulted with DADCO with respect to the financial aspects of the merger and the fairness of the exchange ratio (as defined in the merger agreement), from a financial point of view, to TCSB. The board of directors also consulted with Warner Norcross as to the merger's

substantial compliance with all applicable laws, the fiduciary and legal obligations applicable to directors when considering a merger or sale of TCSB and the terms of the merger agreement. In arriving at its determination, the board of directors considered a number of factors, including the following:

- the business strategy and strategic plan of TCSB, its prospects for the future, and projected financial results;
- information concerning the business, results of operations, financial condition, and competitive position and future prospects of TCSB;
- the general lack of liquidity in TCSB common stock as a weakness to the independence strategy;

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the greater market capitalization of IBCP and the trading volume and liquidity of IBCP common stock in the event TCSB shareholders desire to sell the shares of IBCP common stock to be received by them upon completion of the merger;

the current and prospective business and economic environment of the markets in which TCSB operates, including consolidation in the banking industry, the level of pricing for healthy bank acquisitions, risks associated with cybersecurity, increased competition, and costs associated with increasing regulatory burdens and necessary technology enhancements;

limited opportunities for TCSB to grow and increase shareholder value through acquisition of other banks;

presentations from DADCO and management, including presentations relating to the sale process, in particular efforts made to identify potential merger partners and obtain maximum value for TCSB shareholders, and the current and future outlook and prospects if TCSB were to remain independent;

the nature (all stock) of the merger consideration and the exchange ratio (1.1166 IBCP shares per share of TCSB common stock) and the tax-free nature of the transaction with respect to IBCP common stock received as merger consideration;

the fairness and value of the Merger Consideration and Exchange Ratio related to certain industry comparable valuation multiples, including price to book value, price to tangible book value, price to earnings per share, core deposit premium and premium to market value;

comparable acquisition analyses, both nationally and in the Midwest;

the structure, terms and conditions of the merger as provided in the merger agreement;

IBCP's present annual cash dividend of \$0.48 per share, which is equivalent to \$0.54 per share on the TCSB shares exchanged for IBCP shares, compared to no current annual dividend paid on TCSB shares;

provisions of the merger agreement which permit the board of directors under certain circumstances to consider and negotiate another takeover proposal which the board of directors determines to be a superior proposal and to terminate the merger agreement and enter into an agreement for the superior proposal with payment of a termination fee to IBCP;

the amount of the termination fee which would be paid to enter into an agreement for a superior proposal, which fee the board of directors believes is reasonable and would not economically preclude a capable party from submitting a superior proposal;

the ability of IBCP to receive the requisite regulatory approvals in a timely manner;

the social and economic impact of the merger on TCSB and its employees, customers and communities which it serves;

the business, financial condition, safety and soundness and earnings prospects of IBCP;

the competence, experience, and integrity of IBCP and its management;

the intentions of IBCP regarding the operation of TCSB post-merger;

the findings of the reverse due diligence conducted on IBCP;

the increased scale, scope, strength and diversity of operations, product lines and delivery systems that could be achieved by the combined company, as compared to those of TCSB if it remains IBCP;

the ability of the combined company to provide more comprehensive financial services and higher loan limits, and the potential for operating synergies and cross-marketing of products and services across the combined company;

the likelihood of obtaining the shareholder approval needed to complete the merger;

the thorough managed process conducted by TCSB, with the assistance of its advisors, to explore the interest of all reasonable likely and capable potential merger partners; and

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the complementary corporate cultures, values, passion for customer service, and commitment to community shared by TCSB and IBCP, which increase the likelihood of successful integration and operation of the combined company. In the course of its deliberation, TCSB's board of directors also considered a variety of risks and other countervailing factors, including:

- the fact that the exchange ratio is fixed, but subject to adjustment as described in the merger agreement;
- the risks and costs to TCSB if the merger does not close, including:
  - the diversion of management and employee attention, potential employee attrition and the effect on customers and business relationships; and
  - the potential adverse impact on the market value of TCSB's common stock if the merger agreement is terminated;
  - the restrictions that the merger agreement imposes on TCSB's ability to solicit alternatives to the merger, and the impact that provisions of the merger agreement relating to payment of a termination fee by TCSB upon termination of the merger agreement to enter into a superior proposal may have on TCSB receiving an unsolicited takeover proposal; and
- the restrictions on the conduct of TCSB's business while the merger is pending.

The foregoing discussion of the factors considered by the TCSB's board of directors is not intended to be exhaustive, but does set forth the principal factors considered by the board of directors. In view of the wide variety of factors considered by the board of directors and the complexity of these matters, the board of directors did not consider it practical and did not attempt to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision. Rather, the board of directors made its recommendation in favor of the merger based on the totality of information presented to it. In considering the factors discussed above, individual directors may have given different weights to different factors.

After evaluating these factors and consulting with legal counsel and financial advisors, the TCSB's board of directors determined that the merger was in substantial compliance with all applicable laws and fair to and in the best interests of TCSB and its shareholders. Accordingly, the board of directors unanimously adopted the merger agreement and approved the merger. **The board of directors unanimously recommends that TCSB shareholders vote FOR approval of the merger agreement.**

### **IBCP's Reasons for the Merger**

IBCP's board of directors has unanimously determined that the merger is in the best interests of IBCP and IBCP's shareholders and has adopted the merger agreement and authorized the merger and the other transactions contemplated by the merger agreement. In negotiating the terms of the merger agreement and in considering its adoption, the board of directors of IBCP reviewed the financial results and conditions of IBCP and TCSB, the perceived prospects for each in the future, and the business philosophies of IBCP and TCSB.

IBCP's primary strategy for expansion is to pursue organic growth, but it is also interested in the potential of growing through acquisition as desired opportunities arise. IBCP's board of directors views the acquisition of TCSB as an attractive opportunity for IBCP to expand its business in the Traverse City market.

IBCP's management believes the strategic combination with TCSB will allow IBCP to deploy its capital and systems more efficiently to support a larger organization. IBCP also believes that each organization has complementary strengths in its product offerings that present opportunities for synergies when these strengths are shared between the two organizations.

The board of directors of IBCP believes the merger provides the shareholders of IBCP an opportunity to have an interest in a larger and more diversified financial organization. Shareholders of IBCP may enjoy certain benefits associated with the combined organization's larger and more diversified asset base and access to the attractive Traverse



City market. The shareholders of IBCP will, however, be subject to the risks associated with TCSB, in which they have not previously held a material interest.

The board of directors of IBCP believes that the merger will enable each organization to become more effective competitors in their respective markets through access to greater financial and managerial resources. The board of

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directors of IBCP considers this access to be important in light of increased competition from a broader range of financial institutions than has generally been encountered in the banking industry. The board of directors of IBCP also believes that the merger will permit the achievement of certain economies of scale in the areas of administration, regulatory compliance, management, and capital formation.

The board of directors of IBCP did not assign any particular weight to any one of the foregoing factors.

### **Fairness Opinion of TCSB's Financial Advisor**

On June 13, 2017, TCSB entered into an engagement agreement with D.A. Davidson & Co. to render financial advisory and investment banking services to TCSB. As part of its engagement, DADCO agreed to assist TCSB in analyzing, structuring, negotiating and, if appropriate, effecting a transaction between TCSB and another corporation or business entity. DADCO also agreed to provide TCSB's Board of Directors with an opinion as to the fairness, from a financial point of view, to the holders of TCSB common stock of the exchange ratio to be paid to the holders of TCSB common stock in the proposed merger. TCSB engaged DADCO because DADCO is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with TCSB and its business. As part of its investment banking business, DADCO is continually engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

On December 4, 2017, the TCSB Board of Directors held a meeting to evaluate the proposed merger. At this meeting, DADCO reviewed the financial aspects of the proposed merger and rendered an opinion to the TCSB board of directors that, as of such date and based upon and subject to assumptions made, procedures followed, matters considered and limitations on the review undertaken, the exchange ratio to be paid to the holders of the TCSB common stock in the proposed merger was fair, from a financial point of view, to TCSB.

The full text of DADCO's written opinion, dated December 4, 2017, is attached as **Appendix B** to this prospectus and proxy statement and is incorporated herein by reference. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion. TCSB's shareholders are urged to read the opinion in its entirety.

DADCO's opinion speaks only as of the date of the opinion and DADCO undertakes no obligation to revise or update its opinion. The opinion is directed to the TCSB board of directors and addresses only the fairness, from a financial point of view, to the holders of TCSB common stock of the exchange ratio to be paid to the holders of the TCSB common stock in the proposed merger. The opinion does not address, and DADCO expresses no view or opinion with respect to, (i) the underlying business decision of TCSB to engage in or proceed with the merger, (ii) the relative merits or effect of the merger as compared to any strategic alternatives or business strategies or combinations that may be or may have been available to or contemplated by TCSB or TCSB's board of directors, or (iii) any legal, regulatory, accounting, tax or similar matters relating to TCSB, its shareholders or relating to or arising out of the merger. The opinion expresses no view or opinion as to any terms or other aspects of the merger. TCSB and IBCP determined the exchange ratio through the negotiation process. The opinion does not constitute a recommendation to any TCSB shareholder as to how such shareholder should vote at the TCSB meeting on the merger or any related matter. The opinion does not express any view as to the fairness of the amount or nature of the compensation to any of TCSB's or IBCP's officers, directors or employees, or any class of such persons, relative to the exchange ratio. The opinion has been reviewed and approved by DADCO's Fairness Opinion Committee in conformity with its policies and procedures established under the requirements of Rule 5150 of the Financial Industry Regulatory Authority.

DADCO has reviewed the prospectus and proxy statement and consented to the inclusion of its opinion to the TCSB board of directors as Appendix B to this prospectus and proxy statement and to the references to DADCO and its opinion contained herein.

In connection with rendering its opinion, DADCO reviewed, analyzed and relied upon material bearing upon the merger and the financial and operating condition of TCSB and IBCP and the merger, including among other things, the following:

- the draft merger agreement dated November 29, 2017;
- certain financial statements and other historical financial and business information about TCSB and IBCP made available to DADCO from published sources and/or from the internal records of TCSB and IBCP;

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certain internal financial projections and other financial and operating data concerning the business, operations and prospects of TCSB and IBCP prepared by or at the direction of management of the TCSB and IBCP, as approved for our use by TCSB and IBCP, respectively;

- the current market environment generally and the banking environment in particular;
- the financial terms of certain other transactions in the financial institutions industry, to the extent publicly available;
- comparison of the current and historical market prices and trading activity of IBCP common stock with that of certain other publicly-traded companies that we deemed relevant;

consideration of the pro forma financial effects of the merger, taking into consideration the amounts and timing of transaction costs, earnings estimates, potential cost savings, and other financial and accounting considerations in connection with the merger;

participation in discussions and negotiations among representatives of TCSB and IBCP, and their respective financial and legal advisors;

the net present value of TCSB with consideration of projected financial results through 2022;

the relative contributions of TCSB and IBCP to the combined company;

- comparison of the financial and operating performance of TCSB and IBCP with publicly available information concerning certain other companies that we deemed relevant; and,

such other financial studies, analyses and investigations and financial, economic and market criteria and other information as we considered relevant including discussions with management and other representatives and advisors of TCSB and IBCP concerning the business, financial condition, results of operations and prospects of TCSB and IBCP.

In arriving at its opinion, DADCO has assumed and relied upon the accuracy and completeness of all information supplied or otherwise made available to DADCO, discussed with or reviewed by or for DADCO, or publicly available, and DADCO has not assumed responsibility for independently verifying such information or undertaken an independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of TCSB or IBCP, nor did DADCO make an independent appraisal or analysis of TCSB or IBCP with respect to the merger. In addition, DADCO has not assumed any obligation to conduct, nor has DADCO conducted any physical inspection of the properties or facilities of TCSB or IBCP. DADCO has further relied on the assurances of management of TCSB and IBCP that they are not aware of any facts or circumstances that would make any of such information inaccurate or misleading. DADCO did not make an independent evaluation or appraisal of the specific assets or liabilities including the amount of any fair value adjustments per FASB 141(R). DADCO did not make an independent evaluation of the adequacy of the allowance for loan losses of TCSB or IBCP nor has DADCO reviewed any individual credit files relating to TCSB or IBCP. DADCO has assumed that the respective allowances for loan losses for both TCSB and IBCP are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity. DADCO has assumed that there has been no material change in TCSB's or IBCP's assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements provided to DADCO. DADCO's analysis did not reflect or contemplate any proposed changes to the U.S. tax code that are being deliberated by U.S. Congress. DADCO has assumed in all respects material to its analysis that TCSB and IBCP will remain as going concerns for all periods relevant to its analysis. DADCO has also assumed in all respects material to its analysis that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement are not waived. DADCO has assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the merger, no restrictions, including any divestiture requirements or amendment or modifications, will be imposed that will have a material adverse effect on the contemplated benefits of the merger. DADCO's opinion is necessarily based upon information available to DADCO and economic, market, financial and other conditions as they exist and can be evaluated on the date the fairness opinion letter was delivered to TCSB's board of directors.

Set forth below is a summary of the material financial analyses performed by DADCO in connection with rendering its opinion. The summary of the analyses of DADCO set forth below is not a complete description of the



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analysis underlying its opinion, and the order in which these analyses are described below is not indicative of any relative weight or importance given to those analyses by DADCO. The following summaries of financial analyses include information presented in tabular format. You should read these tables together with the full text of the summary financial analyses, as the tables alone are not a complete description of the analyses.

Unless otherwise indicated, the following quantitative information, to the extent it is based on market data, is based on market data as of November 27, 2017, the last trading day prior to the date on which DADCO received approval from the Fairness Opinion Committee to deliver the fairness opinion letter to TCSB's Board of Directors, and is not necessarily indicative of market conditions after such date.

*Summary of Proposal*

DADCO reviewed the financial terms of the proposed merger. As described in the merger agreement, each outstanding share of TCSB common stock will be converted into the right to receive 1.1166 shares of IBCP common stock subject to a possible downward adjustment based upon TCSB adjusted shareholders' equity as provided in the merger agreement. The terms and conditions of the merger are more fully described in the merger agreement. For purposes of the financial analyses described below, based on the closing price of IBCP common stock on November 27, 2017, of \$22.15, the exchange ratio represented a value of \$24.73 per share of TCSB common stock. Based upon financial information as of or for the twelve month period ended September 30, 2017, DADCO calculated the following transaction ratios:

**Transaction Ratios**

|   | <b>Aggregate</b> |
|---|------------------|
| Transaction Price / Book Value                        | 186.5 %          |
| Transaction Price / Tangible Book Value               | 204.0 %          |
| Transaction Price / Core Tangible Book Value          | 214.7 %          |
| Tangible Book Premium / Core Deposits <sup>(1)</sup>  | 11.8 %           |
| Transaction Price / Last Twelve Months Net Income     | 23.9 x           |
| Transaction Price / Net Income (2017E) <sup>(2)</sup> | 19.9 x           |
| Transaction Price / Net Income (2018E) <sup>(2)</sup> | 17.0 x           |

(1) Tangible book premium / core deposits calculated by dividing the excess or deficit of the aggregate transaction value compared to tangible book value by core deposits

(2) Projections based on TCSB management's forecast and D.A. Davidson & Co. assumptions

*Contribution Analysis*

DADCO analyzed the relative contribution of TCSB and IBCP to certain financial and operating metrics for the pro forma combined company. Such financial and operating metrics included: (i) branches; (ii) full time equivalent ( FTE ) employees; (iii) assets per FTE employee; (iv) TCSB's net income for the twelve months ended September 30, 2017; (v) estimates for TCSB's net income for the twelve months ended December 31, 2017 based on TCSB management's forecast; (vi) estimates for TCSB net income for the twelve months ended December 31, 2018 and December 31, 2019 based on DADCO Investment Banking assumptions; (vii) total assets; (viii) total cash; (ix) total investment securities; (x) gross loans (including loans held for sale); (xi) loan loss reserve; (xii) total deposits; (xiii) total non-interest bearing deposits; (xiv) total non-maturity deposits; (xv) total tangible common equity. The relative contribution analysis did not give effect to the impact of any synergies as a result of the proposed merger. The results of this analysis are summarized in the table below:

**Contribution Analysis**

|  | <b>IBCP<br/>Stand-alone</b> | <b>IBCP %<br/>of Total</b> | <b>TCSB<br/>Stand-alone</b> | <b>TCSB<br/>%<br/>of<br/>Total</b> | <b>Total</b> |
|--|-----------------------------|----------------------------|-----------------------------|------------------------------------|--------------|
| <b><u>Company Information</u></b>      |                             |                            |                             |                                    |              |
| Branches                               | 64                          | 92.8 %                     | 5                           | 7.2 %                              | 69           |
| Full Time Equivalent ( FTE ) Employees | 858                         | 90.9 %                     | 86                          | 9.1 %                              | 944          |
| Assets per FTE Employee (in thousands) | \$ 3,209                    |                            | \$ 4,057                    |                                    | \$ 3,286     |

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|   | IBCP<br>Stand-alone | IBCP %<br>of Total | TCSB<br>Stand-alone | TCSB<br>%<br>of Total | Total        |
|---|---------------------|--------------------|---------------------|-----------------------|--------------|
| <b><u>Income Statement - Projections</u></b>            |                     |                    |                     |                       |              |
| 2017 Estimated Net Income (in thousands) <sup>(1)</sup> | \$ 26,150           | 89.7 %             | \$ 3,000            | 10.3 %                | \$ 29,150    |
| 2018 Estimated Net Income (in thousands) <sup>(2)</sup> | \$ 30,273           | 89.6 %             | \$ 3,511            | 10.4 %                | \$ 33,784    |
| 2019 Estimated Net Income (in thousands) <sup>(2)</sup> | \$ 33,531           | 89.3 %             | \$ 4,017            | 10.7 %                | \$ 37,548    |
| <b><u>Balance Sheet</u></b>                             |                     |                    |                     |                       |              |
| Total Assets (in thousands)                             | \$ 2,753,446        | 88.8 %             | \$ 348,924          | 11.2 %                | \$ 3,102,370 |
| Total Cash (in thousands)                               | \$ 51,092           | 49.0 %             | \$ 53,087           | 51.0 %                | \$ 104,179   |
| Total Investment Securities (in thousands)              | \$ 564,755          | 98.7 %             | \$ 7,332            | 1.3 %                 | \$ 572,087   |
| Gross Loans Incl. Loans HFS (in thousands)              | \$ 1,984,705        | 87.6 %             | \$ 280,281          | 12.4 %                | \$ 2,264,986 |
| Loan Loss Reserve (in thousands)                        | \$ 21,478           | 90.1 %             | \$ 2,363            | 9.9 %                 | \$ 23,841    |
| Total Deposits (in thousands)                           | \$ 2,343,761        | 88.9 %             | \$ 291,607          | 11.1 %                | \$ 2,635,368 |
| Non-Interest Bearing Demand Deposits (in thousands)     | \$ 753,555          | 88.8 %             | \$ 95,088           | 11.2 %                | \$ 848,643   |
| Non-Maturity Deposits (in thousands)                    | \$ 1,817,450        | 88.0 %             | \$ 247,832          | 12.0 %                | \$ 2,065,282 |
| Tangible Common Equity (in thousands)                   | \$ 266,037          | 89.7 %             | \$ 30,547           | 10.3 %                | \$ 296,584   |

Note: Pro forma contribution does not include any purchase accounting or merger adjustments

(1) Net income based on TCSB management's forecast

(2) Net income based on D.A. Davidson & Co. Investment Banking assumptions

*IBCP Comparable Companies Analysis – Central U.S.*

DADCO used publicly available information to compare selected financial and market trading information for IBCP and a group of 23 financial institutions selected by DADCO which: (i) were banks with common stock listed on NASDAQ or NYSE; (ii) were headquartered in Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin; and (iii) had assets between \$2.0 billion and \$5.0 billion. These 23 financial institutions were as follows:

|                                  |                                     |
|----------------------------------|-------------------------------------|
| Republic Bancorp, Inc.           | Merchants Bancorp                   |
| Great Southern Bancorp, Inc.     | German American Bancorp, Inc.       |
| Lakeland Financial Corporation   | First Financial Corporation         |
| Midland States Bancorp, Inc.     | Nicolet Bankshares, Inc.            |
| Community Trust Bancorp, Inc.    | First Mid-Illinois Bancshares, Inc. |
| Peoples Bancorp Inc.             | First Internet Bancorp              |
| QCR Holdings, Inc.               | United Community Financial Corp.    |
| Horizon Bancorp                  | Equity Bancshares, Inc.             |
| Byline Bancorp, Inc.             | Old Second Bancorp, Inc.            |
| Mercantile Bank Corporation      | Farmers National Banc Corp.         |
| Stock Yards Bancorp, Inc.        | West Bancorporation, Inc.           |
| MidWestOne Financial Group, Inc. |                                     |

\*Does not reflect impact from pending acquisitions or acquisitions closed after November 16, 2017

The analysis compared publicly available financial and market trading information for IBCP to the data for the 23 financial institutions identified above as of and for the twelve-month period ended September 30, 2017. The table



below compares the data for IBCP and the data for the comparable companies, with pricing data as of November 16, 2017. The 2017 and 2018 earnings per share estimates used in the table below were based on average S&P Global Market Intelligence consensus earnings estimates for IBCP and the 23 financial institutions identified above.

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|   | <b>Comparable Companies</b> |               |                |                |                |
|---|-----------------------------|---------------|----------------|----------------|----------------|
|   | <b>IBCP</b>                 | <b>Median</b> | <b>Average</b> | <b>Minimum</b> | <b>Maximum</b> |
| Total Assets (in millions)                          | \$ 2,753                    | \$ 3,144      | \$ 3,257       | \$ 2,030       | \$ 4,993       |
| Non-Performing Assets / Total Assets <sup>(1)</sup> | 2.68 %                      | 0.79 %        | 0.79 %         | 0.03 %         | 2.49 %         |
| Tangible Common Equity Ratio                        | 9.67 %                      | 9.26 %        | 9.55 %         | 5.97 %         | 13.83 %        |
| Net Interest Margin                                 | 3.60 %                      | 3.74 %        | 3.65 %         | 2.51 %         | 4.27 %         |
| Cost of Deposits                                    | 0.27 %                      | 0.36 %        | 0.41 %         | 0.17 %         | 1.32 %         |
| Non-Interest Income / Average Assets                | 1.70 %                      | 1.06 %        | 1.06 %         | 0.41 %         | 1.68 %         |
| Efficiency Ratio                                    | 69.0 %                      | 58.2 %        | 57.0 %         | 28.7 %         | 69.0 %         |
| Return on Average Equity                            | 9.58 %                      | 9.85 %        | 11.01 %        | 6.45 %         | 22.12 %        |
| Return on Average Assets                            | 0.95 %                      | 1.07 %        | 1.16 %         | 0.71 %         | 2.67 %         |

**Market Performance Multiples**

|   | <b>Comparable Companies</b> |               |                |                |                |
|---|-----------------------------|---------------|----------------|----------------|----------------|
|   | <b>IBCP</b>                 | <b>Median</b> | <b>Average</b> | <b>Minimum</b> | <b>Maximum</b> |
| Market Capitalization (in millions)                 | \$ 467.2                    | \$ 581.2      | \$ 596.0       | \$ 307.0       | \$ 1,211.6     |
| Price / LTM Earnings Per Share                      | 19.2 x                      | 16.9 x        | 17.0 x         | 5.5 x          | 24.4 x         |
| Price / 2017 Est. Earnings Per Share <sup>(2)</sup> | 17.8 x                      | 16.2 x        | 17.1 x         | 14.3 x         | 22.8 x         |
| Price / 2018 Est. Earnings Per Share <sup>(2)</sup> | 15.7 x                      | 14.9 x        | 15.3 x         | 12.5 x         | 19.2 x         |
| Price / Tangible Book Value Per Share               | 175.6 %                     | 190.6 %       | 192.4 %        | 131.0 %        | 265.7 %        |

(1) Non-performing assets / total assets includes performing troubled debt restructurings (TDRs)

(2) Earnings per share estimates based on average S&P Global Market Intelligence consensus earnings estimates for IBCP

*TCSB Comparable Companies Analysis*

DADCO used publicly available information to compare selected financial and market trading information for TCSB and a group of 21 financial institutions selected by DADCO which: (i) were banks with common stock listed on NASDAQ, NYSE, or OTC; (ii) were headquartered in Michigan; and (iii) had total assets between \$100.0 million to \$1.0 billion. The 21 financial institutions were as follows:

|                                     |                                 |
|-------------------------------------|---------------------------------|
| Fentura Financial, Inc.             | CNB Corporation                 |
| Southern Michigan Bancorp, Inc.     | Century Financial Corporation   |
| ChoiceOne Financial Services, Inc.  | CSB Bancorp, Inc.               |
| County Bank Corp                    | University Bancorp, Inc.        |
| Keweenaw Financial Corporation      | Central Bank Corporation        |
| Commercial National Financial Corp. | Grand River Commerce, Inc.      |
| West Shore Bank Corporation         | Clarkston Financial Corporation |
| FNBH Bancorp, Inc.                  | Community Shores Bank Corp.     |
| Oxford Bank Corporation             | Edgewater Bancorp, Inc.         |
| Eastern Michigan Financial Corp.    | Huron Valley Bancorp, Inc.      |
| HCB Financial Corporation           |                                 |

\*Does not reflect impact from pending acquisitions or acquisitions closed after November 24, 2017

The analysis compared financial and market trading information for TCSB as of and for the twelve-month period ended September 30, 2017 to the data for the 21 financial institutions identified above as of and for the twelve-month period ended September 30, 2017. The table below compares the data for TCSB and the data for the 21 financial institutions identified above, with pricing data as of November 24, 2017.

TABLE OF CONTENTS**Financial Condition and Performance**

|   | <b>Comparable Companies</b> |               |                |                |                |
|---|-----------------------------|---------------|----------------|----------------|----------------|
|   | <b>TCSB</b>                 | <b>Median</b> | <b>Average</b> | <b>Minimum</b> | <b>Maximum</b> |
| Total Assets (in millions)                          | \$ 349                      | \$ 316        | \$ 381         | \$ 141         | \$ 757         |
| Non-Performing Assets / Total Assets <sup>(1)</sup> | 1.45 %                      | 0.83 %        | 1.32 %         | 0.00 %         | 5.06 %         |
| Tangible Common Equity Ratio                        | 8.83 %                      | 9.66 %        | 9.57 %         | 5.49 %         | 12.73 %        |
| Net Interest Margin                                 | 3.83 %                      | 3.60 %        | 3.59 %         | 3.01 %         | 4.30 %         |
| Cost of Deposits                                    | 0.42 %                      | 0.25 %        | 0.33 %         | 0.11 %         | 0.79 %         |
| Non-Interest Income / Average Assets                | 0.92 %                      | 0.73 %        | 1.67 %         | 0.33 %         | 19.83 %        |
| Efficiency Ratio                                    | 63.7 %                      | 72.3 %        | 73.4 %         | 59.8 %         | 91.3 %         |
| Return on Average Equity                            | 7.98 %                      | 8.66 %        | 9.75 %         | 2.65 %         | 25.61 %        |
| Return on Average Assets                            | 0.76 %                      | 0.92 %        | 0.97 %         | 0.22 %         | 2.43 %         |

**Market Performance Multiples**

|                                       | <b>Comparable Companies</b> |                |                |                |
|---------------------------------------|-----------------------------|----------------|----------------|----------------|
|                                       | <b>Median</b>               | <b>Average</b> | <b>Minimum</b> | <b>Maximum</b> |
| Market Capitalization (in millions)   | \$ 38.5                     | \$ 41.0        | \$ 10.6        | \$ 79.4        |
| Price / LTM Earnings Per Share        | 13.3 x                      | 14.0 x         | 6.1 x          | 31.4 x         |
| Price / Tangible Book Value Per Share | 110.2 %                     | 114.2 %        | 49.4 %         | 210.0 %        |

(1) Non-performing assets / total assets includes performing troubled debt restructurings (TDRs)

*Precedent Transactions Analysis*

DADCO reviewed two sets of comparable merger and acquisition transactions. The sets of mergers and acquisitions included: (1) Nationwide Banks, and (2) Michigan Banks.

The Nationwide Banks comparable transaction group included 22 transactions where:

- the transaction was announced between January 1, 2017 and November 27, 2017;
- the transaction involved banks headquartered nationwide;
- the selling company's last twelve months NPAs/Assets were below 2.00%;
- the selling company's total assets were between \$250.0 million and \$500.0 million; and
- the transaction was not a merger of equals.

The Michigan Banks comparable transaction group included 12 transactions where:

- the transaction was announced since January 1, 2014 and November 16, 2017;
- the transaction involved banks headquartered in Michigan;
- the selling company's total assets were between \$100.0 million and \$1.0 billion; and
- the transaction was not a merger of equals.

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The following tables set forth the transactions included in Nationwide Banks, and Michigan Banks, and are sorted by announcement date:

**Nationwide Banks Comparable Transactions**

| <b>Announcement Date</b> | <b>Acquirer</b>                         | <b>Target</b>                     |
|--------------------------|---|-----------------------------------|
| 11/13/2017*              | Heartland Financial USA, Inc.           | Signature Bancshares, Inc.        |
| 11/07/2017*              | Suncrest Bank                           | CBBC Bancorp                      |
| 10/24/2017*              | First Bancshares, Inc.                  | Southwest Banc Shares, Inc.       |
| 10/12/2017*              | First Financial Bankshares, Inc.        | Commercial Bancshares, Inc.       |
| 10/06/2017*              | Business First Bancshares, Inc.         | Minden Bancorp, Inc.              |
| 10/04/2017*              | MutualFirst Financial, Inc.             | Universal Bancorp                 |
| 9/21/2017*               | Brookline Bancorp, Inc.                 | First Commons Bank, NA            |
| 9/18/2017*               | First American Bank Corporation         | Southport Financial Corporation   |
| 8/23/2017*               | Commerce Union Bancshares, Inc.         | Community First, Inc.             |
| 8/01/2017*               | Veritex Holdings, Inc.                  | Liberty Bancshares, Inc.          |
| 7/26/2017*               | Triumph Bancorp, Inc.                   | Valley Bancorp, Inc.              |
| 7/21/2017*               | Select Bancorp, Inc.                    | Premara Financial, Inc.           |
| 7/17/2017                | Equity Bancshares, Inc.                 | Cache Holdings, Inc.              |
| 7/17/2017                | Equity Bancshares, Inc.                 | Eastman National Bancshares, Inc. |
| 6/08/2017                | QCR Holdings, Inc.                      | Guaranty Bank and Trust Company   |
| 6/06/2017*               | Glacier Bancorp, Inc.                   | Columbine Capital Corporation     |
| 5/04/2017                | Seacoast Banking Corporation of Florida | Palm Beach Community Bank         |
| 5/02/2017                | Seacoast Commerce Banc Holdings         | Capital Bank                      |
| 3/29/2017*               | Mid Penn Bancorp, Inc.                  | Scottsdale Bank & Trust Company   |
| 2/14/2017                | Progress Financial Corporation          | First Partners Financial, Inc.    |
| 2/01/2017                | Old Line Bancshares, Inc.               | DCB Bancshares, Inc.              |
| 1/20/2017                | HCBF Holding Company, Inc.              | Jefferson Bankshares, Inc.        |

\*Indicates the transaction was pending as of November 27, 2017

**Michigan Banks Comparable Transactions**

| <b>Announcement Date</b> | <b>Acquirer</b>                     | <b>Target</b>                          |
|--------------------------|-------------------------------------|--|
| 6/14/2017                | Horizon Bancorp                     | Wolverine Bancorp, Inc.                |
| 7/20/2016                | Arbor Bancorp, Inc.                 | Birmingham Bloomfield Bancshares, Inc. |
| 6/16/2016                | Commercial National Financial Corp. | Capital Directions, Inc.               |
| 3/24/2016                | Fentura Financial, Inc.             | Community Bancorp, Inc.                |
| 10/22/2015               | Level One Bancorp, Inc.             | Bank of Michigan                       |
| 11/20/2014               | Level One Bancorp, Inc.             | Lotus Bancorp, Inc.                    |
| 11/03/2014               | Chemical Financial Corporation      | Monarch Community Bancorp, Inc.        |
| 8/06/2014                | Talmer Bancorp, Inc.                | First of Huron Corp.                   |
| 7/28/2014                | Old National Bancorp                | Founders Financial Corporation         |
| 7/18/2014                | Mackinac Financial Corporation      | Peninsula Financial Corporation        |
| 3/11/2014                | Chemical Financial Corporation      | Northwestern Bancorp                   |
| 1/08/2014                | Old National Bancorp                | United Bancorp, Inc.                   |

\*Indicates the transaction was pending as of November 16, 2017

For each transaction referred to above, DADCO compared, among other things, the following implied ratios:

†transaction price compared to net income for the twelve months ended September 30, 2017;

transaction price compared to tangible book value as of September 30, 2017; and  
tangible book premium to core deposits as of September 30, 2017.

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As illustrated in the following table, DADCO compared the proposed merger multiples to the multiples of the comparable transaction groups and other operating financial data where relevant. The table below sets forth the data for the comparable transaction groups as of the last twelve months ended prior to the transaction announcement and TCSB data for the last twelve months ended September 30, 2017.

**Financial Condition and Performance**

|   | <b>Nationwide Banks</b> |               |                |                |                | <b>Michigan Banks</b> |                |                |                |
|---|-------------------------|---------------|----------------|----------------|----------------|-----------------------|----------------|----------------|----------------|
|   | <b>TCSB</b>             | <b>Median</b> | <b>Average</b> | <b>Minimum</b> | <b>Maximum</b> | <b>Median</b>         | <b>Average</b> | <b>Minimum</b> | <b>Maximum</b> |
| Total Assets (in millions)                          | \$ 348.9                | \$ 321.8      | \$ 337.3       | \$ 254.0       | \$ 479.6       | \$ 211.9              | \$             | \$ 101.8       | \$ 918.8       |
| Return on Average Assets                            | 0.76 %                  | 0.96 %        | 0.96 %         | 0.21 %         | 1.67 %         | 0.76 %                | 0.49 %         | (0.97 )%       | 1.21 %         |
| Return on Average Equity                            | 7.98 %                  | 9.66 %        | 9.08 %         | 1.23 %         | 15.69 %        | 6.86 %                | 4.37 %         | (11.84 )%      | 12.18 %        |
| Tangible Common Equity Ratio                        | 8.83 %                  | 10.02 %       | 10.46 %        | 6.66 %         | 17.28 %        | 9.55 %                | 10.00 %        | 6.48 %         | 16.47 %        |
| Core Deposits / Total Deposits                      | 92.0 %                  | 82.3 %        | 79.2 %         | 17.5 %         | 98.5 %         | 85.3 %                | 81.9 %         | 59.3 %         | 96.7 %         |
| Non-Interest Income / Average Assets                | 0.92 %                  | 0.42 %        | 0.50 %         | 0.12 %         | 1.16 %         | 0.54 %                | 1.13 %         | 0.14 %         | 3.07 %         |
| Efficiency Ratio                                    | 63.7 %                  | 63.6 %        | 64.1 %         | 36.9 %         | 90.2 %         | 74.4 %                | 76.2 %         | 57.4 %         | 103.2 %        |
| Non-Performing Assets / Total Assets <sup>(1)</sup> | 1.45 %                  | 0.56 %        | 0.69 %         | 0.00 %         | 1.98 %         | 3.04 %                | 3.25 %         | 0.76 %         | 6.29 %         |
| Loan Loss Reserves / Non-Performing Assets          | 47.1 %                  | 109.9 %       | 177.6 %        | 39.0 %         | 601.1 %        | 31.8 %                | 62.5 %         | 18.7 %         | 144.0 %        |

**Transaction Multiples**

|   | <b>Nationwide Banks</b> |               |                |                |                | <b>Michigan Banks</b> |                |                |                |
|---|-------------------------|---------------|----------------|----------------|----------------|-----------------------|----------------|----------------|----------------|
|   | <b>TCSB</b>             | <b>Median</b> | <b>Average</b> | <b>Minimum</b> | <b>Maximum</b> | <b>Median</b>         | <b>Average</b> | <b>Minimum</b> | <b>Maximum</b> |
| Transaction Price / Last Twelve Months Earnings | 23.9 x                  | 18.3 x        | 18.6 x         | 10.7 x         | 30.0 x         | 17.8 x                | 22.3 x         | 14.0 x         | 39.3 x         |
| Transaction Price / Tangible Book Value         | 204.0 %                 | 177.8 %       | 177.1 %        | 130.0 %        | 206.9 %        | 141.3 %               | 153.3 %        | 115.4 %        | 212.8 %        |
|   | 11.84 %                 | 10.23 %       | 11.58 %        | 6.41 %         | 38.02 %        | 7.69 %                | 7.77 %         | 1.12 %         | 17.38 %        |

Tangible  
Book  
Premium /  
Core  
Deposits<sup>(2)</sup>

(1) Non-performing assets / total assets includes performing troubled debt restructurings (TDRs)

Core deposits exclude time deposits with account balances greater than \$100,000. Tangible book premium / core

(2) deposits calculated by dividing the excess or deficit of the aggregate transaction value over tangible book value by core deposits

*Net Present Value Analysis for TCSB*

DADCO performed an analysis that estimated the net present value per share of TCSB common stock under various circumstances. The analysis assumed: (i) TCSB performed in accordance with TCSB management's financial forecasts for the years ending December 31, 2017; and (ii) TCSB performed in accordance with D.A. DADCO Investment Banking assumptions for the years ended December 31, 2018, December 31, 2019, December 31, 2020, December 31, 2021, and December 31, 2022, as discussed with and confirmed by TCSB management. To approximate the terminal value of TCSB common stock at December 31, 2022, DADCO applied multiples of tangible book value ranging from 175.0% to 200.0% and price to earnings multiples of 15.0x to 20.0x. The income streams and terminal values were then discounted to present values using different discount rates ranging from 10.00% to 12.00% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of TCSB's common stock. In evaluating the discount rate, DADCO used industry standard methods of adding the current risk-free rate, which is based on the 10-year Treasury yield, plus the published Duff & Phelps Industry Equity Risk Premium and plus the published Duff & Phelps Size Premium.

At the December 4, 2017 TCSB board of directors meeting, DADCO noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

As illustrated in the following tables, the analysis indicates an imputed range of aggregate values of TCSB common stock of \$52.3 million to \$65.7 million when applying the multiples of tangible book value to the financial forecasts and \$45.8 million to \$67.1 million when applying the price to earnings multiples to the financial forecasts.



TABLE OF CONTENTSTangible Book Value Multiples

|                      | <b>Tangible Book Value Multiple</b> |               |               |               |               |
|----------------------|-------------------------------------|---------------|---------------|---------------|---------------|
| <b>Discount Rate</b> | <b>175.0%</b>                       | <b>181.3%</b> | <b>187.5%</b> | <b>193.8%</b> | <b>200.0%</b> |
| 10.00%               | \$ 57,493                           | \$ 59,547     | \$ 61,600     | \$ 63,653     | \$ 65,707     |
| 10.50%               | \$ 56,139                           | \$ 58,144     | \$ 60,149     | \$ 62,154     | \$ 64,159     |
| 11.00%               | \$ 54,823                           | \$ 56,781     | \$ 58,739     | \$ 60,697     | \$ 62,655     |
| 11.50%               | \$ 53,544                           | \$ 55,456     | \$ 57,368     | \$ 59,280     | \$ 61,193     |
| 12.00%               | \$ 52,299                           | \$ 54,167     | \$ 56,035     | \$ 57,903     | \$ 59,771     |

Earnings Per Share Multiples

|                      | <b>Earnings Multiple</b> |              |              |              |              |
|----------------------|--------------------------|--------------|--------------|--------------|--------------|
| <b>Discount Rate</b> | <b>15.0x</b>             | <b>16.3x</b> | <b>17.5x</b> | <b>18.8x</b> | <b>20.0x</b> |
| 10.00%               | \$ 50,344                | \$ 54,539    | \$ 58,734    | \$ 62,930    | \$ 67,125    |
| 10.50%               | \$ 49,158                | \$ 53,255    | \$ 57,351    | \$ 61,448    | \$ 65,544    |
| 11.00%               | \$ 48,006                | \$ 52,006    | \$ 56,006    | \$ 60,007    | \$ 64,007    |
| 11.50%               | \$ 46,885                | \$ 50,792    | \$ 54,699    | \$ 58,606    | \$ 62,513    |
| 12.00%               | \$ 45,796                | \$ 49,612    | \$ 53,428    | \$ 57,245    | \$ 61,061    |

*Financial Impact Analysis*

DADCO performed pro forma merger analyses that combined projected income statement and balance sheet information of TCSB and IBCP. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of IBCP. In the course of this analysis, DADCO used (i) TCSB management's financial forecasts for the year ended December 31, 2017; (ii) DADCO Investment Banking net income assumptions for TCSB for the years ended December 31, 2018, December 31, 2019, December 31, 2020, December 31, 2021, and December 31, 2022, as discussed with and confirmed by TCSB management; (iii) average S&P Global Market Intelligence consensus earnings estimates for IBCP for the years ended December 31, 2017, December 31, 2018, and December 31, 2019; and (iv) DADCO Investment Banking net income assumptions for IBCP for the years thereafter, as discussed with and confirmed by TCSB management. This analysis indicated that the merger is expected to be accretive to IBCP's estimated earnings per share in 2018. The analysis also indicated that the merger is expected to be dilutive to tangible book value per share for IBCP and that IBCP would maintain capital ratios in excess of those required for IBCP to be considered well-capitalized under existing regulations. For all of the above analyses, the actual results achieved by TCSB and IBCP prior to and following the merger will vary from the projected results, and the variations may be material.

DADCO prepared its analyses for purposes of providing its opinion to TCSB's board of directors as to the fairness, from a financial point of view, to the holders of TCSB common stock of the exchange ratio to be paid to the holders of the TCSB common stock in the proposed merger and to assist TCSB's board of directors in analyzing the proposed merger. The analyses do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than those suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties and their respective advisors, none of TCSB, IBCP or DADCO or any other person assumes responsibility if future results are materially different from those forecasted.

DADCO's opinion was one of many factors considered by the TCSB's board of directors in its evaluation of the merger and should not be viewed as determinative of the views of the board of directors of TCSB or management with respect to the merger or the exchange ratio.

DADCO and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions. DADCO acted as financial advisor to TCSB in connection with, and participated in certain of the negotiations leading to the merger. DADCO is a full service securities firm engaged, either directly

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or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, DADCO and its affiliates may provide such services to TCSB, IBCP and their respective affiliates, may actively trade the debt and equity securities (or related derivative securities) of TCSB and IBCP for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities. TCSB selected DADCO as its financial advisor because it is a recognized investment banking firm that has substantial experience in transactions similar to the merger. Pursuant to a letter agreement dated June 13, 2017, TCSB engaged DADCO as its financial advisor in connection with the contemplated transaction. Pursuant to the terms of the engagement letter, TCSB agreed to pay DADCO a cash fee of \$50,000 concurrently with the rendering of its opinion. TCSB will pay to DADCO at the time of closing of the merger a contingent cash fee equal to (i) 1.00% of the Aggregate Consideration up to \$25 per share; plus (ii) 3.00% of the Aggregate Consideration between \$25 per share and \$27.50 per share; plus (iii) 5.00% of the Aggregate Consideration exceeding \$27.50. TCSB has also agreed to reimburse DADCO for all reasonable out-of-pocket expenses, including fees of counsel, and to indemnify DADCO and certain related persons against specified liabilities, including liabilities under the federal securities laws, relating to or arising out of its engagement.

Please be advised that during the two years preceding the date of this letter, neither DADCO nor its affiliates have had any other material financial advisory or other material commercial or investment banking relationships involving the payment or receipt of compensation with TCSB or IBCP.

### **No Dissenters Rights in the Merger**

Dissenters' rights are rights that, if available under law, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. Dissenters' rights are not available in all circumstances, and exceptions to these rights are provided in the MBCA. Under the MBCA and TCSB's articles of incorporation, holders of TCSB common stock will not have dissenters' rights in connection with the merger.

### **Accounting Treatment**

In accordance with current accounting guidance, the merger will be accounted for using the purchase method. The result of this is that the recorded assets and liabilities of IBCP will be carried forward at their recorded amounts, the historical operating results will be unchanged for the prior periods being reported on, and the assets and liabilities of TCSB will be adjusted to fair value at the date of the merger. In addition, all identified intangibles will be recorded at fair value and included as part of the net assets acquired. To the extent that the purchase price consideration, which is measured at the date of the effective time of the merger and consists of the shares of IBCP common stock to be issued to TCSB shareholders and cash in lieu of any fractional shares, exceeds the fair value of the net assets, including identifiable intangibles of TCSB at the effective time of the merger, that amount will be reported as goodwill. In accordance with current accounting guidance, goodwill will not be amortized but will be evaluated for impairment annually or more often if necessary. Identified intangibles will be amortized over their estimated lives. Further, the purchase accounting method results in the operating results of TCSB being included in the consolidated financial results of IBCP beginning from the effective time of the merger.

### **Material United States Federal Income Tax Consequences**

#### *General*

The following is a summary of the material anticipated United States federal income tax consequences generally applicable to a U.S. Holder (as defined below) of TCSB common stock with respect to the exchange of TCSB common stock for IBCP common stock pursuant to the merger. This discussion assumes that U.S. Holders hold their TCSB common stock as capital assets within the meaning of Section 1221 of the Code. This summary is based on the Code, regulations issued by the IRS ( Treasury Regulations ), judicial decisions, and administrative pronouncements, each as in effect as of the date of this prospectus and proxy statement. All of the foregoing are subject to change at any time, possibly with retroactive effect, and all are subject to differing interpretation. No advance ruling has been sought or obtained from the IRS regarding the United States federal income tax consequences of the merger. As a result, no assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below.

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This summary does not address any tax consequences arising under United States federal tax laws other than United States federal income tax laws, nor does it address the laws of any state, local, foreign, or other taxing jurisdiction, nor does it address any aspect of income tax that may be applicable to non-U.S. Holders of TCSB common stock. In addition, this summary does not address all aspects of United States federal income taxation that may apply to U.S. Holders of TCSB common stock in light of their particular circumstances or U.S. Holders that are subject to special rules under the Code, such as holders of TCSB common stock that are partnerships or other pass-through entities (and persons holding their TCSB common stock through a partnership or other pass-through entity), persons who acquired shares of TCSB common stock as a result of the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan, persons subject to the alternative minimum tax, tax-exempt organizations, financial institutions, broker-dealers, traders in securities that have elected to apply a mark-to-market method of accounting, insurance companies, persons having a functional currency other than the U.S. dollar, and persons holding their TCSB common stock as part of a straddle, hedging, constructive sale, or conversion transaction.

For purposes of this summary, a U.S. Holder is a beneficial owner of TCSB common stock that is for United States federal income tax purposes:

- a United States citizen or resident alien;
  - a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created or organized under the laws of the United States or any state therein or the District of Columbia;
  - a trust if (1) it is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) it was in existence on August 20, 1996 and has a valid election in effect under applicable Treasury Regulations to be treated as a United States person;
  - or
  - an estate, the income of which is subject to United States federal income taxation regardless of its source.
- If a partnership (including an entity treated as a partnership for United States federal income tax purposes) holds TCSB common stock, the tax treatment of a partner in the partnership will generally depend on the status of such partner and the activities of the partnership.

IBCP and TCSB have structured the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. The obligations of IBCP and TCSB to consummate the merger are conditioned upon the receipt of an opinion from Warner Norcross & Judd LLP for its client, TCSB, and an opinion from Varnum LLP for its client, IBCP, to the effect that the merger will for federal income tax purposes qualify as a reorganization based upon customary representations made by IBCP and TCSB.

In connection with the filing with the SEC of the registration statement on Form S-4 of which this prospectus and proxy statement is a part, Warner Norcross & Judd LLP, tax counsel to TCSB, has rendered its tax opinion to TCSB, and Varnum LLP, tax counsel to IBCP, has rendered its tax opinion to IBCP addressing the material U.S. federal income tax consequences of the merger as described below. The discussion below of the material U.S. federal income tax consequences of the merger serves, insofar as such discussion constitutes statements of United States federal income tax law or legal conclusions, as the opinion of each of Warner Norcross & Judd LLP and Varnum LLP as to the material U.S. federal income tax consequences of the merger to the U.S. holders of TCSB common stock.

Assuming that the transactions are consummated substantially in conformity with the terms of the merger agreement, the merger will constitute a reorganization within the meaning of Section 368(a) of the Code and therefore, the material United States federal income tax consequences of the merger are as follows:

- no gain or loss will be recognized by IBCP or TCSB by reason of the merger;
- a U.S. Holder of TCSB common stock will not recognize gain if it exchanges its TCSB common stock for IBCP common stock in the merger, except to the extent of any cash received in lieu of fractional shares;

- a U.S. Holder of TCSB common stock will not recognize any loss if it exchanges its TCSB common stock for IBCP common stock;
- the aggregate tax basis in the IBCP common stock received by a U.S. Holder in the merger will equal the aggregate tax basis in the TCSB common stock surrendered in the merger; and

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the holding period for the IBCP common stock received by a U.S. Holder in the merger will include the holding period for the shares of TCSB common stock surrendered in the merger.

### *Exchange of TCSB Common Stock for IBCP Common Stock*

TCSB shareholders will exchange all of their TCSB common stock for IBCP common stock in the merger. Accordingly, shareholders will not recognize gain or loss upon the exchange, except with respect to any cash received in lieu of fractional shares of IBCP stock.

### *Backup Withholding and Information Reporting*

Payments of cash to a holder of TCSB common stock may, under certain circumstances, be subject to information reporting and backup withholding at the effective statutory rate of the cash payable to the holder, unless the holder provides proof of an applicable exemption or furnishes his, her, or its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the holder's U.S. federal income tax liability, provided the required information is furnished to the IRS.

The preceding discussion is intended only as a summary of material United States federal income tax consequences of the merger. It is not a complete analysis or discussion of all potential tax effects that may be important to a TCSB shareholder. IBCP and TCSB have not requested and do not intend to request any ruling from the IRS. **You are urged to consult your own tax advisor as to the specific tax consequences resulting from the merger, including tax return reporting requirements, the applicability and effect of federal, state, local and other applicable tax laws, and the effect of any proposed changes in the tax laws.**

## **THE MERGER AGREEMENT**

### **Summary**

*The following describes certain aspects of the merger, including certain provisions of the merger agreement. The following description of the merger agreement is not complete and is subject to, and qualified in its entirety by reference to, the merger agreement, which is attached to this prospectus and proxy statement as **Appendix A** and is incorporated herein by reference. We urge you to read the merger agreement carefully in its entirety, as it is the legal document governing this merger.*

### **Structure of the Merger; Bank Consolidation**

At the effective time of the merger, TCSB will be merged with and into IBCP, with IBCP as the surviving corporation. The separate existence of TCSB will terminate and TCSB common stock will be cancelled and converted into the right to receive the Merger Consideration. The articles of incorporation and bylaws of IBCP as in effect immediately before the effective time of the merger will be the articles of incorporation and bylaws of the combined organization immediately after the effective time of the merger. The officers and directors of IBCP serving immediately before the effective time of the merger will be the officers and directors of the combined organization immediately after the effective time of the merger, but after the effective time of the merger, IBCP will cause one director of TCSB, determined by TCSB but subject to the reasonable approval of IBCP, to be added to the board of directors of IBCP.

Following completion of the merger, IBCP intends to consolidate Traverse City State Bank with and into Independent Bank with Independent Bank as the surviving bank.

**What TCSB Shareholders will Receive in the Merger**

If the merger agreement is approved and the merger is subsequently completed, each outstanding share of TCSB common stock that you hold will be converted into the right to receive 1.1166 shares of IBCP common stock, subject to adjustment as described below, plus cash in lieu of any fractional share.

IBCP will not issue fractional shares of IBCP common stock in the merger. A TCSB shareholder who would otherwise be entitled to receive a fraction of a share of IBCP common stock in the merger will instead receive an amount of cash determined by multiplying that fraction by the Final Purchaser Price (defined below).



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The Merger Consideration is subject to the following adjustments:

If, as of the Final Statement Date (as defined below and in the merger agreement), the Company Consolidated Shareholders' Equity (as defined below and in the merger agreement) is less than \$34,500,000, then the Stock Purchase Value (as defined below and in the merger agreement) will be reduced by an amount equal to (a) \$34,500,000 minus (b) the Company Consolidated Shareholders' Equity as of the Final Statement Date.

Company Consolidated Shareholders' Equity means TCSB's total consolidated shareholders' equity as of the Final Statement Date computed in accordance with U.S. generally accepted accounting principles (GAAP), consistently applied and excluding the net accumulated other comprehensive income/(loss) related to unrealized investment securities gains/(losses), and subject to additional adjustments as set forth in Section 5.26.1 of the merger agreement.

Final Statement Date means the last day of the calendar month preceding the date on which both TCSB's shareholders have approved the merger and all regulatory approvals required by law to consummate the merger have been obtained (statutory waiting periods need not have expired), or such other date as agreed upon by IBCP and TCSB.

Stock Purchase Value is equal to the Exchange Ratio in effect at the time of the adjustment multiplied by the total number of shares of TCSB common stock outstanding as of the effective time of the merger multiplied by the Final Purchaser Price (as defined below and in the merger agreement).

If the Final Purchaser Price of a share of IBCP common stock is less than \$19.07 and the number determined by dividing the Final Purchaser Price by \$22.44 is less than the number obtained by subtracting (i) 15% from (ii) the quotient obtained by dividing the Final Index Price (as defined below) by the Initial Index Price (as defined below), then TCSB will have the right to request an adjustment to the Exchange Ratio. If IBCP declines to adjust the Exchange Ratio as requested, then TCSB will have the right to terminate the merger agreement.

The Final Purchaser Price means the 15-day volume weighted average price of IBCP common stock ending on the sixth business day prior to the closing date for the merger in transactions reported on The Nasdaq Global Select Market.

The Initial Index Price means the closing price of the KBW Regional Banking Index (KRX), a sector index maintained by the Nasdaq Stock Market on December 1, 2017.

The Final Index Price means the closing price of the KBW Regional Banking Index (KRX) on the sixth business day prior to the closing date for the merger.

If, between the date of the merger agreement and the effective time of the merger there is declared or effected a reorganization, reclassification, recapitalization, stock split (including a reverse stock split), split-up, stock dividend or stock distribution (including any dividend or distribution of securities convertible into IBCP or TCSB common stock), combination, exchange, or readjustment of shares with respect to, or rights issued in respect of, IBCP common stock or TCSB common stock, then the Exchange Ratio will be proportionately adjusted accordingly to provide to the holders of TCSB common stock the same economic benefit as contemplated by the merger agreement prior to such event.

The amount and nature of the Merger Consideration was established through arm's-length negotiations between IBCP and TCSB and their respective advisors and reflects the balancing of a number of countervailing factors. The total amount of the Merger Consideration reflects a price both parties concluded was appropriate.

**We cannot assure you that the current market value of IBCP common stock or TCSB common stock will be equivalent to the market value of IBCP common stock or TCSB common stock on the effective date of the merger.**

**Cessation of Shareholder Status**

As of the effective time of the merger, holders of TCSB common stock outstanding immediately before the effective time of the merger will cease to be shareholders of TCSB and will have no rights as TCSB shareholders.

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### **Conversion of Shares; Exchange Procedures**

The conversion of TCSB common stock into the right to receive the Merger Consideration will occur automatically upon completion of the merger. After completion of the merger, IBCP will cause its exchange agent to promptly (i) register and issue book-entry shares of IBCP common stock to you, in the name and to the address that appear on TCSB's stock records at the effective time of the merger, or in such other name or to such other address as you specify in transmittal materials received by the exchange agent, and (ii) issue a check for any fractional share in the amount to which you are entitled, if any, after giving effect to any required tax withholding. The above actions of the exchange agent are subject to the exchange agent receiving all TCSB stock certificates held by you, or an affidavit of loss and indemnity bond for such certificates, together with properly executed transmittal materials.

As soon as reasonably practicable after the completion of the merger, you will be sent transmittal materials from the exchange agent for use in exchanging your TCSB stock certificates and to receive the Merger Consideration.

IBCP and the exchange agent will be entitled to deduct and withhold from the consideration payable to you such amounts as IBCP is required to deduct and withhold under any federal, state, local or foreign tax law. If either of them withholds any such amounts, these amounts will be treated for all purposes of the merger as having been paid to the shareholder from whom they were withheld.

### **Effective Time of the Merger**

The merger will be completed on the date and time specified in a certificate of merger filed with the State of Michigan. The effective time of the merger is anticipated to be in the first half of 2018, if the merger agreement has not been terminated before then. The merger may not be completed until the TCSB shareholders have approved the merger agreement, all necessary regulatory approvals and consents have been received, and all of the conditions to the merger set forth in the merger agreement are satisfied or waived.

### **Dividends and Distributions**

Until TCSB common stock certificates are surrendered for exchange, any dividends or other distributions declared after the effective time of the merger with respect to shares of IBCP common stock into which shares of TCSB common stock may have been converted will accrue but will not be paid. When such certificates have been duly surrendered, IBCP will pay any unpaid dividends or other distributions, without interest.

### **Potential Special Dividend**

If, prior to the effective time of the merger, the aggregate cash amount collected by Traverse City State Bank relating to a particular loan it made to a borrower exceeds \$691,000, TCSB may, subject to applicable law and TCSB's articles and bylaws, pay a special cash dividend to TCSB shareholders in an aggregate amount of up to 65% of the amount by which such aggregate collections exceed \$691,000.

### **Representations and Warranties**

The merger agreement contains customary representations and warranties of IBCP and TCSB relating to their respective businesses. In particular, the merger agreement contains representations and warranties of IBCP, on the one hand, and TCSB, on the other hand, to each other, as to, among other things:

• the corporate organization and existence of each party;

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the authority of each party to enter into the merger agreement, perform its obligations under the merger agreement, and make it valid and binding;

- the fact that the merger agreement does not conflict with or violate the articles of incorporation and bylaws of each party, applicable law, or regulatory restrictions applicable to each party;
- required regulatory approvals;
- subsidiaries;
- deposit insurance and payment of assessments;
- the capitalization of each party and voting rights of their respective securities;

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each party's financial statements and filings of reports with applicable regulatory authorities;  
the absence of undisclosed liabilities;  
the absence of certain changes or events occurring since December 31, 2016;  
the absence of material litigation;  
regulatory filings;  
conduct of each party's business (and the business of each party's subsidiaries) in compliance with applicable laws, orders, and regulations;  
the accuracy and completeness of the transaction documents;  
agreements with regulatory agencies;  
payments to be made to any brokers or finders in connection with the merger;  
securities laws matters;  
books and records;  
Community Reinvestment Act rating;  
the accuracy and completeness of organizational documents; and  
compliance with the Bank Secrecy Act.

In addition, the merger agreement contains representations and warranties of TCSB to IBCP as to:

the absence of indemnification claims;  
the filing and accuracy of its tax returns and other tax matters;  
• title to and interest in its assets and those of its subsidiaries, including real property;  
material contracts and material leases;  
intellectual property;  
licenses and permits;  
labor and employment matters;  
employee benefit plans and related matters;  
environmental matters;  
the receipt of a fairness opinion from TCSB's financial advisor;  
insurance matters, including without limitation the maintenance and adequacy of insurance and absence of material unsatisfied claims;  
the adequacy of TCSB's loan reserves;  
loans and investments;  
joint ventures and strategic alliances;  
the absence of a shareholder rights plan;  
loans and other relationships with, and control of TCSB's and its subsidiaries' assets by, certain related persons;  
material changes in business relationships;  
loan origination and servicing;  
guarantees of indebtedness owed to TCSB or any of its subsidiaries;  
data security and customer privacy; and

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compliance with policies and procedures.

The representations and warranties of each of IBCP and TCSB have been made solely for the benefit of the other party and they should not be relied on by any other person. The representations and warranties of IBCP and TCSB do not survive the completion of the merger. The parties qualified many of the representations and warranties contained in the merger agreement with exceptions set forth in disclosure letters that were separately delivered by each party to the other party.

### **Conduct of Business Pending the Merger**

#### *TCSB Restrictions*

TCSB has agreed to certain covenants in the merger agreement that restrict the conduct of its business between the date of the merger agreement and the earlier of the effective time of the merger or the termination of the merger agreement. Except as expressly contemplated by the merger agreement, as required by applicable law, or with the prior written consent of IBCP (which consent shall not be unreasonably withheld, conditioned, or delayed), TCSB has agreed to conduct its business in the ordinary course of business generally consistent with past practice in all material respects, and to the extent consistent therewith, to use commercially reasonable efforts to preserve substantially intact its and its subsidiaries' business organization and customer and business relationships, and keep available the services of present officers and employees.

In addition, TCSB has agreed to specific restrictions relating to the conduct of its business between the date of the merger agreement and the earlier of the effective time of the merger or the termination of the merger agreement, including (without limitation) restrictions related to the following (subject, in each case, to exceptions specified in the merger agreement, or with the prior written consent of IBCP, which may not be unreasonably withheld, conditioned, or delayed):

amendment of its articles of incorporation or bylaws;

(a) the split, combination or reclassification of any securities issued by TCSB or any of its subsidiaries, (b) the repurchase, redemption or other acquisition, or offer to purchase, redeem or otherwise acquire, any securities issued by TCSB or any of its subsidiaries, except for the acceptance of shares of TCSB common stock delivered in satisfaction of the exercise price or tax withholding obligations by holders of TCSB stock options that are outstanding as of the date of the merger agreement who exercise such stock options and except for shares redeemed pursuant to TCSB's 401(k) plan, or (c) the declaration, setting aside of or payment of any dividend or distribution in respect of, or entry into an agreement with respect to the voting of, any shares of capital stock, except for distributions to or from TCSB subsidiaries and except for the special dividend contemplated by Section 5.27 of the merger agreement; the issuance, sale, pledge, disposal or encumbrance of any securities issued by TCSB or any of its subsidiaries, other than the issuance of shares of TCSB common stock upon exercise of any option granted pursuant to a TCSB stock plan prior to the date of the merger agreement;

except in the ordinary course of business consistent with past practice or as required by applicable law or the express terms of any TCSB benefit plan or contract in effect as of the date of the merger agreement, (a) the increase of the compensation (including bonus opportunities) payable or that could become payable by TCSB or its subsidiaries to directors or officers or to any employees; (b) the entry into any new or amendment in any material respect of any existing employment, consulting, severance, termination, retention or change in control agreement with any of its past or present officers, directors or employees; (c) the establishment, adoption, entry into, amendment of, termination of, or the taking of any action to accelerate rights under any benefit plan; (d) the granting of any severance or termination pay unless provided under any benefit plan; (e) the granting of any compensatory awards that are payable in, relate to, or are determined by reference to the value of TCSB common stock; or (f) the funding or in any other way securing of any payment of compensation or benefit under any benefit plan;

the promotion of any officer or any non-officer employee to an officer position or the hiring or termination of employment of any officer, except for termination for cause and hiring to replace;

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the acquisition, by merger, consolidation, acquisition of stock or assets, or otherwise, of any business or division of a business or, except among wholly-owned subsidiaries of TCSB, the making of any capital contributions to any person, other than (a) incident to foreclosures in connection with debts previously contracted in good faith, or (b) acquisitions of personal property in the ordinary course of business generally consistent with past practice; except in the ordinary course of business consistent with past practice, the transfer, license, sale, lease or other disposition of any material assets, including capital stock or other equity interests in any subsidiary, provided that such prohibition will not apply to dealings with financial assets or investment securities, and that TCSB and its subsidiaries may transfer, license, sell, lease or dispose of any obsolete or unused equipment, fixtures or assets in the ordinary course of business consistent with past practice;

the adoption or effecting of a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;

- except in the ordinary course of business consistent with past practice, the repurchase, prepayment, or
- incurrence of any indebtedness for borrowed money or the guarantee of any such indebtedness of another person;

the making of any application for the opening, relocation or closing of any branch office, loan production office or other material office or facility, or the opening, relocation, or closing of any branch office, loan production office or other material office or facility;

the entry into or the amendment or modification of, in any material respect, or the consent to the termination of (other than at its stated expiration date), any material contract, other than in the ordinary course of business consistent with past practice;

the institution, settlement or compromise of any actions pending or threatened before any arbitrator, court or other governmental entity (a) involving the payment of monetary damages or admission of liability by TCSB or any of its subsidiaries of any amount exceeding \$100,000; (b) involving injunctive or similar relief; or (c) having a material impact on TCSB's business;

the making of any material change in any method of financial accounting principles or practices, in each case except for any such change required or to be required by a change in GAAP or applicable law;

the settlement or compromise of any material tax claims, audits or assessments in excess of the amount reserved for such claims, audits or assessments as set forth on TCSB's books and records; the making or changing of any material tax election; the changing of any annual tax accounting period; the adoption or changing of any method of tax accounting; or the entry into any material closing agreement, the surrendering in writing of any right to claim a material tax refund, offset or other reduction in tax liability or the consenting to any extension or waiver of the limitation period applicable to any material tax claim or assessment relating to TCSB or any of its subsidiaries;

the entry into any material new line of business or the changing in any material respect of TCSB's lending, investment, underwriting, risk and asset liability management, interest rate or fee pricing with respect to depository accounts, hedging or other material banking or operating policies or practices, except in the ordinary course of business consistent with past practice or as required by law or any regulatory agency having jurisdiction over TCSB or any of its subsidiaries;

except as required by law or any regulatory agency having jurisdiction over TCSB or any of its subsidiaries, the making of any material changes in policies and practices with respect to underwriting, pricing, originating, acquiring, selling, servicing, or buying or selling rights to service loans;

the restructuring or material changing of the nature of the composition of TCSB's investment securities portfolio through purchases, sales or otherwise, or its policies with respect to the classification and reporting of such portfolios;



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the failure to maintain TCSB's books, accounts and records in the usual and regular manner and in material compliance with applicable law, governmental policy issuances, GAAP and other relevant accounting standards, and formally adopted internal control policies and procedures;

the failure to use commercially reasonable efforts to maintain TCSB's property and assets in their present state of repair, order, and condition, reasonable wear and tear and damage by fire or other casualty covered by insurance excepted;

the failure to use commercially reasonable efforts to maintain and keep in full force and effect insurance coverage, so long as such insurance is reasonably available, on TCSB's assets, properties, premises, operations, directors, and personnel in such amounts, against such risks and losses, and with such self-insurance requirements as were in force on the date of the merger agreement;

the failure to promptly notify IBCP of the threat or the commencement of any material action against, relating to or affecting (a) TCSB or any of its subsidiaries; (b) TCSB's or any of its subsidiaries' directors, officers or employees in their capacities as such; (c) TCSB's or any of its subsidiaries' assets, liabilities, businesses or operations; or (d) the merger or the merger agreement;

the taking, or the omission from taking, of any action that would, or could reasonably be expected to prevent or impede the merger from qualifying for the intended tax treatment, or, except as and to the extent required by applicable law or regulatory agencies having jurisdiction over TCSB or any of its subsidiaries, (a) the taking of any action that would reasonably be expected to prevent, materially impede or materially delay the consummation of the transactions contemplated by the merger agreement, or (b) the taking of, or the knowing failure to take, any action that is reasonably likely to result in any of the conditions to the merger set forth in Article VI of the merger agreement not being satisfied;

the taking of any action to pay any liability, absolute or contingent, in excess of \$50,000, except liabilities reflected on TCSB's financial statements, except in the ordinary course of business consistent with past practice, or except in connection with the transactions contemplated by the merger agreement;

the changing in any material respect of TCSB's underwriting, investment or risk management or other similar policies of TCSB or any of its subsidiaries except as required by law or except changes reasonably intended to reduce risk which changes are made after consultation with IBCP;

the failure to comply in all material respects with applicable law and formally adopted internal policies and procedures applicable to the conduct of TCSB's business, except to the extent that application of any law is being contested in good faith and IBCP has been notified of such contest;

the failure to charge off loans and maintain TCSB's allowance for loan and lease losses, in each case in a manner in conformity with the prior respective practices of TCSB and its subsidiaries and applicable industry, regulatory, and GAAP standards;

the entry into or amendment of any contract or other transaction with any TCSB-related person (defined in the merger agreement as any 5% shareholder, any director or executive officer of TCSB or any of its subsidiaries, their spouses and any children or other persons who share the same household with such persons, and any entity of which any such persons, alone or together, have control), except as contemplated or permitted by the merger agreement and except for banking transactions in the ordinary course of business consistent with past practice and on terms available to TCSB's customers generally;

the making or renewal of any charitable contributions, gifts, commitments or pledges of cash or other assets in an aggregate amount in excess of \$15,000, except for commitments disclosed in the TCSB disclosure letter provided to IBCP;

the taking of any action to enter into, or the commitment to enter into, any agreement for consulting, professional, or other services to TCSB or any TCSB subsidiary that is not terminable by TCSB without penalty upon thirty days' or less notice, except for contracts for services under which the aggregate required payments do not exceed \$50,000, and except for legal, accounting, and other ordinary expenses (not including expenses of financial advisors) related to the merger agreement;

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the taking of any action to enter into, or commitment to enter into, any joint venture, strategic alliance, or material relationship with any person to jointly develop, market or offer any product or service; or the disclosure of any customer names, addresses, telephone numbers, lists, or any other nonpublic information concerning customers or other consumers to any person not employed by TCSB or a TCSB subsidiary in connection with their employment other than marketing firms and other vendors in the ordinary course of business and in compliance with applicable law;

foreclosing on or otherwise taking title to, or possession or control of, any real property without first obtaining a Phase I environmental report with respect to such property, prepared by a reliable and qualified person, which indicates that there are no recognized environmental conditions with respect to such property, except that no such report is required with respect to single-family, non-agricultural residential property to be foreclosed upon unless TCSB has knowledge that such property might contain any hazardous materials; and

the agreement or commitment to do any of the foregoing.

### *IBCP Restrictions*

IBCP has agreed to certain covenants in the merger agreement that restrict the conduct of its business between the date of the merger agreement and the earlier of the effective time of the merger or the termination of the merger agreement. Except as expressly contemplated by the merger agreement or as required by applicable law, IBCP has agreed to conduct its business in the ordinary course of business consistent with past practice in all material respects, and to the extent consistent therewith, to use commercially reasonable efforts to preserve substantially intact its and its subsidiaries' business organization and customer and business relationships.

In addition, IBCP has agreed to specific restrictions relating to the conduct of its business between the date of the merger agreement and the earlier of the effective time of the merger or the termination of the merger agreement, including (without limitation) the following (subject, in each case, to exceptions specified in the merger agreement, or with the prior written consent of TCSB, which may not be unreasonably withheld, conditioned, or delayed):

the amendment of its articles of incorporation or bylaws in a manner that would materially and adversely affect the holders of TCSB common stock relative to the holders of IBCP common stock;

the taking of, or the failure to take, any action that would, or could reasonably be expected to, prevent or impede the merger from qualifying for the intended tax treatment, or, except as and to the extent required by applicable law or regulatory agencies having jurisdiction over IBCP or any of IBCP's subsidiaries, (a) the taking of any action that would reasonably be expected to prevent, materially impede or materially delay the consummation of the transactions contemplated by the merger agreement; or (b) the taking of, or the knowing failure to take, any action that is reasonably likely to result in any of the conditions to the merger not being satisfied; or

the agreement or commitment to do any of the foregoing.

### **Covenants**

In addition to the restrictions noted above, the merger agreement contains certain other covenants and agreements, including, among others, the following covenants:

IBCP agreed to use commercially reasonable efforts to prepare and cause to be filed with the SEC a registration statement, which includes this prospectus and proxy statement, as promptly as practicable following the date of the merger agreement;

IBCP agreed to take all actions (other than qualifying to do business in any jurisdiction in which it was not qualified as of the date the merger agreement was signed) required to be taken under the Securities Act of 1933, the Securities Exchange Act of 1934, any applicable foreign or state securities laws, and the rules and regulations thereunder in connection with the merger and the issuance of IBCP common stock as Merger Consideration;

TCSB agreed to hold a special meeting of its shareholders, as soon as practicable following the date on which the registration statement is declared effective or the effective date can be predicted with



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reasonable certainty, for the purpose of seeking the TCSB shareholder approval of the merger agreement and, except in limited circumstances, to use its commercially reasonable efforts to solicit the requisite shareholder approval for such proposal;

IBCP agreed to use its commercially reasonable efforts to cause the shares of IBCP common stock to be issued as Merger Consideration or upon exercise of TCSB stock options converted into IBCP stock options to be accepted for listing on The NASDAQ Global Select Market, subject to official notice of issuance, prior to the effective time of the merger;

- each of the parties agreed to use all commercially reasonable efforts to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, proper, or advisable under applicable laws and regulations to consummate the merger and to obtain consents of all third parties and governmental bodies necessary or desirable for consummation of the merger;

as soon as practicable after the date of the merger agreement, IBCP shall prepare and file with the Federal Reserve Board and each other governmental entity having jurisdiction, all applications and documents required to obtain, and shall use its commercially reasonable efforts to obtain, on terms reasonably acceptable to IBCP, each necessary approval of or consent to consummate the merger;

neither of the parties will issue any press release or make any public announcement relating to the merger agreement, the merger, or the other transactions contemplated by the merger agreement without the prior written approval of the other party, unless the disclosing party believes in good faith after consultation with outside legal counsel that such press release or public announcement is required to be made by applicable law, rule, or regulation promulgated by any applicable securities exchange, in which case the disclosing party will use its commercially reasonable efforts to advise and consult with the other party regarding such press release or other announcement prior to making any such disclosure;

- commencing on the date of the merger agreement and ending at the earlier of the effective time of the merger or the termination of the merger agreement, (a) TCSB will, upon reasonable prior written notice and as reasonably requested in writing, permit IBCP and its representatives to have reasonable access at all reasonable times, in a manner so as not to interfere with TCSB's normal business operations, to the offices and senior management, premises, agents, books, records, and contracts of or pertaining to TCSB and its subsidiaries; and (b) upon the reasonable request of TCSB, IBCP will furnish such reasonable information about its and its business as is relevant to TCSB and its shareholders in connection with the transactions contemplated by the merger agreement; provided, however, that such access to or disclosure of information will comply with applicable laws, will not result in or reasonably be expected to result in the waiver of the attorney-client privilege, and will not result in or reasonably be expected to result in a material breach of any material contract;

each party will hold and treat in confidence all documents and information concerning the other party and its subsidiaries furnished in connection with the merger or the merger agreement pursuant to a confidentiality agreement between IBCP and TCSB;

IBCP will maintain a directors' and officers' liability insurance policy for six years after the effective time of the merger to cover the present and former officers and directors of TCSB and its subsidiaries with respect to claims against such directors and officers arising from facts or events which occurred before the effective time of the merger (provided that IBCP shall not be required to spend more than 300% of the last annual premium paid by TCSB for such insurance), and for six years after the effective time, IBCP will indemnify and hold harmless to the fullest extent permitted by applicable law the present and former officers and directors of TCSB and its subsidiaries against all losses, expenses, claims, damages, or liabilities arising out of actions or omissions occurring or alleged to have occurred on or prior to the effective time of the merger;

if any anti-takeover laws of any governmental entity are or may become applicable to the merger, the parties will use their respective commercially reasonable efforts to take such action as reasonably necessary so that the merger may be consummated as promptly as practicable under the terms of the merger agreement and otherwise take all such actions as are reasonably necessary so as to eliminate or minimize the effects of any such law on the merger;



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each party will keep the other party reasonably informed with respect to the defense or settlement of any securityholder action against it or its directors or officers relating to the merger, will give the other party opportunity to consult with it regarding the defense or settlement of any such securityholder action, and will not settle any such action without the other party's prior written consent (such consent not to be unreasonably withheld, conditioned or delayed);

each party will not, and will not permit any of their respective subsidiaries to, take any action, or fail to take any action, that would reasonably be expected to jeopardize the qualification of the merger as a reorganization under Section 368(a) of the Code, and each party will use commercially reasonable efforts to cause the merger to so qualify as a reorganization under Section 368(a) of the Code;

TCSB will take all actions reasonably requested by IBCP to cause the consolidation of Traverse City State Bank with and into Independent Bank, including by executing and delivering one or more bank consolidation agreements in customary form;

TCSB will permit IBCP to conduct environmental assessments of all real property owned by TCSB or its subsidiaries as of the date of the merger agreement;

IBCP will use all commercially reasonable efforts to promptly commence preparation for implementation of the conversion of some or all of TCSB's information and data onto IBCP's information technology systems with the goal of effecting such data conversion at or as soon as reasonably practicable after the effective time of the merger;

between the date of the merger agreement and the effective time of the merger, TCSB will deliver to IBCP monthly internal financial reports prepared with respect to TCSB and each of its subsidiaries, and each financial report or statement submitted to regulatory authorities for TCSB and each of its subsidiaries;

TCSB will use commercially reasonable efforts to obtain estoppel certificates with respect to certain leased properties, in form and substance reasonably acceptable to IBCP and dated not more than 25 days prior to the effective date of the merger;

TCSB will promptly notify IBCP in writing if, to TCSB's knowledge, any customer, agent, representative, supplier, or other person with whom TCSB has a material contractual relationship intends to discontinue, materially diminish or change its relationship with TCSB or any TCSB subsidiary in an adverse manner;

the parties will take all actions necessary for IBCP to enter into a supplemental indenture with respect to TCSB's outstanding trust preferred securities to evidence the succession of IBCP as of the effective time of the merger;

TCSB will prepare, and cause its independent accounting firm to perform certain agreed-upon procedures on, a consolidated balance sheet of TCSB and a computation of the Company Consolidated Shareholders' Equity, each as of the Final Statement Date, and each according to procedures set forth in the merger agreement; and

after the effective time of the merger, IBCP shall cause one director of TCSB to be added to the board of directors of IBCP.

**Acquisition Proposals by Third Parties**

Except as described below, TCSB has agreed that, from the time of the execution of the merger agreement until the earlier of the effective time of the merger or the termination of the merger agreement in accordance with the terms of the merger agreement, it will not and will cause its subsidiaries and representatives to not:

solicit, initiate, encourage, or knowingly facilitate (including by way of furnishing non-public information) any inquiries regarding, or the making of any proposal or offer that constitutes or could reasonably be expected to lead to, a proposal that constitutes a takeover proposal; or

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engage or enter into, continue, or otherwise participate in any discussions or negotiations regarding, or furnish to any other person material nonpublic information in connection with, any takeover proposal, or otherwise cooperate with or assist or participate in, or encourage or knowingly facilitate any such inquiries, proposals, discussions, or negotiations or any effort or attempt to make a takeover proposal.

TCSB will, and will cause each of its subsidiaries and each of its and its subsidiaries representatives to, (i) immediately upon execution of the merger agreement, cease any solicitation, encouragement, discussions, or negotiations with any person that may be ongoing with respect to any takeover proposal as of the date of the merger agreement, (ii) request promptly thereafter that such person promptly return or destroy all confidential information concerning TCSB and its subsidiaries delivered or made available to such person or its representatives by TCSB, its subsidiaries, or any representatives thereof, in connection with its consideration of a takeover proposal and any summaries, analyses, or extracts thereof or based thereon, and any files, copies, or records containing such information in any computer or electronic media, and (iii) immediately upon execution of the merger agreement, terminate all physical and electronic data room access previously granted to any such person or its representatives.

Notwithstanding the restrictions described above, if at any time prior to obtaining the TCSB shareholder approval, TCSB receives a takeover proposal from any person or group of persons, which did not result from a breach of the above restrictions, TCSB and its representatives are permitted to, subject to certain conditions, (a) contact such person and or group of persons and their representatives to request that such person provide clarification of any term or condition of such takeover proposal that the TCSB board of directors determines in good faith to be ambiguous or unclear, and (b) if the TCSB board of directors determines in good faith, after consultation with its independent financial advisors and outside legal counsel, that such takeover proposal constitutes, or is reasonably expected to lead to, a superior proposal, (i) furnish to such person, pursuant to an acceptable confidentiality agreement, information (including non-public information) with respect to TCSB and its subsidiaries to the person or group of persons who have made such takeover proposal and their respective representatives, and (ii) engage in or otherwise participate in discussions or negotiations with such person or group of persons making such a takeover proposal and their respective representatives.

A takeover proposal means any inquiry, proposal, or offer from any person (other than IBCP and its subsidiaries) or group, within the meaning of Section 13(d) of the Securities Exchange Act of 1934, relating to, in a single transaction or series of related transactions, any (a) acquisition of assets of TCSB and its subsidiaries equal to more than 10% of TCSB's consolidated assets or to which more than 10% of TCSB's net income on a consolidated basis is attributable; (b) acquisition of more than 10% of the outstanding TCSB common stock or the capital stock of any subsidiary of TCSB; (c) tender offer or exchange offer that, if consummated, would result in any person beneficially owning more than 10% of the outstanding TCSB common stock; (d) merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution, or similar transaction involving TCSB or any of its subsidiaries; or (e) any combination of the foregoing types of transactions if the sum of the percentage of consolidated assets, consolidated net income, and TCSB common stock involved is more than 10%; in each case, other than the merger.

A superior proposal means any bona fide written takeover proposal that the TCSB board of directors has determined in its good faith judgment, after consultation with its independent financial advisors and outside legal counsel, is reasonably likely to be consummated in accordance with its terms and is reasonably likely to result in the consummation of a transaction more favorable to the TCSB shareholders from a financial point of view than the merger, taking into account (a) all legal, regulatory, and financial aspects of the proposal (including availability of financing and certainty of closing) and the person making the proposal, and (b) any changes to the terms of the merger agreement proposed by IBCP in response to such proposal or otherwise, provided that for purposes of the definition of superior proposal, the references to 10% in the definition of takeover proposal above shall be deemed to be references to 50%.

The merger agreement requires that TCSB inform IBCP on a reasonably current basis as to the status of any takeover proposal, including any material developments, discussions, or negotiations regarding any takeover proposal. It also prohibits TCSB from entering any confidentiality or other agreement with any person subsequent to the date of the merger agreement which prohibits TCSB from providing information to IBCP in accordance with this obligation.



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### **Changes in the TCSB Board Recommendation**

The TCSB board of directors has agreed, subject to certain exceptions summarized below, not to:

- fail to recommend shareholder approval of the merger agreement or fail to include this recommendation in the proxy statement;
- change, qualify, withhold, withdraw, or modify, or publicly propose to take such action, in a manner adverse to IBCP, its recommendation to shareholders to approve the merger agreement;
- take any formal action or make any recommendation or public statement in connection with a tender offer or exchange offer other than a recommendation of rejection of such offer, taking no position with respect to such offer, or a temporary stop, look and listen communication consistent with Rule 14d-9(f) of the Securities Exchange Act of 1934 (as if such provisions are applicable to TCSB); or
- adopt, approve, or recommend, or publicly propose to approve or recommend to TCSB's shareholders, a takeover proposal.

Each of the foregoing is referred to in the merger agreement as an adverse recommendation change. In addition, the TCSB board of directors has agreed not to cause or permit TCSB or any of its subsidiaries to enter into any letter of intent, agreement, or agreement in principle with respect to any takeover proposal (other than an acceptable confidentiality agreement).

Notwithstanding the restrictions described above, prior to obtaining the TCSB shareholder approval, the TCSB board of directors is permitted to make an adverse recommendation change if the TCSB board of directors has complied with its obligations under the restrictions above and determined in good faith, after consultation with its independent financial advisors and outside legal counsel, that a takeover proposal constitutes a superior proposal.

At least five business days prior to making an adverse recommendation change, the TCSB board of directors must inform IBCP in writing of its intention to make an adverse recommendation change and provide to IBCP the material terms and conditions of the takeover proposal and identity of the person making the takeover proposal, together with copies all written materials (including all transaction agreements and related documents) with or from the party making such a superior proposal. During this notice period, TCSB must negotiate with IBCP (if IBCP wishes to do so) to enable IBCP to revise the terms of the merger agreement so that the superior proposal no longer constitutes a superior proposal. Following the notice period, the TCSB board of directors must consider in good faith any changes to the merger agreement proposed in writing by IBCP and may proceed with an adverse recommendation change only if it has determined that the superior proposal continues to constitute a superior proposal.

For the purposes of the restrictions described above, any breach by any of TCSB's representatives in his or her individual capacity will be deemed a breach by TCSB.

### **Conditions to Complete the Merger**

The obligations of each of IBCP and TCSB to complete the merger are subject to the satisfaction or waiver, on or before the completion of the merger, of a number of conditions, including:

- approval of the merger agreement by holders of at least a majority of the outstanding shares of TCSB common stock entitled to vote;
- the receipt and effectiveness of all required regulatory approvals and the expiration of all applicable notice and waiting periods, as long as no such regulatory approvals contain any non-standard conditions, restrictions, or requirements that would, following the effective time of the merger, have or be reasonably likely to have, individually or in the aggregate, a material adverse effect on the surviving corporation, in IBCP's reasonable opinion;
- the absence of any law making illegal or otherwise preventing the consummation of the merger;

the absence of any temporary, preliminary, or permanent restraining order preventing the consummation of the merger;

the absence of any order of a court or agency enjoining or prohibiting the consummation of the merger;

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the declaration of effectiveness by the SEC of the registration statement of which this prospectus and proxy statement forms a part, which registration statement must not be subject to any stop order or proceedings commenced or threatened by the SEC for the purpose of suspending the effectiveness of the registration statement; and the authorization for listing on The NASDAQ Global Select Market of the IBCP common stock to be issued as Merger Consideration, subject to official notice of issuance.

The obligations of IBCP to effect the merger are subject to satisfaction or waiver of the following additional conditions:

(a) the representations and warranties of TCSB (other than certain representations related to TCSB's authorization of the merger agreement, TCSB's organization and good standing, TCSB's ownership of subsidiaries and organization and good standing of those subsidiaries, and TCSB's capitalization) must be true and correct (without giving effect to any limitation as to materiality) as of the closing date as though made as of such date (or, if made as of a specific date, as of such date), except where the failure of such representations and warranties to be so true and correct does not have, and would not reasonably be expected to have, a material adverse effect with respect to TCSB, and (b) certain representations and warranties related to TCSB's authorization of the merger agreement, TCSB's organization and good standing, TCSB's ownership of subsidiaries and organization and good standing of those subsidiaries, and TCSB's capitalization must be true and correct in all but de minimus respects as of the closing date as though made as of the closing (or, if made as of a specific date, in all but de minimus respects as of such date);

- TCSB must have performed in all material respects all of the covenants required to be performed by it under the merger agreement at or prior to the closing;

IBCP must have received a certificate, dated as of the closing date, executed on TCSB's behalf by the chief executive officer or chief financial officer of TCSB certifying as to the satisfaction of the conditions described in the preceding two bullet points;

there must have been no change, state of facts, event, development, or effect since December 31, 2016, that has had or would reasonably be expected to have a material adverse effect with respect to TCSB;

IBCP must have received a written opinion from Varnum LLP to the effect that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code;

IBCP must have received one or more certificates dated as of the closing date and signed by the secretary of TCSB on behalf of TCSB, certifying (a) the total number of shares of capital stock of TCSB issued and outstanding as of the close of business on the day immediately preceding the closing; and (b) the number of shares of TCSB common stock, if any, that are issuable on or after that date, all in such form as IBCP may reasonably request;

The Company Consolidated Shareholders' Equity, as calculated in accordance with the merger agreement, must be at least \$33,000,000 as of the Final Statement Date; and

TCSB's allowance for loan and lease losses must be, as of the Final Statement Date, at least equal to the sum of (a) the greater of (X) \$2,363,000 or (Y) 0.85% of gross loans as of the Final Statement Date, plus (b) any credit (increase) to the allowance between the date of the merger agreement and the Final Statement Date resulting from a recovery relating to Traverse City State Bank's loan to a particular borrower.

The obligations of TCSB to effect the merger are subject to satisfaction or waiver of the following additional conditions:

(a) the representations and warranties of IBCP (other than certain representations related to IBCP's authorization of the merger agreement, IBCP's organization and good standing, IBCP's ownership of subsidiaries and good standing and organization of those subsidiaries, and IBCP's capitalization) must be true and correct (without giving effect to any limitation as to materiality) as of the closing date as though made as of such date (or, if made as of a specific date, as of such date), except where the failure

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of such representations and warranties to be so true and correct does not have, and would not reasonably be expected to have, a material adverse effect with respect to IBCP, and (b) certain representations and warranties related to IBCP's authorization of the merger agreement, IBCP's organization and good standing, IBCP's ownership of subsidiaries and good standing and organization of those subsidiaries, and IBCP's capitalization must be true and correct in all but de minimus respects as of the closing date as though made as of the closing (or, if made as of a specific date, in all but de minimus respects as of such date).

IBC must have performed in all material respects all of the covenants required to be performed by it under the merger agreement at or prior to the closing;

TCSB must have received a certificate, dated as of the closing date, executed on behalf of IBCP by the chief executive officer or chief financial officer of IBCP certifying as to the satisfaction of the conditions described in the preceding two bullet points;

- there must have been no change, state of facts, event, development, or effect since December 31, 2016, that has had or would reasonably be expected to have a material adverse effect with respect to IBCP; and

TCSB must have received a written opinion from Warner Norcross & Judd LLP, dated as of the closing date, to the effect that the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code.

Under the merger agreement, a material adverse effect means, with respect to TCSB or IBCP, any event, occurrence, fact, condition or change that (a) is materially adverse to the business, results of operations, financial condition, or assets of TCSB or IBCP, as applicable, and their respective subsidiaries, taken as a whole, or (b) prohibits or materially impairs the ability of TCSB or IBCP, as applicable, to consummate the transactions contemplated by the merger agreement on a timely basis; *provided, however*, that, for the purposes of clause (a), a material adverse effect shall not include events, occurrences, facts, conditions, or changes arising out of, relating to, or resulting from (either alone or in combination):

• conditions or changes generally affecting the economy, financial or securities markets;

• any outbreak or escalation of hostilities, war (whether or not declared) or military action or any act of terrorism, the occurrence of any natural disaster, or occurrence of any man-made disaster;

• general conditions in or changes generally affecting the banking industry or geographic regions in which TCSB or IBCP and their respective subsidiaries operate;

• changes in laws (or interpretations thereof);

• changes in GAAP or accounting standards (or interpretations thereof);

• compliance with the terms of, or the taking of any action required by, the merger agreement;

• the announcement or pendency of the merger or any other transaction contemplated by the merger agreement;

• the acts or omissions of:

TCSB prior to the effective time of the merger taken at the written request of IBCP or with the prior written consent of IBCP; or

IBC prior to the effective time of the merger taken at the written request of TCSB or with the prior written consent of TCSB; and

any decline in the market price, or change in trading volume, of IBCP common stock (provided, however, that any event, occurrence, fact, condition, or change that caused or contributed to any decline in market price or change in trading volume of IBCP common stock shall not be excluded unless otherwise specifically excluded in the merger agreement).

Any event, occurrence, fact, condition, or change referred to in the first four bullet points immediately above will, however, be taken into account in determining whether a material adverse effect has occurred or would

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reasonably be expected to occur with respect to TCSB or IBCP to the extent that such event, occurrence, fact, condition, or change has a disproportionate effect on TCSB or IBCP, as applicable, and their respective subsidiaries, taken as a whole, compared to other community banking organizations in Michigan.

We cannot provide assurance as to when or if all of the conditions to the merger can or will be satisfied or waived by the appropriate party. As of the date of this prospectus and proxy statement, we have no reason to believe that any of these conditions will not be satisfied.

### **Expenses**

Except as otherwise provided in the merger agreement, IBCP and TCSB will be responsible for their respective expenses incidental to the merger.

### **Employee Benefit Matters**

As a result of the merger, all employees of TCSB and its subsidiaries who are employed immediately before the effective time of the merger will automatically become employees of IBCP or an IBCP subsidiary as of the effective time of the merger. The merger agreement requires IBCP to provide to each employee of TCSB or any TCSB subsidiary who becomes employed by IBCP or any of its affiliates as a result of the merger the same benefits then provided to similarly situated IBCP employees. All employees of TCSB who are employed by IBCP will receive credit for years of service at TCSB for all purposes, including, without limitation, eligibility to participate, vesting credit, entitlement to benefits, and levels of benefits of any IBCP employee benefit plan and for the purposes of determining seniority in connection with employment by IBCP after the effective time of the merger. IBCP has agreed to pay severance benefits to any employee of TCSB whose job is eliminated as a result of the merger, either concurrently with the merger or within one year after the effective time of the merger, and who is not offered reasonably comparable employment with IBCP or a subsidiary of IBCP.

### **Termination of the Merger Agreement**

The merger agreement may be terminated at any time prior to the effective time of the merger, whether before or, subject to the terms of the merger agreement, after the receipt of the TCSB shareholder approval, under the following circumstances:

by mutual written consent of IBCP and TCSB;

by either IBCP or TCSB:

if any governmental entity has issued an order or taken any other action permanently enjoining, restraining or otherwise prohibiting the consummation of the merger and such order or other action is final and nonappealable, but such termination right is not available to the party seeking to terminate if (a) the failure of TCSB, in the case of a termination by TCSB, or (b) the failure of IBCP, in the case of a termination by IBCP, to perform any of its obligations under the merger agreement required to be performed at or prior to the effective time of the merger has been a substantial cause of, or a substantial factor that resulted in, the issuance of such an order or the taking of such an action;

if the merger does not occur before September 4, 2018, except that the right to terminate the merger agreement shall not be available to the party seeking to terminate if (a) the failure of TCSB, in the case of a termination by TCSB, or (b) the failure of IBCP, in the case of a termination by IBCP, to perform any of its obligations of the merger agreement required to be performed at or prior to the effective time of the merger has been a substantial cause of, or a substantial factor that resulted in, the failure of the effective time of the merger to occur on or before September 4, 2018; or

if the TCSB special meeting (including any postponements or adjournments thereof) has concluded and been finally adjourned and the TCSB shareholder approval has not been obtained, but such termination right is not available to a party seeking to terminate if (a) the failure of TCSB, in the case of a termination by TCSB, or (b) the failure of IBCP, in the case of a termination by IBCP, to perform any of its obligations under the merger agreement required to be performed at or prior to the TCSB special meeting has been a substantial cause of, or a substantial factor that resulted in, the TCSB shareholder approval not having been obtained;

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by TCSB, if IBCP has breached or failed to perform under the merger agreement, such that the conditions to TCSB's obligations to complete the merger are not satisfied, and which breach either (a) cannot be cured by September 4, 2018 or (b) if capable of being cured by September 4, 2018, has not been cured within 30 business days following receipt of written notice from TCSB of such breach, but such termination right is not available to TCSB if TCSB is then in breach of the merger agreement, such that the conditions to IBCP's obligations to complete the merger are not satisfied;

by IBCP, if TCSB has breached or failed to perform under the merger agreement, such that the conditions to IBCP's obligations to complete the merger are not satisfied, and which breach either (a) cannot be cured by September 4, 2018, or (b) if capable of being cured by September 4, 2018, has not been cured within 30 business days following receipt of written notice from IBCP of such breach, but such termination right is not available to IBCP if IBCP is then in breach of the merger agreement, such that the conditions to TCSB's obligations to complete the merger are not satisfied;

by IBCP prior to the receipt of the TCSB shareholder approval if (a) the TCSB board of directors changes its recommendation for shareholder approval, (b) the TCSB board of directors fails to reject a takeover proposal and reaffirm its recommendation within five business days of public announcement of such takeover proposal and in any event less than 2 business days prior to the TCSB special meeting, (c) TCSB enters into an agreement relating to a takeover proposal, or (d) in the absence of a takeover proposal and only during the period from 30 days before the mailing date of the prospectus and proxy statement to the date of the TCSB special meeting, the TCSB board of directors fails to publicly reaffirm its recommendation within five business days of a written request by IBCP for such reaffirmation;

by TCSB prior to receipt of the TCSB shareholder approval, in order to enter into a definitive agreement that constitutes a superior proposal, provided that (a) TCSB has complied with its obligations with respect to acquisition proposals by third parties in all material respects, and (b) TCSB pays the termination fee described below prior to or simultaneously with such termination;

by IBCP, if TCSB's consolidated shareholders' equity, as calculated in accordance with the provisions of the merger agreement, is less than \$33,000,000 as of the Final Statement Date;

by IBCP, if, as of the Final Statement Date, TCSB's allowance for loan and lease losses is not at least equal to the sum of (a) the greater of (X) \$2,363,000 or (Y) 0.85% of gross loans as of the final statement date, plus (b) any credit increase to the allowance between the date of the merger agreement and the final statement date resulting from a recovery relating to Traverse City State Bank's loan to the borrower identified in Section 5.27 of the company disclosure letter;

by IBCP, if there shall have occurred one or more events that have caused or are reasonably likely to cause a material adverse effect on TCSB; or

by IBCP, if, prior to the closing, Traverse City State Bank is examined for compliance with the Community Reinvestment Act and receives a written notification of a rating lower than Satisfactory.

### **Termination Fee**

TCSB must pay IBCP a \$2,529,658 termination fee if the merger agreement is terminated in the following circumstances:

if IBCP terminates the merger agreement because, prior to the receipt of the TCSB shareholder approval (a) the TCSB board of directors changes its recommendation for shareholder approval, (b) the TCSB board of directors fails to reject a takeover proposal and reaffirm its recommendation within five business days of public announcement of such takeover proposal and in any event at least two business days before the TCSB special meeting, (c) TCSB enters into an agreement relating to a takeover proposal, or (d) in the absence of a takeover proposal and only during the period from 30 days before the mailing date of the proxy statement and the date of the TCSB special meeting, the TCSB board of directors fails to publicly reaffirm its recommendation within five business days of a written request by IBCP for such reaffirmation;





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if IBCP terminates the merger agreement because TCSB has breached the merger agreement, such that the conditions to IBCP's obligations to complete the merger are not satisfied, and which breach either (a) cannot be cured by September 4, 2018 or (b) if capable of being cured by September 4, 2018, has not been cured within 30 business days following receipt of written notice from IBCP of such breach, and (i) any person has made a takeover proposal to TCSB on or after the date of the merger agreement but prior to the date that the merger agreement is terminated, and (ii) within 12 months after the date of termination, TCSB consummates a takeover proposal or enters into any definitive agreement with respect to a takeover proposal and such takeover proposal is subsequently consummated (provided that the references to more than 10% in the definition of takeover proposal will be deemed to be references to more than 50% );

if either IBCP or TCSB terminates the merger agreement because the TCSB special meeting (including any postponements or adjournments thereof) has concluded and been finally adjourned and the TCSB shareholder approval has not been obtained, and (a) any person has made a takeover proposal to TCSB on or after the date of the merger agreement but prior to the TCSB special meeting, and (b) within 12 months after the date of termination, TCSB consummates a takeover proposal or enters into any definitive agreement with respect to a takeover proposal and such takeover proposal is subsequently consummated (provided that the references to more than 10% in the definition of takeover proposal will be deemed to be references to more than 50% );

if (a) the merger agreement is terminated by IBCP or TCSB because the merger does not occur on or before September 4, 2018, (b) any person has made a takeover proposal to TCSB on or after the date of the merger agreement but prior to the date that the merger agreement is terminated, and (c) within 12 months after the date of termination, TCSB consummates a takeover proposal or enters into a definitive agreement with respect to a takeover proposal and such takeover proposal is subsequently consummated (provided that the references to more than 10% in the definition of takeover proposal will be deemed to be references to more than 50% ); provided that TCSB will not be obligated to pay the termination fee if, in the event of a termination by TCSB, the failure of IBCP to perform any of its obligations of the merger agreement required to be performed at or prior to the effective time of the merger has been a substantial cause of, or a substantial factor that resulted in, the failure of the effective time of the merger to occur on or before September 4, 2018; or

if TCSB terminates the merger agreement prior to receipt of the TCSB shareholder approval to enter into a definitive agreement that constitutes a superior proposal.

Upon the termination of the merger agreement in accordance with its terms and, if applicable, payment of a termination fee by TCSB, neither party will have any continuing liability to the other party, except for damages arising from a willful or intentional breach of the merger agreement or fraud.

### **Regulatory Approvals for the Merger**

Under the terms of the merger agreement, the merger cannot be completed until IBCP receives necessary regulatory approvals, which include the approval of the Federal Reserve Board and the Michigan Department of Insurance and Financial Services. IBCP will file applications with each regulatory authority to obtain the required approvals. These governmental entities will consider, among other factors, the competitive impact of the merger, IBCP's financial and managerial resources, the convenience and needs of the communities to be served, capital position, safety and soundness, legal and regulatory compliance matters, and Community Reinvestment Act matters, and they may impose conditions on the completion of the merger or require changes to the terms of the merger agreement. IBCP cannot be certain when such approvals will be obtained or if they will be obtained.

### **NASDAQ Global Select Market Listing**

IBCP's common stock is currently listed on The NASDAQ Global Select Market under the symbol IBCP. The shares to be issued to the TCSB shareholders in the merger will be eligible for trading on The NASDAQ Global Select Market.



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### **INTERESTS OF CERTAIN DIRECTORS AND EXECUTIVE OFFICERS IN THE MERGER**

When considering the recommendation of the TCSB board of directors, you should be aware that some of the executive officers and directors of TCSB and its subsidiary bank have interests that are different from, or in conflict with, your interests. The board of directors was aware of these interests when it adopted the merger agreement. Except as described below, to the knowledge of TCSB, the executive officers and directors of TCSB do not have any material interest in the merger apart from their interests as shareholders of TCSB.

#### **Treatment of TCSB's Stock Options**

Certain executive officers of TCSB hold options to purchase TCSB common stock. Any outstanding unvested options will automatically vest upon completion of the merger and all outstanding TCSB stock options will be converted into options to acquire shares of IBCP common stock.

#### **Deferred Compensation Plans**

TCSB sponsors a deferred compensation plan, the TCSB Bancorp, Inc. Directors' Deferred Compensation Plan, pursuant to which TCSB directors were permitted to defer receipt of fees received for serving on the TCSB board of directors. These deferred obligations will be paid to participants by IBCP as they become due under the terms of the plan.

#### **Existing Employment Agreements with Certain of TCSB's Executive Officers**

TCSB has entered into employment agreements with the following executive officers: Constance A. Deneweth, Ann M. Bollinger, and Daniel J. Stahl. Each of these employment agreements provides that if the executive's separation from service with TCSB is initiated by TCSB, other than for cause (as defined in the employment agreement), within 12 months after the effective time of the merger or within 6 months before the effective time of the merger, or if the separation from service is for good reason (as defined in the employment agreement) and occurs within 12 months after the effective time of the merger, then, subject to certain restrictions, the executive will be entitled to the payment of her or his salary for a period of 1 year from the date of termination and to certain contributions towards the executive's health insurance coverage.

IBCP has entered into an agreement with each of Ms. Deneweth, Ms. Bollinger, and Mr. Stahl that will terminate their employment agreements as of the effective time of the merger and under which IBCP will (i) pay a one-time lump sum change in control payment equal to the executive's annual base salary as of the date immediately preceding the effective time of the merger, and (ii) honor TCSB's obligations to contribute to the executive's health insurance coverage under the terms of their respective employment agreements if the person's employment with IBCP ends within one year after the merger, with certain exceptions.

#### **Offers of Employment**

IBCP has made offers of at-will employment to Ms. Deneweth, Ms. Bollinger, and Mr. Stahl, which they have accepted. Following the completion of the merger, Ms. Deneweth will be employed with IBCP as Senior Vice President – Market President and will receive an annual base salary of \$220,000. Following the completion of the merger and the conversion of TCSB's data processing systems to IBCP's data processing systems, Ms. Bollinger will be employed with IBCP as Senior Investment Executive and will receive an annual base salary of \$136,000 for the first year and then will receive commission-based compensation. Following completion of the merger, Mr. Stahl will be employed with IBCP as Vice President – Senior Credit Officer and will receive an annual base salary of \$124,000. Ms. Deneweth, Ms. Bollinger and Mr. Stahl will also be eligible for participation in IBCP's benefit plans, including its

long-term incentive plan.

### **Cash Incentive Bonuses**

In connection with the completion of the merger, cash payments will be made to all TCSB employees under TCSB's incentive compensation plans on a pro-rated basis for the portion of the plan year completed before the effective time of the merger.

### **Indemnification and Insurance of Directors and Officers**

IBCP has agreed that all rights to exculpation, indemnification and advancement of expenses existing in favor of the current or former directors and officers of TCSB and its subsidiaries, as provided in their respective articles of incorporation or bylaws or in existing indemnity agreements, will survive the merger and shall continue in full

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force and effect in accordance with their terms. For six years after the effective time of the merger, IBCP will indemnify and hold harmless to the fullest extent permitted by applicable law the present and former officers and directors of TCSB and its subsidiaries against all losses, expenses, claims, damages, or liabilities arising out of actions or omissions occurring on or prior to the effective time of the merger.

In addition, IBCP has agreed to cause TCSB's and its subsidiaries' directors and officers to be covered for a period of six years after the effective time of the merger by TCSB's existing directors' and officers' liability insurance policy and fiduciary liability policy (or a substitute policy obtained by IBCP having the same coverages and amounts and terms and conditions that, taken as a whole, are not less advantageous to such directors and officers) with respect to acts or omissions occurring before the effective time of the merger; provided that IBCP is not required to spend more than 300% of the last annual premium paid by TCSB for such insurance. If the cost of insurance exceeds that limit, TCSB will use its reasonable efforts to obtain as much comparable coverage as possible for a cost not exceeding that limit.

## **COMPARISON OF COMMON SHAREHOLDER RIGHTS**

*The rights of IBCP common shareholders are governed by the Michigan Business Corporation Act (the "MBCA") and IBCP's restated articles of incorporation ( "IBCP Articles") and bylaws, as amended ( "IBCP Bylaws"). The rights of TCSB shareholders are governed by the MBCA and TCSB's articles of incorporation, as amended ( "TCSB Articles") and bylaws, as amended ( "TCSB Bylaws"). After the merger, the rights of TCSB's common shareholders who become IBCP common shareholders will be governed by the MBCA, the IBCP Articles, and the IBCP Bylaws.*

*The following discussion is a summary of the current rights of TCSB and IBCP shareholders. While this summary includes the material differences between the two, this summary may not contain all of the information that is important to you. You should carefully read this entire prospectus and proxy statement, the relevant provisions of the MBCA, and the other governing documents referenced in this prospectus and proxy statement for a more complete understanding of the differences between being a shareholder of TCSB and a shareholder of IBCP. IBCP has filed with the SEC its governing documents referenced in this summary and will send copies of these documents to you, without charge, upon your request. See "Where You Can Find More Information" beginning on page 141.*

### **Authorized Capital Stock**

*IBCP.* The IBCP Articles authorize IBCP to issue up to 500,000,000 shares of common stock, without par value, and 200,000 shares of preferred stock, without par value. As of the record date, there were [•] shares of IBCP common stock outstanding, and no shares of IBCP preferred stock outstanding.

*TCSB.* The TCSB Articles authorize TCSB to issue up to 4,000,000 shares of common stock, without par value, and 1,000,000 shares of preferred stock, without par value. As of the record date, there were [•] shares of TCSB common stock outstanding and no shares of TCSB preferred stock outstanding.

### **Issuance of Additional Shares**

*IBCP.* IBCP's board of directors may authorize the issuance of additional shares of common stock up to the amounts authorized in the IBCP Articles, without shareholder approval, subject only to the restrictions of the MBCA and the IBCP Articles.

IBCP's board of directors may authorize the issuance of shares of preferred stock up to the amounts specified in the IBCP Articles, from time to time as it may deem desirable, with such designations and such relative voting, dividend, liquidation, and other rights, preferences, and limitations as shall be stated and expressed in the resolution or resolutions providing for the issue of such preferred stock adopted by the board of directors.

*TCSB.* TCSB's board of directors may authorize the issuance of additional shares of common stock up to the amounts authorized in the TCSB Articles, without shareholder approval, subject only to the restrictions of the MBCA and the TCSB Articles.

TCSB's board of directors may authorize the issuance of shares of preferred stock up to the amounts specified in the TCSB Articles, from time to time as it may deem desirable, with such designations and such relative voting, dividend, liquidation, and other rights, preferences, and limitations as shall be stated and expressed in the resolution or resolutions providing for the issue of such preferred stock adopted by the board of directors.

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### **Number and Classification of Directors**

*IBCP.* The IBCP Articles provide that the number of IBCP directors will be determined from time to time by resolution adopted by the affirmative vote of (i) at least 75% of the board, and (ii) a majority of the continuing directors (as defined in the IBCP Articles). IBCP's board of directors currently has 11 members. IBCP's board of directors is divided into three classes, as nearly equal in number as possible, with the term of office of one class expiring each year.

*TCSB.* The TCSB Articles and the TCSB Bylaws provide that the number of directors constituting TCSB's board will be determined from time to time by resolution adopted by at least two thirds of the board, but shall be not less than 5 nor more than 25. TCSB's board of directors currently has 8 members. Under the TCSB Articles, TCSB's board of directors is divided into three classes as nearly equal in number as possible, with the term of office of one class expiring each year.

### **Election of Directors**

*IBCP.* IBCP's directors are each elected to serve a term of office for three years and until their respective successors are elected and qualified, or until their respective resignation or removal, with one class of directors elected by the shareholders each year. IBCP's directors are elected by a majority of the votes cast, except in a case where there are more nominees for election than position on the board, in which case directors are elected by a plurality of the votes cast.

*TCSB.* TCSB's directors are each elected to serve a term of three years and until their respective successors are elected and qualified, or until their respective resignation or removal, with one class of directors elected by the shareholders each year. TCSB's directors are elected by a plurality of the votes cast.

### **Nomination of Director Candidates by Shareholders**

*IBCP.* The IBCP Articles provide that a shareholder of record entitled to vote in an election of directors may nominate a person for election to the IBCP board by delivering, not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting (or if the date of the annual meeting is changed by more than 20 days from such anniversary date, within 10 days after the date IBCP mails or otherwise gives notice of the date of such meeting), and not more than 10 days following the date of notice of a special meeting called for election of directors, a notice to IBCP's secretary that includes (a) the name and address of the shareholder and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of IBCP stock entitled to vote at such meeting, will continue to hold such stock through the date on which the meeting is held, and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons pursuant to which the nomination is made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to Regulation 14A promulgated under Section 14 of the Securities Exchange Act of 1934, as amended, as now in effect or hereafter modified, had the nominee been nominated by the board of directors; and (e) the consent of each nominee to serve as a director of IBCP if so elected.

*TCSB.* The TCSB Articles provide that a shareholder of record entitled to vote in an election of directors may nominate a person for election to the TCSB board by delivering, not less than 60 days and not more than 120 days prior to the first anniversary of the preceding year's annual meeting (or if the date of the annual meeting is changed by more than 20 days from such anniversary date, within 10 days after TCSB mails or otherwise gives notice of the date of such meeting), and not more than 10 days following the date of notice of a special meeting, a notice to TCSB's

secretary that includes, with respect to the proposed nominee(s), (a) each nominee's name, age, business address and permanent residence address; (b) each nominee's principal occupation or employment; (c) the number of shares of capital stock of TCSB that are beneficially owned by each nominee; (d) a statement that each nominee is willing to be nominated; and (e) such other information relating to the nominee as would be required to be disclosed in solicitations for proxies for election of directors under SEC rules.

**Removal of Directors**

*IBCP.* The IBCP Articles provide that each IBCP director may be removed, at any time, with or without cause, by (a) the affirmative vote of a majority of the continuing directors (as defined in the IBCP Articles) and at least 75%



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of the board of directors, or (b) the affirmative vote, at a meeting of the shareholders called for that purpose, of the holders of at least 75% of the voting power of the then outstanding shares of capital stock of IBCP entitled to vote generally in the election of directors.

*TCSB.* The TCSB Articles provide that any TCSB director may be removed from office by the vote of a majority of the shares of TCSB then-entitled to vote on removal only if the board of directors first determines, by affirmative vote of two-thirds of the total number of directors, that (a) the director has been convicted of a felony and such conviction is not subject to direct appeal; (b) the director has been found by a court to be liable for negligence or misconduct in the performance of his or her duty to TCSB in a matter of substantial importance, and such finding is not subject to direct appeal; (c) the director has become mentally incompetent, whether or not so adjudicated, which mental incompetency directly affects his or her ability as a director of TCSB; (d) the director's actions or failure to act are deemed by the board of directors to be in derogation of the director's duties; or (e) the director's removal is required or recommended by the Board of Governors of the Federal Reserve System or its delegate.

### **Indemnification of Directors, Officers and Employees**

*IBCP.* The IBCP Articles indicate that directors and officers of IBCP will be indemnified as of right to the fullest extent permitted by law in connection with any actual or threatened civil, criminal, administrative, or investigative action, suit, or proceeding (whether brought by or in the name of IBCP, a subsidiary, or otherwise) in which a director or officer is a witness or which is brought against a director or officer in his or her capacity as a director, officer, employee, agent, or fiduciary of IBCP or of any corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which the director or officer was serving at the request of IBCP. Persons who are not directors or officers of IBCP may be similarly indemnified in respect of such service to the extent authorized at any time by the board of directors of IBCP. This right of indemnity is not exclusive and IBCP may provide indemnification to any person, by agreement or otherwise, on such terms and conditions as the Board of Directors may approve.

*TCSB.* The TCSB Articles and TCSB Bylaws indicate that TCSB will indemnify, to the fullest extent permitted by law, a person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and whether formal or informal (other than an action by or in the right of TCSB) by reason of the fact that he or she is or was a director of TCSB or a subsidiary, or, while serving as such a director, is or was serving at the request of TCSB or a subsidiary as a director, officer, partner, trustee, employee, or agent of TCSB, a subsidiary of TCSB, or of another foreign or domestic corporation, partnership, limited liability company, limited partnership, joint venture, trust, or other enterprise, whether or not for profit. Such person may also be indemnified in an action brought by or in the right of TCSB, but such indemnification is limited to expenses (including actual and reasonable attorneys' fees) and amounts paid in settlement actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of TCSB, or its shareholders. Officers, employees, representatives, agents and other persons who are not directors of TCSB or a subsidiary may be similarly indemnified in respect of such service to the extent authorized at any time by TCSB's board of directors. Subject to certain limited exceptions, no indemnification will be made in respect of any claim, issue, or matter as to which such person shall have been found liable to TCSB.

### **Shareholder Proposals**

*IBCP.* The IBCP Bylaws provide that a shareholder may propose a shareholder action at an annual or special meeting of shareholders if it is properly presented and if it is a proper subject for action by shareholders under Michigan law. For a matter to be properly presented by a shareholder, the shareholder must give notice of the matter in writing to the secretary of IBCP. The notice must be received at the principal executive offices of IBCP not less than 60 days nor more than 90 days prior to the date of the first anniversary of the preceding year's annual meeting of shareholders (or if

the date of the annual meeting is changed by more than 20 days from such anniversary date, within 10 days after the date IBCP mails or otherwise gives notice of the date of the meeting) or, in the case of a special meeting, within a reasonable time before IBCP begins to print and send its proxy materials, as set forth in the rules of the Securities and Exchange Commission. The notice must include (i) the name and address of the shareholder submitting the proposal, as they appear on IBCP's books and records; (ii) a representation that the shareholder (a) is a holder of IBCP stock entitled to vote at such meeting, (b) will continue to hold such stock through the date on which the meeting is held, and (c) intends to appear in person or by proxy at the meeting to submit the proposal for shareholder vote; (iii) a brief description of the proposal desired to be submitted to the meeting for shareholder vote and for the reasons for conducting such business at the meeting; and (iv) a description of any

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financial or other interest of such shareholder in the proposal. A shareholder proposal may also be included in IBCP's proxy materials, subject to all the requirements set forth in the applicable rules and regulations of the SEC.

*TCSB.* The TCSB Articles provide that in order for any proposal for corporate action to be properly considered and validly taken by TCSB's shareholders, whether at a meeting or by written consent, the proposal must have been submitted to the shareholders: (i) by TCSB's board of directors at any time at or prior to the shareholders' action; or (ii) by a shareholder who has been the record owner of at least one percent of TCSB's common stock for a period of not less than one year and who submitted the proposal to the board of directors not less than 60 days prior to the shareholders' action. The board of directors has the discretion whether or not to include or exclude from any proxy statement prepared at its direction any proposal to be presented to the shareholders, subject to all applicable laws and regulations.

### **Special Meetings of Shareholders**

*IBCP.* The IBCP Bylaws require the chairman of the board, the president or the secretary of IBCP to call a special meeting of shareholders upon receipt by them of a written request stating the purpose or purposes of the special meeting and signed by shareholders of record holding at least three-fourths of the voting shares of IBCP issued and outstanding capital stock. A special meeting of shareholders may also be called by the chairman of the board, the president, or the secretary, pursuant to a board resolution to that effect.

*TCSB.* The TCSB Bylaws permit a majority of TCSB's board of directors, the chairman, or the president to call a special meeting of the shareholders.

### **Shareholder Action Without a Meeting**

*IBCP.* Neither the IBCP Articles nor the IBCP Bylaws provide for any shareholder action to be taken without a meeting by written consent.

*TCSB.* The TCSB Articles provide that any action required or permitted to be taken by any shareholders must be effected at a duly called annual or special meeting of the shareholders and may not be effected by written consent.

### **Amendment of Articles of Incorporation and Bylaws**

*IBCP.* The IBCP Articles may be amended by the affirmative vote of a majority of the outstanding shares entitled to vote on the proposed amendment, provided that if any amendment is proposed to Article VIII (relating to the Classified Board of Directors), such amendment may only be passed by the affirmative vote of 75% of the voting power of the shares of the then-outstanding voting stock, unless such amendment was approved by a majority of the continuing directors (as defined in the IBCP Articles). The IBCP Bylaws may be amended either by a majority vote of the board of directors at a regular or special meeting of the board, or by vote of the holders of a majority of the stock of IBCP voting at any annual or special meeting, if notice of the proposed amendment is contained in the notice of such meeting.

*TCSB.* The TCSB Articles may be amended by the affirmative vote of a majority of the outstanding shares entitled to vote on the proposed amendment. The TCSB Articles provide that certain provisions of the TCSB Articles may only be amended by the affirmative vote of at least 75% of the holders of outstanding common stock entitled to vote, unless such amendment has first been approved by the affirmative vote of (i) 50% of the board of directors and (ii) 50% of the continuing directors (as defined in the TCSB Articles). The TCSB Bylaws may be added to, altered, amended, repealed, or replaced by the affirmative vote of two-thirds of the board of directors at any regular or special meeting of the board or by a majority vote of the shareholders.

**Business Combination Restrictions and Other Shareholder Limitations**

*IBCP.* The IBCP Articles and IBCP Bylaws do not contain any special provisions relating to the approval of business combinations.

*TCSB.* The TCSB Articles define a business combination as any of the following transactions: (1) merger, consolidation, or plan of share exchange with or into another entity; (2) any sale, exchange, lease, mortgage, pledge, transfer, or other disposition (in a single transaction or a series of related transactions) of substantially all of the assets of TCSB; (3) any liquidation or dissolution of TCSB; (4) any reorganization, recapitalization or other transaction which would result in a change of control of TCSB; or (5) any transactions, or series of related transactions having, directly or indirectly, the same effect as any of the foregoing, or any agreement, contract, or other arrangement providing for any of the foregoing.

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The TCSB Articles provide that the board of directors may not approve, adopt, or recommend any proposal of any party other than TCSB to engage in any business combination, unless and until it has first evaluated the proposal. The board of directors must first determine, in its judgment, that the proposal would be in substantial compliance with all applicable laws. In evaluating a proposal to determine whether it would be in substantial compliance with law, the board of directors must consider all aspects of the proposal. If the board of directors determines, in its judgment, that a proposal would be in substantial compliance with all applicable laws, the board of directors must then evaluate the proposal and determine whether the proposal is in the best interests of TCSB and its shareholders. The board of directors may not approve, adopt, or recommend any such proposal unless it determines that, in its judgment, such proposal would be in the best interests of TCSB and its shareholders.

In evaluating a proposed offer to determine whether it would be in the best interests of TCSB and its shareholders, the board of directors may, in exercising its judgment, consider all factors which it deems relevant, including, without limitation: (1) the fairness of the consideration to be received by TCSB and its shareholders under the proposed offer, taking into account the apparent value of the TCSB's stock immediately prior to the announcement of the proposed offer, the historical value of its stock, the shareholders' equity, earnings and cash flow of TCSB, the price that might be achieved in a negotiated sale of TCSB as a whole, premiums over the trading price of securities in transactions which have been proposed or offered to other companies in the past in connection with similar offers, and the future prospects of TCSB; (2) the possible social and economic impact of the proposed offer and its consummation on TCSB and its subsidiaries and their employees and customers; (3) the possible social and economic impact of the proposed offer and its consummation on the communities in which TCSB and its subsidiaries operate or are located; (4) the business, financial condition, safety, soundness, and earning prospects of the offering party, including, but not limited to, debt service and other existing or likely financial obligations of the offering party; (5) the competence, experience, and integrity of the offering party and its management; and (6) the intentions of the offering party regarding the operation of TCSB and its subsidiaries, the use of the assets of TCSB and its subsidiaries to finance the transaction, or the use or disposition of the assets of TCSB and its subsidiaries upon or after consummation of the transaction.

The TCSB Articles provide that the affirmative vote of not less than 75% of the outstanding shares of TCSB's common stock entitled to vote in the election of a member of the board of directors is required for approval, adoption or authorization of any business combination; except that the affirmative vote of a majority of the outstanding shares is required if the business combination has been approved by both (i) the affirmative vote of at least 50% of the entire board of directors; and (ii) the affirmative vote of at least 50% of the continuing directors (as defined in the TCSB Articles).

The TCSB Articles provide that shareholders may dissent from any business combination, regardless of whether shareholders would have the right to dissent under the MBCA, unless that action is approved by an affirmative vote of at least two-thirds of the entire board of directors, including at least one director of each class of the board of directors.

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### **PROPOSAL 2 – ADJOURNMENT OF THE SPECIAL MEETING**

The shareholders of TCSB are being asked to approve a proposal to adjourn or postpone the special meeting to permit further solicitation of proxies in the event that an insufficient number of shares are present in person or by proxy to approve the merger agreement.

Under the MBCA and the TCSB Articles, the holders of at least a majority of the outstanding shares of common stock of TCSB entitled to vote are required to approve the merger agreement. In the event that shareholder participation at the special meeting is lower than expected, TCSB would like the flexibility to postpone or adjourn the meeting in order to attempt to secure broader shareholder participation. If TCSB desires to adjourn the special meeting, TCSB will request a motion that the special meeting be adjourned and delay the vote on the proposal to approve the merger agreement until the special meeting is reconvened.

Any adjournment will permit TCSB to solicit additional proxies and will permit a greater expression of the views of TCSB shareholders with respect to the merger. Such an adjournment would be disadvantageous to shareholders who are against the proposal to approve the merger agreement because an adjournment will give TCSB additional time to solicit favorable votes and increase the chances of approving that proposal. TCSB has no reason to believe that an adjournment of the special meeting will be necessary at this time.

**The TCSB board of directors unanimously recommends that TCSB shareholders vote FOR approval of the Adjournment Proposal.**

### **ABOUT TCSB**

TCSB is a bank holding company with its business concentrated in a single industry segment – commercial banking. Headquartered in Traverse City, Michigan, TCSB is the holding company for Traverse City State Bank, which provides community banking services in five offices: three in Traverse City, Michigan, one in Suttons Bay, Michigan, and one in Acme, Michigan. TCSB's common stock is privately held. As of September 30, 2017, TCSB had total assets of \$348.9 million, total loans of \$280.3 million, total deposits of \$291.6 million, and total shareholders' equity of \$33.4 million. More information about TCSB is available by visiting its website at [www.tcstatebank.com](http://www.tcstatebank.com).

### **Market for TCSB Common Stock and Dividends**

As of the record date, TCSB's authorized capital stock consisted of 5,000,000 shares divided into two classes, as follows: 4,000,000 shares of common stock, no par value, of which [•] shares were issued and outstanding, and 1,000,000 shares of preferred stock, of which no shares were issued and outstanding. Shares of TCSB common stock were held by [•] shareholders of record as of the record date.

TCSB common stock is not traded on an established public trading market. TCSB is not aware of any broker who systematically publishes bid or ask quotations for the stock. Shares are traded occasionally in isolated transactions between individuals. TCSB facilitates stock transactions to a limited extent by maintaining a list of potential investors who have advised TCSB that they wish to purchase shares.

The following table lists all transactions from January 1, 2016 through the record date which were reported to TCSB's management. During this period, there might have been other transactions not reported to TCSB's management. In some cases, the price reported below is anecdotal and TCSB assumes no responsibility for the accuracy of prices reported for transactions between individuals.

| <b>Date</b> | <b>Number<br/>of Shares</b> | <b>Share<br/>Price</b> |
|-------------|-----------------------------|------------------------|
| 03/28/16    | 1,155                       | \$ 13.50               |
| 04/08/16    | 2,166                       | \$ 14.50               |
| 04/08/16    | 2,167                       | \$ 14.50               |
| 04/08/16    | 4,000                       | \$ 14.50               |
| 04/11/16    | 2,000                       | \$ 13.50               |
| 05/03/16    | 100                         | \$ 13.50               |
| 05/03/16    | 126                         | \$ 13.50               |
| 05/03/16    | 100                         | \$ 13.50               |
| 05/17/16    | 5,250                       | \$ 13.50               |

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| <b>Date</b> | <b>Number<br/>of Shares</b> | <b>Share<br/>Price</b> |
|-------------|-----------------------------|------------------------|
| 06/30/16    | 500                         | \$ 13.50               |
| 07/08/16    | 3,571                       | \$ 14.00               |
| 07/08/16    | 3,571                       | \$ 14.00               |
| 07/20/16    | 262                         | \$ 14.00               |
| 07/20/16    | 2,205                       | \$ 14.00               |
| 08/01/16    | 500                         | \$ 14.00               |
| 08/01/16    | 893                         | \$ 13.50               |
| 08/19/16    | 4,096                       | \$ 14.00               |
| 08/19/16    | 7,143                       | \$ 14.00               |
| 08/19/16    | 7,143                       | \$ 14.00               |
| 08/19/16    | 20,000                      | \$ 14.00               |
| 08/19/16    | 2,000                       | \$ 14.00               |
| 08/19/16    | 1,000                       | \$ 14.00               |
| 08/19/16    | 10,000                      | \$ 14.00               |
| 08/19/16    | 3,000                       | \$ 14.00               |
| 08/19/16    | 5,358                       | \$ 14.00               |
| 08/19/16    | 5,358                       | \$ 14.00               |
| 08/19/16    | 7,143                       | \$ 14.00               |
| 08/19/16    | 3,572                       | \$ 14.00               |
| 08/19/16    | 10,638                      | \$ 14.00               |
| 08/19/16    | 1,072                       | \$ 14.00               |
| 08/19/16    | 1,000                       | \$ 14.00               |
| 08/19/16    | 1,000                       | \$ 14.00               |
| 08/19/16    | 1,000                       | \$ 14.00               |
| 08/19/16    | 7,143                       | \$ 14.00               |
| 08/19/16    | 2,000                       | \$ 14.00               |
| 08/19/16    | 29,286                      | \$ 14.00               |
| 08/19/16    | 10,714                      | \$ 14.00               |
| 08/19/16    | 5,000                       | \$ 14.00               |
| 08/19/16    | 2,000                       | \$ 14.00               |
| 08/19/16    | 10,000                      | \$ 14.00               |
| 08/19/16    | 10,000                      | \$ 14.00               |
| 09/07/16    | 800                         | \$ 14.00               |
| 09/07/16    | 849                         | \$ 14.00               |
| 09/07/16    | 2,501                       | \$ 14.00               |
| 09/07/16    | 850                         | \$ 14.00               |
| 10/04/16    | 1,000                       | \$ 14.00               |
| 01/12/17    | 640                         | \$ 14.00               |



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|          |       |          |
|----------|-------|----------|
| 01/26/17 | 1,000 | \$ 14.25 |
| 03/03/17 | 2,000 | \$ 13.50 |
| 03/15/17 | 1,680 | \$ 15.00 |
| 03/20/17 | 1,000 | \$ 15.00 |
| 03/20/17 | 1,300 | \$ 15.00 |
| 03/20/17 | 600   | \$ 15.00 |
| 03/20/17 | 1,000 | \$ 15.00 |
| 03/20/17 | 1,000 | \$ 15.00 |
| 03/20/17 | 5,070 | \$ 15.00 |
| 03/20/17 | 1,400 | \$ 15.00 |
| 03/20/17 | 700   | \$ 15.00 |
| 03/22/17 | 1,690 | \$ 15.00 |

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| <b>Date</b> | <b>Number of Shares</b> | <b>Share Price</b> |
|-------------|-------------------------|--------------------|
| 04/26/17    | 2,037                   | \$ 15.00           |
| 04/26/17    | 2,000                   | \$ 15.00           |
| 04/26/17    | 2,000                   | \$ 15.00           |
| 05/08/17    | 10,000                  | \$ 15.00           |
| 06/01/17    | 550                     | \$ 15.50           |
| 06/21/17    | 2,500                   | \$ 18.00           |
| 06/21/17    | 2,500                   | \$ 18.00           |
| 06/21/17    | 1,000                   | \$ 17.00           |
| 06/21/17    | 1,000                   | \$ 18.00           |
| 07/21/17    | 2,000                   | \$ 18.00           |
| 07/21/17    | 1,000                   | \$ 18.00           |
| 07/21/17    | 500                     | \$ 18.00           |
| 07/21/17    | 1,050                   | \$ 15.25           |
| 08/10/17    | 2,000                   | \$ 18.00           |
| 08/29/17    | 1,000                   | \$ 17.00           |
| 09/29/17    | 1,653                   | \$ 17.00           |
| 10/16/17    | 1,000                   | \$ 18.00           |
| 11/13/17    | 4,100                   | \$ 18.00           |

TCSB has never paid a cash dividend. The merger agreement prohibits TCSB from paying cash dividends prior to the effective time of the merger or termination of the merger agreement without the prior consent of IBCP, except that TCSB is permitted to pay a special cash dividend in limited circumstances as described in the merger agreement.

The payment of dividends by TCSB and Traverse City State Bank is affected by various regulatory requirements and policies, such as the requirement to maintain adequate capital above regulatory guidelines. The prompt corrective action provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 ( FDICIA ) impose further restrictions on the payment of dividends by insured banks which fail to meet specified capital levels and, in some cases, their parent bank holding companies. The FDICIA 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. These regulations and restrictions may limit TCSB's ability to obtain funds from Traverse City State Bank for TCSB's cash needs, including payment of dividends and payment of operating expenses.

TCSB has issued stock options under the TCSB Bancorp, Inc. Stock Incentive Plan of 2011. The plan was authorized by the TCSB board of directors and was approved by TCSB shareholders. As of the record date, a total of [•] shares of TCSB common stock were subject to issuance upon exercise of outstanding stock options, at a weighted exercise price of \$[•]. A total of 36,600 additional shares remain authorized for issuance under the plan, but TCSB has agreed in the merger agreement that, prior to the effective time of the merger or termination of the merger agreement, it will not issue any additional stock options or other equity awards without the prior consent of IBCP.

TABLE OF CONTENTS**Securities Ownership of TCSB Common Stock***Five Percent Shareholders*

Listed below are the only shareholders known by TCSB to have been the beneficial owners of more than 5% of the outstanding shares of TCSB common stock as of the record date:

**Amount and Nature of Beneficial Ownership of Common Stock<sup>(1)</sup>**

| Name and Address of Beneficial Owner                                      | Sole Voting Power | Shared Voting Power <sup>(2)</sup> | Sole Dispositive Power | Shared Dispositive Power | Stock Options              | Total Beneficial Ownership | Percent of Ownership |
|---|-------------------|------------------------------------|------------------------|--------------------------|----------------------------|----------------------------|----------------------|
|   |                   |                                    |                        |                          | Exercisable Within 60 Days |                            |                      |
| Raymond Weigel<br>333 W. Grandview<br>Parkway<br>Traverse City, MI 49684  | —                 | 166,713                            | —                      | —                        | —                          | 166,713                    | 6.77 %               |
| Thomas Pangborn<br>333 W. Grandview<br>Parkway<br>Traverse City, MI 49684 | 250               | 556,296                            | —                      | —                        | —                          | 556,546                    | 22.61 %              |

Based on information furnished by each shareholder listed and includes shares beneficially owned by that (1) shareholder under applicable regulations. Under these regulations, a beneficial owner of a security includes any person who, directly or indirectly, has or shares voting power or dispositive power with respect to the security.

(2) Includes shares over which the listed shareholder is legally entitled to share voting or dispositive power by reason of joint ownership, trust, or other contract or property right.

*Directors and Officers*

The following table sets forth information concerning the number of shares of TCSB common stock beneficially owned as of the record date by TCSB's directors and corporate executive officers and all of TCSB's directors and executive officers as a group.

**Amount and Nature of Beneficial Ownership of Common Stock<sup>(1)</sup>**

| Name and Address of Beneficial Owner                                 | Sole Voting Power | Shared Voting Power <sup>(2)</sup> | Sole Dispositive Power | Shared Dispositive Power | Stock Options              | Total Beneficial Ownership | Percent of Ownership |
|--|-------------------|------------------------------------|------------------------|--------------------------|----------------------------|----------------------------|----------------------|
|  |                   |                                    |                        |                          | Exercisable Within 60 Days |                            |                      |
| Terry Beia<br>333 W. Grandview<br>Parkway<br>Traverse City, MI 49684 | —                 | 32,500                             | —                      | —                        | —                          | 32,500                     | 1.32 %               |
| Otto Belovich<br>333 W. Grandview                                    | —                 | 78,262                             | —                      | —                        | —                          | 78,262                     | 3.18 %               |

Parkway  
Traverse City, MI 49684

|               |        |   |   |   |   |        |      |   |
|---------------|--------|---|---|---|---|--------|------|---|
| Ann Bollinger | 39,382 | — | — | — | — | 39,382 | 1.60 | % |
|---------------|--------|---|---|---|---|--------|------|---|

333 W. Grandview  
Parkway  
Traverse City, MI 49684

|                    |   |        |   |   |   |        |      |   |
|--------------------|---|--------|---|---|---|--------|------|---|
| Constance Deneweth | — | 74,182 | — | — | — | 74,182 | 3.01 | % |
|--------------------|---|--------|---|---|---|--------|------|---|

333 W. Grandview  
Parkway  
Traverse City, MI 49684

|                  |   |        |   |   |   |        |      |   |
|------------------|---|--------|---|---|---|--------|------|---|
| Thomas Dickinson | — | 50,667 | — | — | — | 50,667 | 2.06 | % |
|------------------|---|--------|---|---|---|--------|------|---|

333 W. Grandview  
Parkway  
Traverse City, MI 49684

|              |       |   |   |   |   |       |      |   |
|--------------|-------|---|---|---|---|-------|------|---|
| Nancy Haller | 5,100 | — | — | — | — | 5,100 | 0.21 | % |
|--------------|-------|---|---|---|---|-------|------|---|

333 W. Grandview  
Parkway  
Traverse City, MI 49684

TABLE OF CONTENTS**Amount and Nature of Beneficial Ownership of Common Stock<sup>(1)</sup>**

| Name and Address of Beneficial Owner                                       | Sole Voting Power | Shared Voting Power <sup>(2)</sup> | Sole Dispositive Power | Shared Dispositive Power | Stock Options              |   | Total Beneficial Ownership | Percent of Ownership |
|--|-------------------|------------------------------------|------------------------|--------------------------|----------------------------|---|----------------------------|----------------------|
|  |                   |                                    |                        |                          | Exercisable Within 60 Days |   |                            |                      |
| Thomas Pangborn<br>333 W. Grandview Parkway<br>Traverse City, MI 49684     | 250               | 556,296                            | —                      | —                        | —                          | — | 556,546                    | 22.61 %              |
| Daniel Stahl<br>333 W. Grandview Parkway<br>Traverse City, MI 49684        | 7,500             | 1,102                              | —                      | —                        | —                          | — | 8,602                      | 0.35 %               |
| David Stellingworth<br>333 W. Grandview Parkway<br>Traverse City, MI 49684 | —                 | 50,601                             | —                      | —                        | —                          | — | 50,601                     | 2.06 %               |
| Daniel Stoudt<br>333 W. Grandview Parkway<br>Traverse City, MI 49684       | —                 | 2,000                              | —                      | —                        | —                          | — | 2,000                      | 0.08 %               |
| Raymond Weigel<br>333 W. Grandview Parkway<br>Traverse City, MI 49684      | —                 | 166,713                            | —                      | —                        | —                          | — | 166,713                    | 6.77 %               |

All Directors & Executive Officers  
as a group (11 persons)

|        |           |   |   |   |           |         |
|--------|-----------|---|---|---|-----------|---------|
| 52,232 | 1,012,323 | — | — | — | 1,064,555 | 43.25 % |
|--------|-----------|---|---|---|-----------|---------|

Based on information furnished by each person listed and includes shares beneficially owned by that person under applicable regulations. Under these regulations, a beneficial owner of a security includes any person who, directly (1) or indirectly, has or shares voting power or dispositive power with respect to the security. A person will also be considered the beneficial owner of a security if the person has a right to acquire beneficial ownership of the security within 60 days.

Includes shares over which the listed person is legally entitled to share voting or dispositive power by reason of (2) joint ownership, trust, or other contract or property right, and shares held by spouses and children over whom the listed person may have influence by reason of relationship.

**Regulation and Supervision**

The growth and earnings performance of TCSB can be affected by the policies of various governmental regulatory authorities including, but not limited to, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Michigan Department of Insurance and Financial Services, the IRS, and state taxing authorities. Financial institutions and their holding companies are extensively regulated under federal and state law. The effect of such statutes, regulations, and policies can be significant, and cannot be predicted with a high degree of certainty.

Federal and state laws and regulations generally applicable to financial institutions, such as TCSB and Traverse City State Bank, regulate, among other things, the scope of business, investments, reserves against deposits, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, mergers, consolidations, and dividends. The system of supervision and regulation applicable to TCSB and Traverse City State Bank establishes a comprehensive framework for their respective operations and is intended primarily for the protection of the Federal Deposit Insurance Corporation's deposit insurance fund and the depositors of Traverse City State Bank, rather than the shareholders.

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### **ABOUT IBCP**

#### **Description of Business**

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

Aside from the stock of Independent Bank, IBCP has no other substantial assets. IBCP conducts no business except for the collection of dividends or returns of capital from its bank and the payment of dividends to its shareholders and the payment of interest on subordinated debentures. IBCP has established certain employee retirement plans, including an employee stock ownership plan (ESOP) and deferred compensation plans, as well as health and other insurance programs, the cost of which is borne by its subsidiaries. IBCP has no material patents, trademarks, licenses or franchises except the corporate charter of Independent Bank, which permits it to engage in commercial banking pursuant to Michigan law.

Independent Bank transacts business in the single industry of commercial banking. It offers a broad range of banking services to individuals and businesses, including checking and savings accounts, commercial lending, direct and indirect consumer financing, mortgage lending, and safe deposit box services. Independent Bank does not offer trust services. Its principal markets are the rural and suburban communities across lower Michigan, which are served by the bank's main office in Grand Rapids, Michigan, and a total of 62 branches, one drive-thru facility, and 12 loan production offices. IBCP also recently opened two loan production offices in Ohio (Columbus and Fairlawn). Most of Independent Bank's branches provide full-service lobby and drive-thru services, as well as automatic teller machines (ATMs). In addition, the bank provides internet and mobile banking capabilities to its customers. The Bank continues to see customer transaction volume declining at its bank offices and increasing through its electronic channels.

Independent Bank competes with other commercial banks, savings banks, credit unions, mortgage banking companies, securities brokerage companies, insurance companies, and money market mutual funds. Many of these competitors have substantially greater resources than Independent Bank does and offer certain services that the bank does not currently provide. Such competitors may also have greater lending limits than Independent Bank. In addition, non-bank competitors are generally not subject to the extensive regulations applicable to Independent Bank. Price (the interest charged on loans and paid on deposits) remains a principal means of competition within the financial services industry. Independent Bank also competes on the basis of service and convenience in providing financial services.

As of September 30, 2017, IBCP had total assets of \$2.8 billion, total loans (including loans held for sale) of \$2.0 billion, total deposits of \$2.3 billion, and total shareholders' equity of \$267.7 million. As of December 26, 2017, the bank had 756 full-time employees and 155 part-time employees.

In addition to general banking services, the bank also offers title insurance services through a separate subsidiary and investment and insurance services through a third party agreement with Cetera Investment Services LLC.

On December 30, 2016, Independent Bank and its wholly-owned subsidiary, Mepco Finance Corporation (Mepco), entered into an Asset Purchase Agreement (APA) with Seabury Asset Management LLC (Seabury). Pursuant to the terms of the APA, the bank sold its payment plan processing business, payment plan receivables, and certain other assets to Seabury, who also assumed certain liabilities of Mepco. These assets and liabilities were categorized as held for sale in the December 31, 2016 Condensed Consolidated Statements of Financial Condition. IBCP also recorded a \$0.32 million loss related to the sale of these assets in the fourth quarter of 2016. This transaction closed on May 18, 2017, with an effective date of May 1, 2017. As a result of the closing, Mepco sold \$33.1 million of net payment plan

receivables, \$0.5 million of commercial loans, \$0.2 million of furniture and equipment and \$1.6 million of other assets to Seabury, who also assumed \$2.0 million of specified liabilities. Mepco was renamed IB Holding Company in May 2017 and was liquidated on June 30, 2017, with the remaining assets and liabilities transferred to the bank. IBCP does not believe that the sale of the Mepco business and assets will have a significant impact on its future overall financial condition or results of operations.



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On a consolidated basis, the bank's principal sources of revenue 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:

|                            | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|----------------------------|-------------|-------------|-------------|
| Interest and fees on loans | 57.6 %      | 58.6 %      | 60.2 %      |
| Other interest income      | 9.6         | 8.2         | 7.3         |
| Non-interest income        | 32.8        | 33.2        | 32.5        |
|                            | 100.0 %     | 100.0 %     | 100.0 %     |

*Supervision and Regulation*

The following is a summary of certain statutes and regulations affecting IBCP. 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 IBCP.

General

Financial institutions and their holding companies are extensively regulated under federal and state law. Consequently, IBCP's 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 Federal Reserve, the Federal Deposit Insurance Corporation ( FDIC ), the Michigan Department of Insurance and Financial Services ( Michigan DIFS ), 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 necessarily 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 IBCP establishes a comprehensive framework for its operations and is intended primarily for the protection of the FDIC's deposit insurance fund, the bank's depositors, and the public, rather than IBCP's shareholders.

Independent Bank Corporation

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

Federal law requires bank holding companies to act as a source of strength to their bank subsidiaries and to commit capital and financial resources to support those subsidiaries. Such support may be required by the Federal Reserve at times when IBCP might otherwise determine not to provide it.

In addition, if the Michigan DIFS deems a bank's capital to be impaired, it may require a bank to restore its capital by special assessment upon the bank holding company, as the bank's sole shareholder. If the bank holding company failed to pay such assessment, the directors of that bank would be required, under Michigan law, to sell the shares of 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

Federal law places restrictions on the ability of IBCP to engage in certain transactions, make investments, and participate (directly or indirectly through a subsidiary) in various activities.

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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.

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 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 Michigan DIFS 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 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 holding 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 non-banking activities, including securities and insurance activities and any other activity the Federal Reserve, in consultation with 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 BHCA generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank or financial holding companies. IBCP has not applied for approval to operate as a financial holding company and has no current intention of doing so.

### 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 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.

IBCP's Tier 1 capital as of September 30, 2017, includes \$34.5 million of trust preferred securities (classified on its balance sheet as Subordinated debentures). The Federal Reserve has issued rules regarding trust preferred securities as a component of the Tier 1 capital of bank holding companies. The aggregate amount of trust preferred securities and certain other capital elements is limited to 25 percent of Tier 1 capital elements, net of goodwill (net

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of 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. The provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act adopted in 2010 (the Dodd-Frank Act ) imposed additional limitations on the ability to include trust preferred securities as Tier 1 capital; however, these additional limitations do not apply to IBCP s outstanding trust preferred securities.

On January 1, 2015, IBCP became subject to new regulatory capital rules issued by the Federal Reserve in 2013. In general, these new capital rules increase the minimum requirements for both the quantity and quality of capital IBCP maintains. The rules include a new minimum ratio of common equity Tier 1 capital to risk-weighted assets of 4.5% and a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets. This 2.5% capital conservation buffer is being phased in over a four-year period that began in 2016. The rules also raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4% to 6% and include a minimum leverage ratio of 4%. As to the quality of capital, the new rules emphasize common equity Tier 1 capital, the most loss-absorbing form of capital, and implements strict eligibility criteria for regulatory capital instruments. The rules also change the methodology for calculating risk-weighted assets to enhance risk sensitivity. The application of the new capital rules to IBCP is described below. Under these new capital rules, IBCP s existing trust preferred securities are grandfathered as qualifying regulatory capital. IBCP believes it currently exceeds all of the capital ratio requirements of these new capital rules.

### Dividends

Historically, most of IBCP s revenues have been received in the form of dividends paid by its bank. IBCP can also make requests for returns of capital from its bank; however, such requests require the approval of the Michigan DIFS. Thus, IBCP s ability to pay dividends to its shareholders is indirectly limited by restrictions on the ability of its bank to pay dividends or return capital to IBCP, as described below. 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 that can only be funded in ways that weaken the bank holding company s financial health, such as by borrowing. 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. The prompt corrective action provisions of federal law and regulation authorize the Federal Reserve to restrict the amount of dividends that can be paid by an insured bank that 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, the 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.

### Change in Control Limitations

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. Pursuant to the Control Act, the Federal Reserve has the authority to prevent any such acquisition. Transactions that 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 10% or more of any class of voting securities of the institution.

Federal Securities Regulation

IBCP's common stock is registered with the SEC under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the Exchange Act). IBCP is therefore subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act.

Independent Bank

Independent Bank is a Michigan banking corporation and a member of the Federal Reserve System, and its deposit accounts are insured by the FDIC's Deposit Insurance Fund (DIF). As a member of the Federal Reserve

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System and a Michigan-chartered bank, the bank is subject to the examination, supervision, reporting and enforcement requirements of the Federal Reserve as its primary federal regulator and the Michigan DIFS as the chartering authority for Michigan banks. These agencies and the federal and state laws applicable to the bank and its 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 an FDIC-insured institution, the bank is required to pay deposit insurance premium assessments to the FDIC. Under the FDIC's risk-based assessment system for deposit insurance premiums, all insured depository institutions are placed into one of four categories (Risk Categories I, II, III, and IV), based primarily on their level of capital and supervisory evaluations, for purposes of determining the institution's assessment rate. Deposit insurance premium assessments are generally based on an institution's total assets minus its tangible equity.

### FICO Assessments

The bank, as a member of the DIF, is 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, which was created to insure the deposits of thrift institutions and was merged with the Bank Insurance Fund into the newly formed DIF in 2006. From now until the maturity of the outstanding FICO obligations in 2019, DIF 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 approximately 0.006% of average tangible assets.

### Michigan DIFS Assessments

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

### Capital Requirements

The Federal Reserve has established the following minimum capital standards for state-chartered, FDIC-insured member banks, such as Independent Bank: 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, Federal Reserve 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.

On January 1, 2015, Independent Bank became subject to new regulatory capital rules issued by the Federal Reserve in 2013. In general, these new capital rules increase the minimum requirements for both the quantity and quality of capital the bank maintains. The rules include a new minimum ratio of common equity Tier 1 capital to risk-weighted assets of 4.5% and a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets. This 2.5% capital conservation buffer is being phased in over a four-year period that began in 2016. The rules also raise the minimum ratio of Tier 1 capital to risk-weighted assets from 4% to 6% and include a minimum leverage ratio of 4%.

As to the quality of capital, the new rules emphasize common equity Tier 1 capital, the most loss-absorbing form of capital, and implements strict eligibility criteria for regulatory capital instruments. The rules also change the methodology for calculating risk-weighted assets to enhance risk sensitivity. The application of the new capital rules to IBCP is described below. IBCP believes it currently exceeds all of the capital ratio requirements of these new capital rules.

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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:

|                                | <b>Total<br/>Risk-Based<br/>Capital Ratio</b> | <b>Tier 1<br/>Risk-Based<br/>Capital Ratio</b> | <b>Common<br/>Equity Tier 1<br/>Risk-Based<br/>Capital Ratio</b> | <b>Leverage<br/>Ratio</b> |
|--------------------------------|---|--|--|---------------------------|
| Well capitalized               | 10% or above                                  | 8% or above                                    | 6.5% or above  | 5% or above               |
| Adequately capitalized         | 8% or above                                   | 6% or above                                    | 4.5% or above  | 4% or above               |
| Undercapitalized               | Less than 8%                                  | Less than 6%                                   | Less than 4.5%   | Less than 4%              |
| Significantly undercapitalized | Less than 6%                                  | Less than 4%                                   | Less than 3%   | Less than 3%              |
| Critically undercapitalized    | Tangible equity to total assets of 2% or less |  |  |                           |

At September 30, 2017, Independent 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 rates 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 to correct the deficiency following receipt of a less-than-satisfactory rating on its most recent examination report.

Dividends

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

In addition, as a member of the Federal Reserve System, Independent Bank is required to obtain the prior approval of the Federal Reserve for the declaration or payment of a dividend if the total of all dividends declared in any year will exceed the total of (a) the bank's retained net income (as defined by federal regulation) for that year, plus (b) the bank's retained net income for the preceding two years.

Federal law also 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. In addition, the Federal Reserve may prohibit the payment of dividends by a bank if such payment is determined, by reason of the financial condition of the bank, to be an unsafe and unsound banking practice or if the bank is in default of payment of any assessment due to the FDIC.

Insider Transactions

Independent Bank is subject to certain restrictions imposed by the Federal Reserve Act on covered transactions with IBCP or its subsidiaries, which include investments in IBCP stock or other securities issued by IBCP or its subsidiaries, the acceptance of IBCP stock or other securities issued by IBCP or its subsidiaries as collateral for loans, and extensions of credit to IBCP or its subsidiaries. Certain limitations and reporting requirements are also placed on extensions of credit by Independent Bank to the directors and officers of the holding company, the bank, and the subsidiaries of the bank; to the principal shareholders of the holding company; and to related interests of such directors, officers, and principal shareholders. In addition, federal law and regulations may affect

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the terms upon which any person becoming one of IBCP's directors or officers or a principal shareholder may obtain credit from banks with which Independent Bank maintains a correspondent relationship.

### Safety and Soundness Standards

Pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 ( 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 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 bank's primary federal regulator determines the activity would not pose a significant risk to the DIF. Impermissible investments and activities must be otherwise divested or discontinued within certain time frames set by the bank's primary federal regulator in accordance with federal law. These restrictions are not currently expected to have a material impact on the operations of IBCP.

### Consumer Banking

Independent Bank's business includes making a variety of types of loans to individuals. In making these loans, the bank is subject to state usury and other consumer protection laws and to various federal statutes, including provisions of the Gramm Leach-Bliley Act aimed at protecting the privacy of consumer financial information, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act (TILA), the Real Estate Settlement Procedures Act (RESPA), the Home Mortgage Disclosure Act, and the regulations promulgated under these statutes, which (among other things) prohibit discrimination, specify disclosures to be made to borrowers regarding credit and settlement costs, and regulate the mortgage loan servicing activities of the bank, including the maintenance and operation of escrow accounts and the transfer of mortgage loan servicing. In receiving deposits, the bank is subject to extensive regulation under state and federal law and regulations, including the Truth in Savings Act, the Expedited Funds Availability Act, the Bank Secrecy Act, the Electronic Funds Transfer Act, and the Federal Deposit Insurance Act. Violation of these laws could result in the imposition of significant damages and fines upon the bank and its directors and officers.

A number of new consumer protection laws were implemented following the recent recession, including:

The Homeowner Affordability and Stability Plan (HASP) was implemented in 2009 to support a recovery in the housing market and ensure that borrowers can continue to pay off their mortgages through initiatives such as access to low-cost refinancing for responsible homeowners suffering from falling home prices; a \$75 billion homeowner stability plan to prevent foreclosure, and support of low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac.

The Dodd-Frank Act, adopted in 2010, included the creation of the Consumer Financial Protection Bureau (CFPB), which was given the power to issue and enforce certain consumer protection laws. The CFPB has issued several new consumer protection regulations, including regulations that impact residential mortgage lending and servicing.

•

The Dodd-Frank Act also implemented new restrictions on how mortgage brokers and loan originators may be compensated.

We have experienced, and expect to continue to experience, increased costs and expenses related to compliance with these and other new consumer protection regulations.

Branching Authority

Michigan banks, such as Independent Bank, 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

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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 Michigan DIFS (1) the acquisition of Michigan banks by FDIC-insured banks or savings banks located in other states, (2) the sale by a Michigan bank of branches to an FDIC-insured bank or savings bank located in a state in which a Michigan bank could purchase branches of the purchasing entity, (3) the consolidation of Michigan banks and FDIC-insured banks or savings banks located in other states having laws permitting such consolidation, (4) the 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) the establishment by foreign banks of branches located in Michigan.

Future Legislation

Various other legislative and regulatory initiatives, including proposals to overhaul the bank regulatory system, are from time to time introduced in Congress and state legislatures, as well as regulatory agencies. Such future legislation regarding financial institutions may change banking statutes and IBCP's operating environment in substantial and unpredictable ways and could increase or decrease the cost of doing business, limit or expand permissible activities, or affect the competitive balance among organizations within the industry. The nature and extent of future legislative and regulatory changes affecting financial institutions is very unpredictable. IBCP cannot determine the ultimate effect that any such potential legislation, if enacted, would have upon its financial condition or results of operations.

Available Information

IBCP's annual reports on Forms 10-K, quarterly reports on Forms 10-Q, current reports on Forms 8-K, and all amendments to those reports are available free of charge through its website at [www.IndependentBank.com](http://www.IndependentBank.com) as soon as reasonably practicable after filing with the Securities and Exchange Commission (SEC).

Statistical DisclosuresInvestment Portfolio

The following table sets forth the fair value of securities at December 31:

|  | <b>2016</b>           | <b>2015</b> | <b>2014</b> |
|--|-----------------------|-------------|-------------|
|  | <b>(in thousands)</b> |             |             |
| Trading - preferred stock                        | \$ 410                | \$ 148      | \$ 203      |
| <u>Available for sale</u>                        |                       |             |             |
| Obligations of states and political subdivisions | \$ 170,899            | \$ 144,984  | \$ 143,415  |
| U.S. agency residential mortgage-backed          | 156,289               | 196,056     | 257,558     |
| Other asset backed                               | 146,709               | 116,904     | 32,353      |
| Corporate  | 56,180                | 38,614      | 22,664      |
| Private label mortgage-backed                    | 34,727                | 4,903       | 6,013       |
| U.S. agency                                      | 28,988                | 47,512      | 35,006      |

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|  |            |            |            |
|--|------------|------------|------------|
| U.S. agency commercial mortgage-backed | 12,632     | 34,028     | 33,728     |
| Trust preferred                        | 2,579      | 2,483      | 2,441      |
| Foreign government                     | 1,613      | —          | —          |
| Total                                  | \$ 610,616 | \$ 585,484 | \$ 533,178 |

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The following table sets forth contractual maturities of securities at December 31, 2016 and the weighted average yield of such securities:

|   | <b>Maturing<br/>Within<br/>One Year</b> |              | <b>Maturing<br/>After One<br/>But Within<br/>Five Years</b> |              | <b>Maturing<br/>After Five<br/>But Within<br/>Ten Years</b> |              | <b>Maturing<br/>After<br/>Ten Years</b> |              |
|---|---|--------------|---|--------------|---|--------------|---|--------------|
|   | <b>Amount</b>                           | <b>Yield</b> | <b>Amount</b>   | <b>Yield</b> | <b>Amount</b>   | <b>Yield</b> | <b>Amount</b>                           | <b>Yield</b> |
| <b>(dollars in thousands)</b>                         |   |              |   |              |   |              |   |              |
| Trading - Preferred stock                             |   |              |   |              |   |              | \$ 410                                  | 0.00 %       |
| Tax equivalent adjustment<br>for calculation of yield |   |              |   |              |   |              | \$ —                                    |              |
| <u>Available for sale</u>                             |   |              |   |              |   |              |   |              |
| Obligations of states and<br>political subdivisions   | \$ 9,823                                | 2.11 %       | \$ 58,655   | 2.59 %       | \$ 43,478   | 3.53 %       | \$ 58,943                               | 3.48 %       |
| U.S. agency residential<br>mortgage-backed            | —                                       |              | 55,159  | 1.36         | 56,278  | 1.44         | 44,852                                  | 2.32         |
| Other asset backed                                    | 67,810                                  | 1.92         | 68,613  | 1.98         | 8,734   | 1.81         | 1,552                                   | 1.45         |
| Corporate   | 8,388                                   | 1.67         | 33,509  | 2.07         | 14,283  | 3.30         | —                                       |              |
| Private label<br>mortgage-backed                      | 13,340                                  | 5.58         | 7,719   | 2.47         | 12,442  | 3.12         | 1,226                                   | 5.67         |
| U.S. agency   | 540                                     | 2.33         | 8,069   | 1.50         | 20,379  | 1.93         | —                                       |              |
| U.S. agency commercial<br>mortgage-backed             | 2,128                                   | 1.01         | 9,099   | 2.47         | —   |              | 1,405                                   | 2.92         |
| Trust preferred                                       | —                                       |              | —   |              | —   |              | 2,579                                   | 2.10         |
| Foreign government                                    | —                                       |              | 1,613   | 4.34         | —   |              | —                                       |              |
| Total   | \$ 102,029                              | 2.38 %       | \$ 242,436  | 2.03 %       | \$ 155,594  | 2.41 %       | \$ 110,557                              | 2.96 %       |
| Tax equivalent adjustment<br>for calculation of yield | \$ 37                                   |              | \$ 371  |              | \$ 361  |              | \$ 198                                  |              |

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

| <b>Available for sale</b> | <b>Tax-Exempt</b> |                   | <b>Rate on Tax<br/>Equivalent<br/>Basis</b> |                   |
|---------------------------|-------------------|-------------------|---|-------------------|
|                           | <b>Rate</b>       | <b>Adjustment</b> | <b>Rate</b>                                 | <b>Adjustment</b> |
| Under 1 year              | 1.66 %            | 0.90 %            | 2.56 %                                      |                   |
| 1-5 years                 | 1.89              | 1.02              | 2.91  |                   |
| 5-10 years                | 2.49              | 1.34              | 3.83  |                   |
| After 10 years            | 3.40              | 1.83              | 5.23  |                   |





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

|                                    | 2016           | 2015         | 2014         | 2013         | 2012         |
|------------------------------------|----------------|--------------|--------------|--------------|--------------|
|                                    | (in thousands) |              |              |              |              |
| Loans held for sale <sup>(1)</sup> | \$ 67,380      | \$ 27,866    | \$ 23,662    | \$ 20,390    | \$ 50,779    |
| Mortgage                           | 538,615        | 498,036      | 471,435      | 486,115      | 526,969      |
| Commercial                         | 804,017        | 748,398      | 690,955      | 635,234      | 617,258      |
| Installment                        | 265,616        | 234,017      | 207,571      | 192,583      | 190,220      |
| Payment plan receivables           | —              | 34,599       | 40,001       | 60,638       | 84,692       |
| Total Loans                        | \$ 1,675,628   | \$ 1,542,916 | \$ 1,433,624 | \$ 1,394,960 | \$ 1,469,918 |

(1) 2016 includes \$30.6 million of payment plan receivables and \$0.8 million commercial loans related to the pending sale of Mepco and \$35.9 of 1-4 family residential mortgages.

The loan portfolio is periodically and systematically reviewed, and the results of these reviews are reported to the Board of Directors of Independent Bank. The purpose of these reviews is to assist in assuring proper loan documentation, to facilitate compliance with applicable 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.

The following table sets forth scheduled loan repayments (excluding 1-4 family residential mortgages and installment loans) at December 31, 2016:

|            | Due            |            |            |            |  |
|------------|----------------|------------|------------|------------|--|
|            | Due            | After One  | Due        |            |  |
|            | Within         | But Within | After      |            |  |
|            | One Year       | Five Years | Five Years | Total      |  |
|            | (in thousands) |            |            |            |  |
| Mortgage   | \$ 9           | \$ 110     | \$ 53,688  | \$ 53,807  |  |
| Commercial | 83,006         | 239,598    | 481,413    | 804,017    |  |
| Total      | \$ 83,015      | \$ 239,708 | \$ 535,101 | \$ 857,824 |  |

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, 2016:

|                                     | Fixed Rate     | Variable Rate | Total      |
|-------------------------------------|----------------|---------------|------------|
|                                     | (in thousands) |               |            |
| Due after one but within five years | \$ 102,990     | \$ 136,718    | \$ 239,708 |
| Due after five years                | 306,827        | 228,274       | 535,101    |
| Total                               | \$ 409,817     | \$ 364,992    | \$ 774,809 |

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The following table sets forth loans on non-accrual, loans ninety days or more past due and troubled debt restructured loans at December 31:

|   | 2016           | 2015      | 2014       | 2013       | 2012       |
|---|----------------|-----------|------------|------------|------------|
|   | (in thousands) |           |            |            |            |
| (a) Loans accounted for on a non-accrual basis <sup>(1, 2)</sup>                                      | \$ 13,364      | \$ 10,607 | \$ 15,231  | \$ 17,905  | \$ 32,929  |
| (b) Aggregate amount of loans ninety days or more past due (excludes loans in (a) above)              | —              | 116       | 7          | —          | 7          |
| (c) Loans not included above which are troubled debt restructurings as defined by accounting guidance | 70,286         | 81,512    | 102,971    | 114,887    | 126,730    |
| Total   | \$ 83,650      | \$ 92,235 | \$ 118,209 | \$ 132,792 | \$ 159,666 |

The accrual of interest income is discontinued when a loan becomes 90 days past due and the borrower's capacity to (1) 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.

Interest in the amount of \$4.42 million would have been earned in 2016 had loans in categories (a) and (c) (2) remained at their original terms; however, only \$3.32 million 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 in the table above were zero at December 31, 2016.

At December 31, 2016, 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.

There were no other interest-bearing assets at December 31, 2016, that would be required to be disclosed above, if such assets were loans.

There were no foreign loans at December 31, 2016, 2015, 2014, 2013 and 2012.

Summary of Loan Loss Experience

The following table sets forth loan balances and summarizes the changes in the allowance for loan losses for each of the years ended December 31:

|   | 2016                   | 2015         | 2014         |
|---|------------------------|--------------|--------------|
|   | (dollars in thousands) |              |              |
| Total loans outstanding at the end of the year (net of unearned fees) | \$ 1,675,628           | \$ 1,542,916 | \$ 1,433,624 |
| Average total loans outstanding for the year (net of unearned fees)   | \$ 1,599,899           | \$ 1,461,480 | \$ 1,388,772 |

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|  | <b>Loan<br/>Losses</b> | <b>Unfunded<br/>Commitments</b> | <b>Loan<br/>Losses</b> | <b>Unfunded<br/>Commitments</b> | <b>Loan<br/>Losses</b> | <b>Unfunded<br/>Commitments</b> |
|--|------------------------|---------------------------------|------------------------|---------------------------------|------------------------|---------------------------------|
| Balance at beginning of year   | \$ 22,570              | \$ 652                          | \$ 25,990              | \$ 539                          | \$ 32,325              | \$ 508                          |
| Loans charged-off  |                        |                                 |                        |                                 |                        |                                 |
| Mortgage   | 2,599                  |                                 | 2,567                  |                                 | 4,119                  |                                 |
| Commercial   | 1,317                  |                                 | 1,694                  |                                 | 4,613                  |                                 |
| Installment  | 1,671                  |                                 | 1,467                  |                                 | 1,885                  |                                 |
| Payment plan receivables   | —                      |                                 | —                      |                                 | 2                      |                                 |
| Total loans charged-off  | 5,587                  |                                 | 5,728                  |                                 | 10,619                 |                                 |
| Recoveries of loans previously<br>charged-off  |                        |                                 |                        |                                 |                        |                                 |
| Mortgage   | 1,047                  |                                 | 1,258                  |                                 | 1,397                  |                                 |
| Commercial   | 2,472                  |                                 | 2,656                  |                                 | 4,914                  |                                 |
| Installment  | 1,100                  |                                 | 1,108                  |                                 | 1,104                  |                                 |
| Payment plan receivables   | —                      |                                 | —                      |                                 | 5                      |                                 |
| Total recoveries   | 4,619                  |                                 | 5,022                  |                                 | 7,420                  |                                 |
| Net loans charged-off  | 968                    |                                 | 706                    |                                 | 3,199                  |                                 |
| Reclassification to loans held for<br>sale   | 59                     |                                 |                        |                                 |                        |                                 |
| Additions (deductions) included in<br>operations   | (1,309 )               | (2 )                            | (2,714 )               | 113                             | (3,136 )               | 31                              |
| Balance at end of year   | \$ 20,234              | \$ 650                          | \$ 22,570              | \$ 652                          | \$ 25,990              | \$ 539                          |
| Net loans charged-off as a percent of<br>average loans outstanding (includes<br>loans held for sale) for the year          | 0.06 %                 |                                 | 0.05 %                 |                                 | 0.23 %                 |                                 |
| Allowance for loan losses as a<br>percent of loans outstanding<br>(includes loans held for sale) at the<br>end of the year | 1.21                   |                                 | 1.46                   |                                 | 1.81                   |                                 |
|  |                        |                                 |                        | <b>2013</b>                     | <b>2012</b>            |                                 |
|  |                        |                                 |                        | <b>(dollars in thousands)</b>   |                        |                                 |
| Total loans outstanding at the end of the year (net of unearned fees)  |                        |                                 |                        | \$ 1,394,960                    | \$ 1,469,918           |                                 |
| Average total loans outstanding for the year (net of unearned fees)  |                        |                                 |                        | \$ 1,413,796                    | \$ 1,550,456           |                                 |

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|   | <b>Loan<br/>Losses</b> | <b>Unfunded<br/>Commitments</b> | <b>Loan<br/>Losses</b> | <b>Unfunded<br/>Commitments</b> |
|---|------------------------|---------------------------------|------------------------|---------------------------------|
| Balance at beginning of year                  | \$ 44,275              | \$ 598                          | \$ 58,884              | \$ 1,286                        |
| Loans charged-off                             |                        |                                 |                        |                                 |
| Mortgage                                      | 6,319                  |                                 | 10,741                 |                                 |
| Commercial                                    | 7,358                  |                                 | 12,588                 |                                 |
| Installment                                   | 2,520                  |                                 | 4,009                  |                                 |
| Payment plan receivables                      | 35                     |                                 | 70                     |                                 |
| Total loans charged-off                       | 16,232                 |                                 | 27,408                 |                                 |
| Recoveries of loans previously charged-off    |                        |                                 |                        |                                 |
| Mortgage                                      | 1,996                  |                                 | 1,581                  |                                 |
| Commercial                                    | 5,119                  |                                 | 3,610                  |                                 |
| Installment                                   | 1,074                  |                                 | 1,311                  |                                 |
| Payment plan receivables                      | 81                     |                                 | 20                     |                                 |
| Total recoveries                              | 8,270                  |                                 | 6,522                  |                                 |
| Net loans charged-off                         | 7,962                  |                                 | 20,886                 |                                 |
| Reclassification to loans held for sale       |                        |                                 | 610                    |                                 |
| Additions (deductions) included in operations | (3,988 )               | (90 )                           | 6,887                  | (688 )                          |
| Balance at end of year                        | \$ 32,325              | \$ 508                          | \$ 44,275              | \$ 598                          |

Net loans charged-off as a percent of average loans outstanding (includes loans held for sale) for the year

|        |        |
|--------|--------|
| 0.56 % | 1.35 % |
|--------|--------|

Allowance for loan losses as a percent of loans outstanding (includes loans held for sale) at the end of the year

|      |      |
|------|------|
| 2.32 | 3.01 |
|------|------|

The allowance for loan losses reflected above is a valuation allowance in its entirety and the only allowance available to absorb probable incurred 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, beginning on page 83 of this prospectus and proxy statement.

We have allocated the allowance for loan losses to provide for probable incurred losses 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 follow:

|            | <b>2016</b>                 |  | <b>2015</b>                 |  | <b>2014</b>                 |  |
|------------|-----------------------------|--|-----------------------------|--|-----------------------------|--|
|            | <b>Allowance<br/>Amount</b> | <b>Percent<br/>of Loans<br/>to Total<br/>Loans</b> | <b>Allowance<br/>Amount</b> | <b>Percent<br/>of Loans<br/>to Total<br/>Loans</b> | <b>Allowance<br/>Amount</b> | <b>Percent<br/>of Loans<br/>to Total<br/>Loans</b> |
|            | (dollars in thousands)      |  |                             |  |                             |  |
| Commercial | \$ 4,880                    | 48.0 %   | \$ 5,670                    | 48.5 %   | \$ 5,445                    | 48.2 %   |

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|   |           |         |           |         |           |         |
|---|-----------|---------|-----------|---------|-----------|---------|
| Mortgage                                | 8,681     | 34.3    | 10,391    | 34.1    | 13,444    | 34.5    |
| Installment                             | 1,011     | 15.9    | 1,181     | 15.2    | 1,814     | 14.5    |
| Payment plan receivables <sup>(1)</sup> | —         | 1.8     | 56        | 2.2     | 64        | 2.8     |
| Subjective allocation                   | 5,662     | —       | 5,272     | —       | 5,223     | —       |
| Total                                   | \$ 20,234 | 100.0 % | \$ 22,570 | 100.0 % | \$ 25,990 | 100.0 % |

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|                          | 2013                   |  | 2012                |  |
|--------------------------|------------------------|--|---------------------|--|
|                          | Allowance<br>Amount    | Percent<br>of Loans<br>to Total<br>Loans | Allowance<br>Amount | Percent<br>of Loans<br>to Total<br>Loans |
|                          | (dollars in thousands) |  |                     |  |
| Commercial               | \$ 6,827               | 45.5 %                                   | \$ 11,402           | 42.2 %                                   |
| Mortgage                 | 17,195                 | 36.3                                     | 21,447              | 39.1                                     |
| Installment              | 2,246                  | 13.8                                     | 3,378               | 12.9                                     |
| Payment plan receivables | 97                     | 4.4                                      | 144                 | 5.8                                      |
| Subjective allocation    | 5,960                  | —  | 7,904               | —  |
| Total                    | \$ 32,325              | 100.0 %                                  | \$ 44,275           | 100.0 %                                  |

(1) Allowance of \$0.06 million related to payment plan receivables was reclassified to loans held for sale at December 31, 2016.

Deposits

The following table sets forth average deposit balances and the weighted-average rates paid thereon for the years ended December 31:

|                                       | 2016                   |        | 2015               |        | 2014               |        |
|---------------------------------------|------------------------|--------|--------------------|--------|--------------------|--------|
|                                       | Average<br>Balance     | Rate   | Average<br>Balance | Rate   | Average<br>Balance | Rate   |
|                                       | (dollars in thousands) |        |                    |        |                    |        |
| Non-interest bearing                  | \$ 688,697             |        | \$ 619,206         |        | \$ 540,107         |        |
| Savings and interest-bearing checking | 1,018,685              | 0.11 % | 988,504            | 0.11 % | 951,745            | 0.11 % |
| Time                                  | 447,243                | 0.86   | 386,035            | 0.76   | 413,729            | 0.94   |
| Total                                 | \$ 2,154,625           | 0.23 % | \$ 1,993,745       | 0.20 % | \$ 1,905,581       | 0.26 % |

The following table summarizes time deposits in amounts of \$100,000 or more by time remaining until maturity at December 31, 2016:

|                                  | (in<br>thousands) |
|----------------------------------|-------------------|
| Three months or less             | \$ 46,294         |
| Over three through six months    | 75,516            |
| Over six months through one year | 119,143           |
| Over one year                    | 50,799            |
| Total                            | \$ 291,752        |

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:

| 2016 | 2015 | 2014 | 2013 | 2012 |
|------|------|------|------|------|
|------|------|------|------|------|

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Net income as a percent of<sup>(1)</sup>

|   |        |        |        |         |         |
|---|--------|--------|--------|---------|---------|
| Average common equity   | 9.21 % | 7.89 % | 7.43 % | 64.22 % | 68.29 % |
| Average total assets  | 0.92   | 0.86   | 0.80   | 3.87    | 0.92    |
| Dividends declared per share as a percent of diluted net income per share | 32.38  | 30.23  | 23.38  | 0.00    | 0.00    |
| Average shareholders' equity as a percent of average total assets         | 9.98   | 10.93  | 10.83  | 8.69    | 4.82    |

(1) These amounts are calculated using net income applicable to common stock.

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Additional performance ratios are set forth in Selected Consolidated Financial Data, on page 8 of this prospectus and proxy statement. 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, which begins on page 82 of this prospectus and proxy statement.

### Short-Term Borrowings

Short-term borrowings are discussed in note 9 to the consolidated financial statements, which are included in this prospectus and proxy statement beginning on page F-85.

### **Description of Property**

IBCP operates a total of 83 facilities in Michigan and 2 leased facilities in Ohio.

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.

### **Legal Proceedings**

In December 2016, IBCP reached a tentative settlement regarding litigation initiated against it in Wayne County, Michigan Circuit Court. The court issued a preliminary approval of this settlement in the first quarter of 2017. This litigation concerned checking account transaction sequencing during a period from February 2009 to June 2011. Under the terms of the settlement, IBCP agreed to pay \$2.2 million and is also responsible for class notification costs and certain other expenses which are estimated to total approximately \$0.1 million. IBCP recorded a \$2.3 million expense in the fourth quarter of 2016 for this settlement. Although IBCP denies any liability associated with this matter and believed it had meritorious defenses to the allegations in the complaint, given the costs and uncertainty of litigation, it was determined that this settlement was in the best interests of the organization.

IBCP is also involved in various other litigation matters in the ordinary course of business. At the present time, IBCP does not believe any of these other matters will have a significant impact on its consolidated financial position or results of operations. The aggregate amount IBCP has accrued for losses it considers probable as a result of these other litigation matters is immaterial. However, because of the inherent uncertainty of outcomes from any litigation matter, IBCP believes it is reasonably possible it may incur losses in addition to the amounts it has accrued. At this time, IBCP estimates the maximum amount of additional losses that are reasonably possible is insignificant. However, because of a number of factors, including the fact that certain of these other litigation matters are still in their early stages and involve claims for which, at this point, IBCP believes have little to no merit, this maximum amount may change in the future.

The litigation matters described in the preceding paragraph primarily include claims that have been brought against IBCP for damages, but do not include litigation matters where IBCP seeks to collect amounts owed to it by third parties (such as litigation initiated to collect delinquent loans). These excluded, collection-related matters may involve claims or counterclaims by the opposing party or parties, but IBCP has excluded such matters from the disclosure contained in the preceding paragraph in all cases where IBCP believes the possibility of its paying damages to any opposing party is remote.

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**



The following discussion and analysis is intended as a review of significant factors affecting the financial condition and results of operations of IBCP, Independent Bank (the Bank), and their subsidiaries for the periods indicated. When used in this section, we, us, our, and similar terms refer to IBCP and its subsidiaries, as a whole. The discussion should be read in conjunction with the historical financial data included within this prospectus and proxy statement, including the Consolidated Financial Statements (and related Notes) beginning on page F-85 and the Unaudited Consolidated Financial Statements (and related Notes) beginning on page F-1 below, and all other information set forth in this prospectus and proxy statement. Certain Selected Consolidated Financial Information is set forth on page 8 above. In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those anticipated in these forward-looking statements as a result of certain factors discussed in this prospectus and proxy statement. Please see Forward-Looking Statements on page 1 above.

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We provide banking services to customers located primarily in Michigan's Lower Peninsula. As a result, our success depends to a great extent upon the economic conditions in Michigan's Lower Peninsula. At times, we have experienced a difficult economy in Michigan. Economic conditions in Michigan began to show signs of improvement during 2010. Generally, these improvements have continued into 2017, albeit at an uneven pace. There has been an overall decline in the unemployment rate as well as generally improving housing prices and other related statistics (such as home sales and new building permits). In addition, since early- to mid-2009, we have seen an improvement in our asset quality metrics. In particular, since early 2012, we have generally experienced a decline in non-performing assets, lower levels of new loan defaults, and reduced levels of loan net charge-offs.

*Recent Developments*

On December 22, 2017, President Donald Trump signed into law H.R.1, also known as the Tax Cuts and Jobs Act, which among other things, reduces the federal corporate tax rate to 21% effective January 1, 2018. As a result, we have concluded that this will cause our deferred tax assets to be revalued. Our net deferred tax asset represents expected corporate tax benefits anticipated to be realized in the future. The reduction in the federal corporate tax rate reduces these benefits. The revaluation of our net deferred tax assets at December 31, 2017 resulted in a reduction of these net assets and a corresponding increase in income tax expense of \$6.0 million, which was recorded in the fourth quarter of 2017. The fourth quarter 2017 earnings impact was approximately (\$0.28) per diluted share and the tangible book value impact was approximately (\$0.28) per share based on fourth quarter weighted average diluted shares of approximately 21.7 million and total shares outstanding of approximately 21.3 million at year end 2017. We do not anticipate future cash expenditures as a result of the reduction to the deferred tax asset.

Effective on January 1, 2017, we adopted the fair value accounting method for capitalized mortgage loan servicing rights. The adoption of this accounting method resulted in the following changes to the January 1, 2017 beginning balances: an increase in capitalized mortgage loan servicing rights of \$0.54 million; a decrease in deferred income taxes of \$0.19 million and a decrease in our accumulated deficit of \$0.35 million. See note 2 to the Condensed Consolidated Financial Statements.

On December 30, 2016, the Bank and its wholly-owned subsidiary, Mepco Finance Corporation (Mepco), entered into an Asset Purchase Agreement (APA) with Seabury Asset Management LLC (Seabury). Pursuant to the terms of the APA, we sold our payment plan processing business, payment plan receivables, and certain other assets to Seabury, who also assumed certain liabilities of Mepco. These assets and liabilities were categorized as held for sale in the December 31, 2016 Condensed Consolidated Statements of Financial Condition. We also recorded a \$0.32 million loss related to the sale of these assets in the fourth quarter of 2016. This transaction closed on May 18, 2017, with an effective date of May 1, 2017. As a result of the closing, Mepco sold \$33.1 million of net payment plan receivables, \$0.5 million of commercial loans, \$0.2 million of furniture and equipment and \$1.6 million of other assets to Seabury, who also assumed \$2.0 million of specified liabilities. Mepco was renamed IB Holding Company in May 2017 and was liquidated on June 30, 2017, with the remaining assets and liabilities transferred to the Bank. We do not believe that the sale of the Mepco business and assets will have a significant impact on our future overall financial condition or results of operations.

In the fourth quarter of 2016, we reached a tentative settlement regarding litigation initiated against the Bank in Wayne County, Michigan Circuit Court. The Court issued a preliminary approval of this settlement in the first quarter of 2017. This litigation concerned the Bank's checking account transaction sequencing during a period from February 2009 to June 2011. Under the terms of the settlement, we have agreed to pay \$2.2 million and we are also responsible for class notification costs and certain other expenses which are estimated to total approximately \$0.1 million. We recorded a \$2.3 million expense in the fourth quarter of 2016 for this settlement. We expect the settlement payment to

occur in the first quarter of 2018. Although, we deny any liability associated with this matter and believe we have meritorious defenses to the allegations in the complaint, given the costs and uncertainty of litigation, we determined that this settlement was in the best interests of the organization.

*Regulation*

On July 2, 2013, the Federal Reserve Board approved a final rule that establishes an integrated regulatory capital framework (the New Capital Rules ). The rule implements in the United States the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and certain changes required by the 2010 Dodd-Frank

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Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ). In general, under the New Capital Rules, minimum requirements have increased for both the quantity and quality of capital held by banking organizations. Consistent with the international Basel framework, the New Capital Rules include a new minimum ratio of common equity tier 1 capital to risk-weighted assets of 4.5% and a common equity tier 1 capital conservation buffer of 2.5% of risk-weighted assets that applies to all supervised financial institutions. The 2.5% capital conservation buffer is being phased in ratably over a four-year period that began in 2016. In 2017, 1.25% is being added to the minimum ratio for adequately capitalized institutions. To avoid limits on capital distributions and certain discretionary bonus payments we must meet the minimum ratio for adequately capitalized institutions plus the phased in buffer (now 5.75% in 2017). The rule also raises the minimum ratio of tier 1 capital to risk-weighted assets from 4% to 6% and includes a minimum leverage ratio of 4% for all banking organizations. As to the quality of capital, the New Capital Rules emphasize common equity tier 1 capital, the most loss-absorbing form of capital, and implements strict eligibility criteria for regulatory capital instruments. The New Capital Rules also change the methodology for calculating risk-weighted assets to enhance risk sensitivity. Under the New Capital Rules our existing trust preferred securities are grandfathered as qualifying regulatory capital. As of September 30, 2017 and December 31, 2016, we exceeded all of the capital ratio requirements of the New Capital Rules.

*Results of Operations*

This section contains discussions of the results of our consolidated operations for (1) the three- and nine-month periods ended September 30, 2017, as compared to the comparable periods in 2016, and (2) fiscal year 2016, as compared to fiscal years 2015 and 2014.

*Three and Nine Months Ended September 30, 2017 Compared to Three and Nine Months Ended September 30, 2016*Summary

We recorded net income of \$6.9 million and \$6.4 million, respectively, during the three months ended September 30, 2017 and 2016. The increase in 2017 results as compared to 2016 primarily reflects an increase in net interest income that was partially offset by increases in the provision for loan losses and in non-interest and income tax expenses and a decrease in non-interest income.

We recorded net income of \$18.8 million and \$16.9 million, respectively, during the nine months ended September 30, 2017 and 2016. The increase in 2017 year-to-date results as compared to 2016 is primarily due to increases in net interest income and non-interest income that were partially offset by increases in the provision for loan losses, non-interest expense and income tax expense.

**Key performance ratios**

|                                     | <b>Three months ended</b> |             | <b>Nine months ended</b> |             |
|-------------------------------------|---------------------------|-------------|--------------------------|-------------|
|                                     | <b>September 30,</b>      |             | <b>September 30,</b>     |             |
|                                     | <b>2017</b>               | <b>2016</b> | <b>2017</b>              | <b>2016</b> |
| Net income (annualized) to          |                           |             |                          |             |
| Average assets                      | 1.01 %                    | 1.02 %      | 0.96 %                   | 0.92 %      |
| Average common shareholders' equity | 10.27                     | 10.20       | 9.69                     | 9.19        |
| Net income per common share         |                           |             |                          |             |

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|         |         |         |         |         |
|---------|---------|---------|---------|---------|
| Basic   | \$ 0.32 | \$ 0.30 | \$ 0.88 | \$ 0.79 |
| Diluted | 0.32    | 0.30    | 0.87    | 0.78    |

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Net interest income is the most important source of our earnings and thus is critical in evaluating our results of operations. Changes in our 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.

Our net interest income totaled \$22.9 million during the third quarter of 2017, an increase of \$2.9 million, or 14.6% from the year-ago period. This increase primarily reflects a \$227.4 million increase in average interest-earning assets as well as a 15 basis point increase in our tax equivalent net interest income as a percent of average interest-earning assets (the net interest margin).

For the first nine months of 2017, net interest income totaled \$65.9 million, an increase of \$6.5 million, or 10.9% from 2016. This increase primarily reflects a \$184.9 million increase in average interest-earning assets as well as an 10 basis point increase in our net interest margin.

The increase in average interest-earning assets primarily reflects loan growth utilizing funds from increases in deposits and borrowed funds. The increase in the net interest margin reflects a change in the mix of average-interest earning assets (higher percentage of loans) as well as increases in short-term market interest rates.

Our net interest income is also adversely impacted by our level of non-accrual loans. In the third quarter and first nine months of 2017 non-accrual loans averaged \$8.6 million and \$9.7 million, respectively compared to \$10.7 million and \$10.6 million, respectively for the same periods in 2016. In addition, in the third quarter and first nine months of 2017 we had net recoveries of \$0.28 million and \$0.90 million, respectively, of previously unpaid interest on loans placed on or taken off non-accrual during each period or on loans previously charged-off compared to net recoveries of \$0.07 million and \$0.75 million, respectively, during the same periods in 2016.

**Average Balances and Tax Equivalent Rates**

|                                      | <b>Three Months Ended September 30,</b> |                 |                           |                            |                 |                           |
|--------------------------------------|---|-----------------|---------------------------|----------------------------|-----------------|---------------------------|
|                                      | <b>2017</b>                             |                 |                           | <b>2016</b>                |                 |                           |
|                                      | <b>Average<br/>Balance</b>              | <b>Interest</b> | <b>Rate<sup>(2)</sup></b> | <b>Average<br/>Balance</b> | <b>Interest</b> | <b>Rate<sup>(2)</sup></b> |
| <b>(Dollars in thousands)</b>        |   |                 |                           |                            |                 |                           |
| Assets                               |   |                 |                           |                            |                 |                           |
| Taxable loans                        | \$ 1,908,497                            | \$ 21,801       | 4.55 %                    | \$ 1,613,189               | \$ 18,562       | 4.59 %                    |
| Tax-exempt loans <sup>(1)</sup>      | 3,138                                   | 47              | 5.94                      | 3,492                      | 53              | 6.04                      |
| Taxable securities                   | 474,901                                 | 2,765           | 2.33                      | 534,319                    | 2,537           | 1.90                      |
| Tax-exempt securities <sup>(1)</sup> | 90,645                                  | 783             | 3.46                      | 58,694                     | 507             | 3.46                      |
| Interest bearing cash                | 29,336                                  | 63              | 0.85                      | 69,603                     | 86              | 0.49                      |
| Other investments                    | 15,543                                  | 200             | 5.11                      | 15,347                     | 195             | 5.05                      |
| Interest Earning Assets              | 2,522,060                               | 25,659          | 4.05                      | 2,294,644                  | 21,940          | 3.81                      |

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|                         |              |              |
|-------------------------|--------------|--------------|
| Cash and due from banks | 33,019       | 34,565       |
| Other assets, net       | 142,283      | 152,793      |
| Total Assets            | \$ 2,697,362 | \$ 2,482,002 |

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|  | Three Months Ended September 30, |           |                     |                    |           |                     |
|--|----------------------------------|-----------|---------------------|--------------------|-----------|---------------------|
|  | 2017                             |           |                     | 2016               |           |                     |
|  | Average<br>Balance               | Interest  | Rate <sup>(2)</sup> | Average<br>Balance | Interest  | Rate <sup>(2)</sup> |
| (Dollars in thousands)   |                                  |           |                     |                    |           |                     |
| Liabilities  |                                  |           |                     |                    |           |                     |
| Savings and interest-bearing checking                                  | \$ 1,048,289                     | 408       | 0.15                | \$ 1,014,201       | 284       | 0.11                |
| Time deposits  | 531,226                          | 1,425     | 1.06                | 438,504            | 970       | 0.88                |
| Other borrowings   | 85,219                           | 626       | 2.91                | 47,227             | 493       | 4.15                |
| Interest Bearing Liabilities   | 1,664,734                        | 2,459     | 0.59                | 1,499,932          | 1,747     | 0.46                |
| Non-interest bearing deposits  | 736,291                          |           |                     | 706,282            |           |                     |
| Other liabilities  | 31,263                           |           |                     | 27,110             |           |                     |
| Shareholders' equity   | 265,074                          |           |                     | 248,678            |           |                     |
| Total Liabilities and<br>Shareholders' Equity                          | \$ 2,697,362                     |           |                     | \$ 2,482,002       |           |                     |
| Net Interest Income  |                                  | \$ 23,200 |                     |                    | \$ 20,193 |                     |
| Net Interest Income as a Percent of Average<br>Interest Earning Assets |                                  |           | 3.66 %              |                    |           | 3.51 %              |

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

(2) Annualized

**Average Balances and Tax Equivalent Rates**

|                                      | Nine Months Ended September 30, |           |                     |                    |           |                     |
|--------------------------------------|---------------------------------|-----------|---------------------|--------------------|-----------|---------------------|
|                                      | 2017                            |           |                     | 2016               |           |                     |
|                                      | Average<br>Balance              | Interest  | Rate <sup>(2)</sup> | Average<br>Balance | Interest  | Rate <sup>(2)</sup> |
| (Dollars in thousands)               |                                 |           |                     |                    |           |                     |
| Assets                               |                                 |           |                     |                    |           |                     |
| Taxable loans                        | \$ 1,792,381                    | \$ 61,544 | 4.59 %              | \$ 1,577,758       | \$ 55,255 | 4.67 %              |
| Tax-exempt loans <sup>(1)</sup>      | 3,410                           | 145       | 5.69                | 3,564              | 163       | 6.11                |
| Taxable securities                   | 499,886                         | 8,300     | 2.21                | 532,576            | 7,261     | 1.82                |
| Tax-exempt securities <sup>(1)</sup> | 85,853                          | 2,264     | 3.52                | 50,286             | 1,320     | 3.50                |
| Interest bearing cash                | 42,610                          | 229       | 0.72                | 75,121             | 292       | 0.52                |
| Other investments                    | 15,543                          | 638       | 5.49                | 15,456             | 592       | 5.12                |
| Interest Earning Assets              | 2,439,683                       | 73,120    | 4.00                | 2,254,761          | 64,883    | 3.84                |
| Cash and due from banks              | 32,492                          |           |                     | 38,069             |           |                     |
| Other assets, net                    | 146,753                         |           |                     | 157,570            |           |                     |
| Total Assets                         | \$ 2,618,928                    |           |                     | \$ 2,450,400       |           |                     |





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|                                       | <b>Nine Months Ended September 30,</b> |                 |                           |                |                 |                           |
|---------------------------------------|--|-----------------|---------------------------|----------------|-----------------|---------------------------|
|                                       | <b>2017</b>                            |                 |                           | <b>2016</b>    |                 |                           |
|                                       | <b>Average</b>                         |                 | <b>Average</b>            |                | <b>Average</b>  |                           |
|                                       | <b>Balance</b>                         | <b>Interest</b> | <b>Rate<sup>(2)</sup></b> | <b>Balance</b> | <b>Interest</b> | <b>Rate<sup>(2)</sup></b> |
|                                       | <b>(Dollars in thousands)</b>          |                 |                           |                |                 |                           |
| Liabilities                           |  |                 |                           |                |                 |                           |
| Savings and interest-bearing checking | \$                                     |                 |                           |                |                 |                           |