INDEPENDENT BANK CORP.

Parent of Rockland Trust

## Independent Bank Corp. Reports Third Quarter Net Income of $15.7 Million

Company Release - 10/16/2014 16:03

**Higher Revenues Drive Earnings Growth**

ROCKLAND, Mass.--(BUSINESS WIRE)-- Independent Bank Corp. (NASDAQ: INDB), parent of Rockland Trust Company, today announced 2014 third quarter net income of $15.7 million, or $0.66 per diluted share, which represents increases of 6.7% and 8.2%, respectively, as compared to $14.7 million, or $0.61 per diluted share, in the prior quarter.

The second and third quarters of 2014 both contained items which the Company considers non-core, such as gains on life insurance benefits, merger and acquisition expenses, loss on termination of derivatives, and impairment on acquired facilities. When excluding such items, net operating earnings for the third quarter were $16.2 million, or $0.67 per diluted share, versus the prior quarter's net operating earnings of $15.1 million, or $0.63 per diluted share, representing increases of 7.1% and 6.4%, respectively.

"Due to the exemplary efforts of my many colleagues, Rockland Trust continues to steadily grow loans and increase core deposit funding," said Christopher Oddleifson, President and Chief Executive Officer of Independent Bank Corp. and Rockland Trust Company. "The recently announced Peoples Federal Savings Bank acquisition complements our steady organic growth and will assist with our expansion in and around Boston. Rockland Trust builds enduring relationships and is devoted to strengthening the communities we serve."

**BALANCE SHEET**

Total assets of $6.4 billion at September 30, 2014, inclusive of the acquisition of Mayflower Bancorp, Inc. ("Mayflower") in November 2013, increased by $36.1 million, or 0.6%, from the prior quarter and by $489.0 million, or 8.3%, as compared to the year ago period.

Total loans of $4.9 billion at September 30, 2014 increased by $62.4 million, or 5.1%, on an annualized basis, during the third quarter, and by $391.8 million, or 8.6%, when compared to the year ago period. Growth was generated in both the commercial and consumer-related portfolios. Growth in the third quarter was strongest in the commercial real estate and commercial construction sectors where the Company has a longstanding lending presence. There was also continued modest growth in the home equity portfolios due in part to successful marketing campaigns.

Total deposits of $5.3 billion at September 30, 2014 remained consistent with the prior quarter as ongoing growth in core deposits was offset by a decline in time deposits. Deposit levels increased $545.1 million, or 11.5%, when compared to the year ago period. Core deposits, rose by $34.7 million, or 3.0% on an annualized basis, from the prior quarter and represent 87.1% of total deposits as of September 30, 2014. This further lowered the overall cost of deposits to 0.21%, down one and two basis points, respectively, from the prior quarter and year ago periods.

The securities portfolio increased from the prior quarter by $19.9 million to $733.9 million at September 30, 2014 and comprised 11.5% of total assets.

Stockholders' equity at September 30, 2014 rose to $627.2 million, an increase of 1.7% from the prior quarter. As compared to the year ago period, stockholders' equity has increased by $71.4 million, or 12.9%. The strong growth in capital led to an increase in the Company's tangible book value per share, which increased by $0.46, or 2.5% during the third quarter to $18.66. The Company's tangible common ratio for the quarter of 7.19% also reflected a strong increase from the prior quarter.

**NET INTEREST INCOME**

Net interest income increased to $49.6 million for the third quarter as compared to $49.1 million in the linked quarter, reflective of higher earning asset levels. During the third quarter, the Company's net interest margin decreased from the prior quarter by six basis points to 3.42%. The decrease was attributable to an increase in the Company's average liquidity position, along with ongoing pressure on asset yields.

**NONINTEREST INCOME**

The Company recorded noninterest income of $17.1 million during the third quarter, which represents a $241,000, or 1.4%, increase from the linked quarter. Significant changes in noninterest income included the following:

- Deposit account fees and interchange and ATM fees rose by $246,000, or 3.2%, mainly due to increased transaction activity.
- Investment management income decreased by $120,000, or 2.3%, due to seasonal tax preparation fees recognized during the second quarter. Assets under administration increased 1.9% during the quarter and totaled $2.4 billion at September 30, 2014.
- Mortgage banking income increased by $138,000, or 15.7%, primarily due to increases in production volume.
- The Company recorded gains on life insurance benefits in the amount of $337,000 during the second quarter of 2014. There were no such gains recorded during the third quarter.
- The increase in net gains on the sale of equity securities was $87,000 as compared to the prior quarter.
- Other noninterest income was up $117,000, or 6.9% mainly due to 1031 exchange income increasing by $83,000.

**NONINTEREST EXPENSE**

The Company recorded noninterest expense of $42.6 million during the third quarter which represents a $373,000, or 0.9%, decrease from the prior quarter. Significant changes in noninterest expense included the following:

- Salaries and employee benefits increased $808,000, or 3.5%, during the third quarter due to an increase in combined salaries, commissions, and performance based incentive compensation, offset by decreases in payroll taxes.
- Occupancy and equipment expense decreased $274,000, or 5.2%, due to lower repairs, maintenance, and utility costs.
- During the third quarter, the Company incurred $677,000 in merger and acquisition costs related to the previously announced Peoples Federal Bancshares acquisition agreement that is expected to close in the first quarter of 2015.
- During the second quarter, the Company used excess liquidity to repay $75.0 million of Federal Home Loan Bank borrowings and terminated associated derivative positions which resulted in the recognition of a loss of $1.1 million. There were no such transactions during the third quarter.
- Other noninterest expenses decreased by $452,000, or 3.9%, mainly due to decreases in other losses and charge-offs of $394,000.

The Company generated a return on average assets and a return on average common equity of 0.99% and 9.97%, respectively, in the third quarter, as compared to 0.94% and 9.65% in the prior quarter. On an operating basis, the return on average assets and the return on average common equity for the three months ended September 30, 2014 were 1.01% and 10.23%, respectively, as compared to 0.96% and 9.87%, respectively, for the prior quarter.

**ASSET QUALITY**

All asset quality metrics remained strong during the third quarter, due to the Company's ongoing credit discipline and prudent resolution of problem loans. For the third quarter, total net charge-offs were $1.4 million, or 0.12%, of average loans on an annualized basis, relatively consistent with the prior quarter results. The provision for loan losses was $1.9 million for the third quarter,

as compared to $2.3 million for the prior quarter. Nonperforming loans decreased during the third quarter by $1.3 million to $26.1 million, or 0.53% of total loans, at September 30, 2014, from $27.4 million, or 0.56% of total loans, at June 30, 2014. In addition, nonperforming assets decreased to $38.6 million at the end of the third quarter, as compared to $39.6 million in the prior quarter. Delinquency as a percentage of loans was 0.73% at September 30, 2014, up slightly from the prior quarter.

The allowance for loan losses was $55.0 million at September 30, 2014, as compared to $54.5 million at June 30, 2014. The Company's allowance for loan losses as a percentage of loans was 1.11% at September 30, 2014 compared to 1.12% at June 30, 2014.

**CONFERENCE CALL INFORMATION**

Christopher Oddleifson, Chief Executive Officer and Robert Cozzone, Chief Financial Officer will host a conference call to discuss third quarter earnings at 10:00 a.m. Eastern Time on Friday, October 17, 2014. Internet access to the call is available on the Company's website at www.rocklandtrust.com or via telephonic access by dial-in at 1-888-336-7153 reference: INDB. A replay of the call will be available by calling 1-877-344-7529. Replay Conference Number: 10052902. The webcast replay will be available until October 17, 2015.

**ABOUT INDEPENDENT BANK CORP.**

Independent Bank Corp. has approximately $6.4 billion in assets and is the holding company for Rockland Trust Company, a full-service commercial bank headquartered in Massachusetts. Rockland Trust offers a wide range of banking, investment, and insurance services to businesses and individuals through retail branches, commercial lending offices, investment management offices, and residential lending centers located in Eastern Massachusetts and Rhode Island, as well as through telephone banking, mobile banking, and the Internet. Rockland Trust, which has been named as one of America's "Best Banks" by Forbes for three consecutive years, is an FDIC Member and an Equal Housing Lender. To find out why Rockland Trust is the bank "Where Each Relationship Matters ®", please visit www.rocklandtrust.com.

*This press release contains certain "forward-looking statements" with respect to the financial condition, results of operations and business of the Company. These statements may be identified by such forward-looking terminology as "expect," "achieve," "plan," "believe," "future," "positioned," "continued," "will," "would," "potential," or similar statements or variations of such terms. Actual results may differ from those contemplated by these forward-looking statements.*

*Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, but are not limited to:*

- *a weakening in the United States economy in general and the regional and local economies within the New England region and the Company's market area;*
- *adverse changes in the local real estate market;*
- *a further deterioration of the credit rating for U.S. long-term sovereign debt;*
- *acquisitions may not produce results at levels or within time frames originally anticipated and may result in unforeseen integration issues or impairment of goodwill and/or other intangibles;*
- *changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System;*
- *higher than expected tax rates and any changes in and any failure by the Company to comply with tax laws generally and requirements of the federal New Markets Tax Credit program;*
- *unexpected changes in market interest rates for interest earning assets and/or interest bearing liabilities;*
- *adverse changes in asset quality including an unanticipated credit deterioration in our loan portfolio;*
- *unexpected increased competition in the Company's market area;*
- *unanticipated loan delinquencies, loss of collateral, decreased service revenues, and other potential negative effects on our business caused by severe weather or other external events;*
- *a deterioration in the conditions of the securities markets;*
- *our inability to adapt to changes in information technology;*
- *electronic fraudulent activity within the financial services industry, especially in the commercial banking sector;*
- *adverse changes in consumer spending and savings habits;*
- *failure to obtain the approval of Peoples Federal Bancshares shareholders or regulatory approvals necessary for the merger of Peoples Federal Bancshares with Independent Bank Corp. or to satisfy other conditions to the merger on the proposed terms and within the proposed timeframe;*
- *the inability to realize expected revenue synergies from the Peoples Federal Bancshares merger in the amounts or in the timeframe anticipated;*
- *costs or difficulties relating to the Peoples Federal Bancshares integration matters might be greater than expected;*
- *inability to retain customers and employees, including those of Peoples Federal Bancshares;*
- *the effect of new laws and regulations regarding the financial services industry including, but not limited to, the Dodd-Frank Wall Street Reform and Consumer Protection Act;*
- *changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) generally applicable to the Company's business;*
- *changes in accounting policies, practices and standards, as may be adopted by the regulatory agencies as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board, and other accounting standard setters; and*
- *other unexpected material adverse changes in our operations or earnings.*

*The Company wishes to caution readers not to place undue reliance on any forward-looking statements as the Company's business and its forward-looking statements involve substantial known and unknown risks and uncertainties included in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q ("Risk Factors"). Except as required by law, the Company disclaims any intent or obligation to update publicly any such forward-looking statements, whether in response to new information, future events or otherwise. Any public statements or disclosures by the Company following this release which modify or impact any of the forward-looking statements contained in this release will be deemed to modify or supersede such statements in this release. In addition to the information set forth in this press release, you should carefully consider the Risk Factors.*

*This press release contains financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Operating earnings and operating EPS, which are non-GAAP financial measures, exclude gain or loss due to items that management believes are unrelated to its core banking business and will not have a material financial impact on operating results in future periods, such as gains or losses on the sales of securities, merger and acquisition expenses, and other items. The Company's management uses operating earnings and operating EPS to measure the strength of the Company's core banking business and to identify trends that may to some extent be obscured by such excluded gains or losses. The Company has included information on these non-GAAP measures because management believes that investors may find it useful to have access to the same analytical tool used by management and may also find that it facilitates the comparison of the Company to other companies in the financial services industry. These non-GAAP measures should not be viewed as a substitute for operating results determined in accordance with GAAP. An item which management deems to be non-core and excludes when computing these non-GAAP measures can be of substantial importance to the Company's results for any particular quarter or year. The Company's non-GAAP performance measures, including operating earnings and operating EPS, are not necessarily comparable to non-GAAP performance measures which may be presented by other companies.*

**INDEPENDENT BANK CORP. FINANCIAL SUMMARY**

| **CONSOLIDATED BALANCE SHEETS** (Unaudited dollars in thousands) | **September 30, 2014** | **June 30, 2014** | **September 30, 2013** | **% Change Sept 2014 vs. Jun 2014** | **% Change Sept 2014 vs. Sept 2013** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and due from banks | $ 98,810 | $ 119,326 | $ 185,111 | -17.19% | -46.62% |
| Interest-earning deposits with banks | 126,522 | 151,538 | 122,072 | -16.51% | 3.65% |
| Securities | | | | | |
| Securities available for sale | 361,455 | 340,081 | 284,398 | 6.28% | 27.09% |
| Securities held to maturity | 372,418 | 373,888 | 317,373 | -0.39% | 17.34% |

| | | | | | |
|---|---|---|---|---|---|
| Total securities | 733,873 | 713,969 | 601,771 | 2.79% | 21.95% |
| Loans held for sale | 12,580 | 16,125 | 10,667 | -21.98% | 17.93% |
| Loans | | | | | |
| Commercial and industrial | 842,833 | 853,327 | 756,222 | -1.23% | 11.45% |
| Commercial real estate | 2,338,641 | 2,300,633 | 2,166,281 | 1.65% | 7.96% |
| Commercial construction | 276,593 | 252,222 | 236,466 | 9.66% | 16.97% |
| Small business | 81,435 | 78,955 | 75,273 | 3.14% | 8.19% |
| Total commercial | 3,539,502 | 3,485,137 | 3,234,242 | 1.56% | 9.44% |
| Residential real estate | 536,822 | 541,601 | 496,464 | -0.88% | 8.13% |
| Home equity - 1st position | 509,903 | 503,149 | 492,732 | 1.34% | 3.48% |
| Home equity - subordinate positions | 344,743 | 337,666 | 311,938 | 2.10% | 10.52% |
| Total consumer real estate | 1,391,468 | 1,382,416 | 1,301,134 | 0.65% | 6.94% |
| Other consumer | 16,885 | 17,947 | 20,653 | -5.92% | -18.24% |
| Total loans | 4,947,855 | 4,885,500 | 4,556,029 | 1.28% | 8.60% |
| Less - allowance for loan losses | (55,005) | (54,538) | (53,562) | 0.86% | 2.69% |
| Net loans | 4,892,850 | 4,830,962 | 4,502,467 | 1.28% | 8.67% |
| Federal Home Loan Bank stock | 33,233 | 37,350 | 38,674 | -11.02% | -14.07% |
| Bank premises and equipment | 64,186 | 64,166 | 56,729 | 0.03% | 13.14% |
| Goodwill and core deposit intangible | 180,871 | 181,460 | 160,562 | -0.32% | 12.65% |
| Other assets | 241,503 | 233,422 | 217,411 | 3.46% | 11.08% |
| Total assets | $ 6,384,428 | $6,348,318 | $ 5,895,464 | 0.57% | 8.29% |
| **Liabilities and Stockholders' Equity** | | | | | |
| Deposits | | | | | |
| Demand deposits | $ 1,493,116 | $1,462,761 | $ 1,339,134 | 2.08% | 11.50% |
| Savings and interest checking accounts | 2,070,617 | 2,096,029 | 1,843,795 | -1.21% | 12.30% |
| Money market | 1,066,237 | 1,036,513 | 882,764 | 2.87% | 20.78% |
| Time certificates of deposit | 672,464 | 702,858 | 691,616 | -4.32% | -2.77% |
| Total deposits | 5,302,434 | 5,298,161 | 4,757,309 | 0.08% | 11.46% |
| Borrowings | | | | | |
| Federal Home Loan Bank borrowings | 60,127 | 60,174 | 189,539 | -0.08% | -68.28% |
| Customer repurchase agreements and other short-term borrowings | 153,192 | 131,766 | 164,180 | 16.26% | -6.69% |
| Wholesale repurchase agreements | 50,000 | 50,000 | 50,000 | 0.00% | 0.00% |
| Junior subordinated debentures | 73,741 | 73,797 | 73,962 | -0.08% | -0.30% |
| Subordinated debentures | 30,000 | 30,000 | 30,000 | 0.00% | 0.00% |
| Total borrowings | 367,060 | 345,737 | 507,681 | 6.17% | -27.70% |
| Total deposits and borrowings | 5,669,494 | 5,643,898 | 5,264,990 | 0.45% | 7.68% |
| Other liabilities | 87,752 | 87,931 | 74,730 | -0.20% | 17.43% |
| Stockholders' equity | | | | | |
| Common stock | 237 | 236 | 227 | 0.42% | 4.41% |
| Additional paid in capital | 308,723 | 307,720 | 274,369 | 0.33% | 12.52% |
| Retained earnings | 320,226 | 310,226 | 288,208 | 3.22% | 11.11% |
| Accumulated other comprehensive loss, net of tax | (2,004) | (1,693) | (7,060) | 18.37% | -71.61% |
| Total stockholders' equity | 627,182 | 616,489 | 555,744 | 1.73% | 12.85% |
| Total liabilities and stockholders' equity | $ 6,384,428 | $6,348,318 | $ 5,895,464 | 0.57% | 8.29% |

**CONSOLIDATED STATEMENTS OF INCOME**
(Unaudited dollars in thousands)

| | Three Months Ended | | | | |
|---|---|---|---|---|---|
| | **September 30, 2014** | **June 30, 2014** | **September 30, 2013** | **% Change Sept 2014 vs. Jun 2014** | **% Change Sept 2014 vs. Sept 2013** |
| **Interest income** | | | | | |
| Interest on fed funds sold and short term investments | $ 96 | $ 69 | $ 79 | 39.13% | 21.52% |
| Interest and dividends on securities | 4,599 | 4,727 | 3,773 | -2.71% | 21.89% |
| Interest on loans | 49,514 | 49,393 | 47,019 | 0.24% | 5.31% |
| Interest on loans held for sale | 159 | 96 | 156 | 65.63% | 1.92% |
| Total interest income | 54,368 | 54,285 | 51,027 | 0.15% | 6.55% |
| **Interest expense** | | | | | |
| Interest on deposits | 2,735 | 2,789 | 2,649 | -1.94% | 3.25% |
| Interest on borrowed funds | 2,070 | 2,443 | 3,182 | -15.27% | -34.95% |
| Total interest expense | 4,805 | 5,232 | 5,831 | -8.16% | -17.60% |
| Net interest income | 49,563 | 49,053 | 45,196 | 1.04% | 9.66% |
| Less - provision for loan losses | 1,901 | 2,250 | 2,650 | -15.51% | -28.26% |
| Net interest income after provision for loan losses | 47,662 | 46,803 | 42,546 | 1.84% | 12.02% |
| **Noninterest income** | | | | | |
| Deposit account fees | 4,656 | 4,463 | 4,604 | 4.32% | 1.13% |
| Interchange and ATM fees | 3,375 | 3,322 | 2,845 | 1.60% | 18.63% |
| Investment management | 5,016 | 5,136 | 4,175 | -2.34% | 20.14% |
| Mortgage banking income | 1,015 | 877 | 1,843 | 15.74% | -44.93% |
| Increase in cash surrender value of life insurance policies | 774 | 721 | 793 | 7.35% | -2.40% |
| Gain on life insurance benefits | - | 337 | - | -100.00% | n/a |
| Net gain (loss) on sale of equity securities | 67 | (20) | - | -435.00% | 100.00% |
| Loan level derivative income | 381 | 324 | 1,331 | 17.59% | -71.37% |
| Gain on extinguishment of debt | - | - | 763 | n/a | -100.00% |
| Other noninterest income | 1,814 | 1,697 | 1,776 | 6.89% | 2.14% |
| Total noninterest income | 17,098 | 16,857 | 18,130 | 1.43% | -5.69% |
| **Noninterest expense** | | | | | |
| Salaries and employee benefits | 23,651 | 22,843 | 22,654 | 3.54% | 4.40% |
| Occupancy and equipment | 5,027 | 5,301 | 4,573 | -5.17% | 9.93% |
| Data processing and facilities management | 1,178 | 1,179 | 1,179 | -0.08% | -0.08% |
| FDIC assessment | 957 | 966 | 898 | -0.93% | 6.57% |
| Merger and acquisition | 677 | - | 366 | 100.00% | 84.97% |
| Loss on termination of derivatives | - | 1,122 | - | -100.00% | n/a |

| | | | | | |
|---|---|---|---|---|---|
| Other noninterest expense | 11,117 | 11,569 | 11,052 | -3.91% | 0.59% |
| Total noninterest expense | 42,607 | 42,980 | 40,722 | -0.87% | 4.63% |
| Income before income taxes | 22,153 | 20,680 | 19,954 | 7.12% | 11.02% |
| Provision for income taxes | 6,415 | 5,934 | 5,299 | 8.11% | 21.06% |
| Net income | $ 15,738 | $ 14,746 | $ 14,655 | 6.73% | 7.39% |
| | | | | | |
| Basic earnings per share | $ 0.66 | $ 0.62 | $ 0.64 | 6.45% | 3.13% |
| Diluted earnings per share | $ 0.66 | $ 0.61 | $ 0.64 | 8.20% | 3.13% |
| Basic average shares | 23,911,678 | 23,897,413 | 22,946,308 | | |
| Diluted average shares | 24,002,363 | 23,991,973 | 23,047,114 | | |
| | | | | | |
| **Performance ratios** | | | | | |
| | | | | | |
| Net interest margin (FTE) | 3.42% | 3.48% | 3.43% | | |
| Return on average assets | 0.99% | 0.94% | 1.00% | | |
| Return on average common equity | 9.97% | 9.65% | 10.53% | | |
| | | | | | |
| **Reconciliation table - non-GAAP financial information** | | | | | |
| | | | | | |
| Net income | $ 15,738 | $ 14,746 | $ 14,655 | 6.73% | 7.39% |
| Noninterest income components | | | | | |
| Less - gain on life insurance benefits (tax exempt) | - | (337) | - | | |
| Less - gain on extinguishmnet of debt, net of tax | - | - | (451) | | |
| Noninterest expense components | | | | | |
| Add - loss on termination of derivatives, net of tax | - | 663 | - | | |
| Add - merger & acquisition expenses, net of tax | 400 | - | 216 | | |
| Add - impairment on acquired facilities, net of tax | 12 | - | - | | |
| Net operating earnings | $ 16,150 | $ 15,072 | $ 14,420 | 7.15% | 11.99% |
| | | | | | |
| Diluted earnings per share, on an operating basis | $ 0.67 | $ 0.63 | $ 0.63 | 6.35% | 6.35% |

CONSOLIDATED STATEMENTS OF INCOME

| | Nine Months Ended | | % Change |
|---|---|---|---|
| | September 30, 2014 | September 30, 2013 | Sept 2014 vs. Sept 2013 |
| **Interest income** | | | |
| Interest on fed funds sold and short term investments | $ 203 | $ 134 | 51.49% |
| Interest and dividends on securities | 14,013 | 10,830 | 29.39% |
| Interest on loans | 147,111 | 141,717 | 3.81% |
| Interest on loans held for sale | 306 | 661 | -53.71% |
| Total interest income | 161,633 | 153,342 | 5.41% |
| **Interest expense** | | | |
| Interest on deposits | 8,314 | 7,857 | 5.82% |
| Interest on borrowed funds | 7,095 | 9,812 | -27.69% |
| Total interest expense | 15,409 | 17,669 | -12.79% |
| Net interest income | 146,224 | 135,673 | 7.78% |
| Less - provision for loan losses | 8,653 | 7,050 | 22.74% |
| Net interest income after provision for loan losses | 137,571 | 128,623 | 6.96% |
| **Noninterest income** | | | |
| Deposit account fees | 13,478 | 13,164 | 2.39% |
| Interchange and ATM fees | 9,672 | 7,934 | 21.91% |
| Investment management | 14,755 | 12,417 | 18.83% |
| Mortgage banking income | 2,379 | 5,794 | -58.94% |
| Increase in cash surrender value of life insurance policies | 2,217 | 2,325 | -4.65% |
| Gain on life insurance benefits | 1,964 | - | 100.00% |
| Net gain (loss) on sale of equity securities | 138 | (4) | -3550.00% |
| Loan level derivative income | 1,452 | 2,679 | -45.80% |
| Gain on extinguishment of debt | - | 763 | -100.00% |
| Other noninterest income | 5,414 | 5,473 | -1.08% |
| Total noninterest income | 51,469 | 50,545 | 1.83% |
| **Noninterest expense** | | | |
| Salaries and employee benefits | 69,574 | 66,963 | 3.90% |
| Occupancy and equipment expenses | 16,474 | 14,742 | 11.75% |
| Data processing and facilities management | 3,609 | 3,564 | 1.26% |
| FDIC assessment | 2,828 | 2,653 | 6.60% |
| Merger and acquisition expenses | 754 | 2,465 | -69.41% |
| Loss on termination of derivatives | 1,122 | - | 100.00% |
| Other noninterest expense | 33,113 | 35,418 | -6.51% |
| Total noninterest expense | 127,474 | 125,805 | 1.33% |
| Income before income taxes | 61,566 | 53,363 | 15.37% |
| Provision for income taxes | 17,699 | 13,698 | 29.21% |
| Net income | $ 43,867 | $ 39,665 | 10.59% |
| | | | |
| Basic earnings per share | $ 1.84 | $ 1.73 | 6.36% |
| Diluted earnings per share | $ 1.83 | $ 1.73 | 5.78% |
| Basic average shares | 23,876,391 | 22,886,521 | |
| Diluted average shares | 23,971,711 | 22,959,320 | |
| | | | |
| **Performance ratios** | | | |
| | | | |
| Net interest margin (FTE) | 3.46% | 3.53% | |
| Return on average assets | 0.94% | 0.93% | |
| Return on average common equity | 9.56% | 9.74% | |
| | | | |
| **Reconciliation table - non-GAAP financial information** | | | |

| | | | |
|---|---|---|---|
| Net income | $ 43,867 | $ 39,665 | 10.59% |
| Noninterest income components | | | |
| Less - gain on life insurance benefits, tax exempt | (1,964) | - | |
| Less - gain on extinguishment of debt, net of tax | - | (451) | |
| Noninterest expense components | | | |
| Add - loss on termination of derivatives, net of tax | 663 | - | |
| Add - severance, net of tax | - | 192 | |
| Add - merger & acquisition expenses, net of tax | 466 | 1,531 | |
| Add - impairment on acquired facilities, net of tax | 310 | - | |
| Net operating earnings | $ 43,342 | $ 40,937 | 5.88% |
| | | | |
| Diluted earnings per share, on an operating basis | $ 1.81 | $ 1.78 | 1.69% |

**Reconciliation table - non-GAAP financial information**

| (Unaudited dollars in thousands) | Three Months Ended | | | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|---|---|
| | | | | % Change | | | | % Change |
| | September 30, 2014 | June 30, 2014 | September 30, 2013 | Sept 2014 vs. Jun 2014 | Sept 2014 vs. Sept 2013 | September 30, 2014 | September 30, 2013 | Sept 2014 vs. Sept 2013 |
| Noninterest income GAAP | $ 17,098 | $16,857 | $ 18,130 | 1.43% | -5.69% | $ 51,469 | $ 50,545 | 1.83% |
| Less - gain on life insurance benefits | - | (337) | - | -100.00% | n/a | (1,964) | - | 100.00% |
| Less - gain on extinguishment of debt | - | - | (763) | n/a | -100.00% | - | (763) | -100.00% |
| Total noninterest income as adjusted | $ 17,098 | $16,520 | $ 17,367 | 3.50% | -1.55% | $ 49,505 | $ 49,782 | -0.56% |
| | | | | | | | | |
| Noninterest expense GAAP | $ 42,607 | $42,980 | $ 40,722 | -0.87% | 4.63% | $ 127,474 | $ 125,805 | 1.33% |
| Less - loss on termination of derivatives | - | (1,122) | - | -100.00% | 100.00% | (1,122) | - | 100.00% |
| Less - severance | - | - | - | n/a | n/a | - | (325) | -100.00% |
| Less - merger and acquisition expenses | (677) | - | (366) | 100.00% | 84.97% | (754) | (2,465) | -69.41% |
| Less - impairment on acquired facilities | (21) | - | - | n/a | n/a | (524) | - | 100.00% |
| Total noninterest expense as adjusted | $ 41,909 | $41,858 | $ 40,356 | 0.12% | 3.85% | $ 125,074 | $ 123,015 | 1.67% |

**Asset quality**

| | Nonperforming Assets At | | | Net Charge-Offs For the Three Months Ended | | | Net Charge-Offs For the Nine Months Ended | |
|---|---|---|---|---|---|---|---|---|
| | September 30, 2014 | June 30, 2014 | September 30, 2013 | September 30, 2014 | June 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Nonperforming loans | | | | | | | | |
| Commercial & industrial loans | $ 2,321 | $ 2,368 | $ 4,557 | $ 498 | $ 342 | $ 842 | $ 1,544 | $ 2,328 |
| Commercial real estate loans | 6,512 | 6,586 | 12,900 | 634 | 463 | 428 | 3,951 | 1,023 |
| Small business loans | 278 | 433 | 615 | 44 | 36 | 37 | 301 | 382 |
| Residential real estate loans | 9,305 | 10,812 | 12,251 | 21 | 136 | 205 | 285 | 366 |
| Home equity | 7,672 | 7,151 | 7,320 | 93 | 253 | 398 | 347 | 881 |
| Other consumer | 31 | 66 | 244 | 144 | 111 | 154 | 459 | 343 |
| Total nonperforming loans / total net charge-offs | $ 26,119 | $27,416 | $ 37,887 | $ 1,434 | $ 1,341 | $ 2,064 | $ 6,887 | $ 5,323 |
| Nonaccrual securities | 2,806 | 2,570 | 1,628 | | | | | |
| Other assets in possession | 30 | 163 | 176 | | | | | |
| Other real estate owned | 9,602 | 9,512 | 9,188 | | | | | |
| Total nonperforming assets | $ 38,557 | $39,661 | $ 48,879 | | | | | |
| | | | | | | | | |
| Nonperforming loans/gross loans | 0.53% | 0.56% | 0.83% | | | | | |
| Nonperforming assets/total assets | 0.60% | 0.62% | 0.83% | | | | | |
| Allowance for loan losses/nonperforming loans | 210.59% | 198.93% | 141.37% | | | | | |
| Gross loans/total deposits | 93.31% | 92.21% | 95.77% | | | | | |
| Allowance for loan losses/total loans | 1.11% | 1.12% | 1.18% | | | | | |
| | | | | | | | | |
| Net charge-offs to average loans (quarter annualized) | | | | 0.12% | 0.11% | 0.18% | | |
| Net charge-offs to average loans (year-to-date) | | | | | | | 0.19% | 0.16% |

**Nonperforming assets reconciliation**

| | Three Months Ended | | |
|---|---|---|---|
| | September 30, 2014 | June 30, 2014 | September 30, 2013 |
| Nonperforming assets beginning balance | $ 39,661 | $46,521 | $ 48,105 |
| New to Nonperforming | 4,972 | 5,109 | 21,863 |
| Loans charged-off | (1,906) | (2,150) | (2,368) |
| Loans paid-off | (1,833) | (7,615) | (12,599) |
| Loans transferred to other real estate owned/other assets | (783) | (3,509) | (1,207) |
| Loans restored to performing status | (1,705) | (491) | (5,169) |
| New to other real estate owned | 783 | 3,511 | 1,207 |
| Sale of other real estate owned | (1,480) | (2,169) | (1,757) |
| Capital improvements to other real estate owned | 896 | 432 | 572 |
| Other | (48) | 22 | 232 |
| Nonperforming assets ending balance | $ 38,557 | $39,661 | $ 48,879 |

**Troubled Debt Restructurings At**

| | September 30, 2014 | June 30, 2014 | September 30, 2013 |
|---|---|---|---|
| Troubled debt restructurings on accrual status | $ 40,140 | $38,925 | $ 36,429 |
| Troubled debt restructurings on nonaccrual status | 5,709 | 7,499 | 8,567 |
| Total troubled debt restructurings | $ 45,849 | $46,424 | $ 44,996 |

| **Financial ratios** | September 30, 2014 | June 30, 2014 | September 30, 2013 |
|---|---|---|---|
| Book value per common share | $ 26.23 | $ 25.79 | $ 24.21 |
| Tangible book value per share | $ 18.66 | $ 18.20 | $ 17.21 |
| Tangible common capital/tangible assets | 7.19% | 7.05% | 6.89% |
| **Capital adequacy** | | | |
| Tier one leverage capital ratio (1) | 8.75% | 8.62% | 8.64% |

*(1) Estimated number for September 30, 2014.*

**INDEPENDENT BANK CORP. SUPPLEMENTAL FINANCIAL INFORMATION**

(Unaudited - dollars in thousands)

| | Three Months Ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | September 30, 2014 | | | June 30, 2014 | | | September 30, 2013 | | |
| | Average Balance | Interest Earned/ Paid | Yield/ Rate | Average Balance | Interest Earned/ Paid | Yield/ Rate | Average Balance | Interest Earned/ Paid | Yield/ Rate |
| **Interest-earning assets** | | | | | | | | | |
| Interest-earning deposits with banks, federal funds sold, and short term investments | $ 153,314 | $ 96 | 0.25% | $ 110,631 | $ 69 | 0.25% | $ 128,027 | $ 79 | 0.24% |
| Securities | | | | | | | | | |
| Taxable investment securities | 704,021 | 4,563 | 2.57% | 718,971 | 4,690 | 2.62% | 561,678 | 3,763 | 2.66% |
| Nontaxable investment securities (1) | 5,861 | 55 | 3.72% | 6,107 | 63 | 4.14% | 844 | 15 | 7.05% |
| Total securities | 709,882 | 4,618 | 2.58% | 725,078 | 4,753 | 2.63% | 562,522 | 3,778 | 2.66% |
| Loans held for sale | 16,812 | 159 | 3.75% | 9,548 | 96 | 4.03% | 20,784 | 156 | 2.98% |
| Loans | | | | | | | | | |
| Commercial and industrial | 842,672 | 8,150 | 3.84% | 845,848 | 8,140 | 3.86% | 746,767 | 7,358 | 3.91% |
| Commercial real estate (1) | 2,302,181 | 24,252 | 4.18% | 2,284,621 | 24,723 | 4.34% | 2,159,869 | 23,812 | 4.37% |
| Commercial construction | 266,534 | 2,824 | 4.20% | 242,465 | 2,617 | 4.33% | 230,446 | 2,409 | 4.15% |
| Small business | 80,114 | 1,133 | 5.61% | 78,852 | 1,087 | 5.53% | 75,791 | 1,048 | 5.49% |
| Total commercial | 3,491,501 | 36,359 | 4.13% | 3,451,786 | 36,567 | 4.25% | 3,212,873 | 34,627 | 4.28% |
| Residential real estate | 537,669 | 5,511 | 4.07% | 540,178 | 5,320 | 3.95% | 503,313 | 4,899 | 3.86% |
| Home equity | 847,365 | 7,459 | 3.49% | 835,134 | 7,345 | 3.53% | 798,381 | 7,228 | 3.59% |
| Total consumer real estate | 1,385,034 | 12,970 | 3.72% | 1,375,312 | 12,665 | 3.69% | 1,301,694 | 12,127 | 3.70% |
| Other consumer | 17,139 | 412 | 9.54% | 17,819 | 449 | 10.11% | 21,029 | 488 | 9.21% |
| Total loans | 4,893,674 | 49,741 | 4.03% | 4,844,917 | 49,681 | 4.11% | 4,535,596 | 47,242 | 4.13% |
| Total interest-earning assets | $ 5,773,682 | $ 54,614 | 3.75% | $ 5,690,174 | $ 54,599 | 3.85% | $ 5,246,929 | $ 51,255 | 3.88% |
| Cash and due from banks | 78,375 | | | 114,797 | | | 141,922 | | |
| Federal Home Loan Bank stock | 34,576 | | | 38,228 | | | 38,674 | | |
| Other assets | 426,661 | | | 422,739 | | | 384,145 | | |
| Total assets | $ 6,313,294 | | | $ 6,265,938 | | | $ 5,811,670 | | |
| **Interest-bearing liabilities** | | | | | | | | | |
| Deposits | | | | | | | | | |
| Savings and interest checking accounts | $ 2,067,132 | $ 895 | 0.17% | $ 2,041,213 | $ 918 | 0.18% | $ 1,760,508 | $ 811 | 0.18% |
| Money market | 1,027,830 | 608 | 0.23% | 1,003,485 | 607 | 0.24% | 891,601 | 561 | 0.25% |
| Time deposits | 686,195 | 1,232 | 0.71% | 715,481 | 1,264 | 0.71% | 699,865 | 1,277 | 0.72% |
| Total interest-bearing deposits | $ 3,781,157 | $ 2,735 | 0.29% | $ 3,760,179 | $ 2,789 | 0.30% | $ 3,351,974 | $ 2,649 | 0.31% |
| Borrowings | | | | | | | | | |
| Federal Home Loan Bank borrowings | $ 60,151 | $ 462 | 3.05% | $ 131,561 | $ 862 | 2.63% | $ 225,749 | $ 1,377 | 2.42% |
| Customer repurchase agreements and other short-term borrowings | 146,804 | 49 | 0.13% | 135,831 | 44 | 0.13% | 149,365 | 49 | 0.13% |
| Wholesale repurchase agreements | 50,000 | 292 | 2.32% | 50,000 | 289 | 2.32% | 50,000 | 292 | 2.32% |
| Junior subordinated debentures | 73,771 | 1,010 | 5.43% | 73,824 | 994 | 5.40% | 73,990 | 1,021 | 5.47% |
| Subordinated debentures | 30,000 | 257 | 3.40% | 30,000 | 254 | 3.40% | 30,000 | 443 | 5.86% |
| Total borrowings | $ 360,726 | $ 2,070 | 2.28% | $ 421,216 | $ 2,443 | 2.33% | $ 529,104 | $ 3,182 | 2.39% |
| Total interest-bearing liabilities | $ 4,141,883 | $ 4,805 | 0.46% | $ 4,181,395 | $ 5,232 | 0.50% | $ 3,881,078 | $ 5,831 | 0.60% |
| Demand deposits | 1,459,105 | | | 1,387,906 | | | 1,303,181 | | |
| Other liabilities | 86,052 | | | 83,903 | | | 75,133 | | |
| Total liabilities | $ 5,687,040 | | | $ 5,653,204 | | | $ 5,259,392 | | |
| Stockholders' equity | 626,254 | | | 612,734 | | | 552,278 | | |
| Total liabilities and stockholders' equity | $ 6,313,294 | | | $ 6,265,938 | | | $ 5,811,670 | | |
| Net interest income | | $ 49,809 | | | $ 49,367 | | | $ 45,424 | |
| Interest rate spread (2) | | | 3.29% | | | 3.35% | | | 3.28% |
| Net interest margin (3) | | | 3.42% | | | 3.48% | | | 3.43% |
| **Supplemental Information** | | | | | | | | | |
| Total deposits, including demand deposits | $ 5,240,262 | $ 2,735 | | $ 5,148,085 | $ 2,789 | | $ 4,655,155 | $ 2,649 | |
| Cost of total deposits | | | 0.21% | | | 0.22% | | | 0.23% |
| Total funding liabilities, including demand deposits | $ 5,600,988 | $ 4,805 | | $ 5,569,301 | $ 5,232 | | $ 5,184,259 | $ 5,831 | |
| Cost of total funding liabilities | | | 0.34% | | | 0.38% | | | 0.45% |

(1) The total amount of adjustment to present interest income and yield on a fully tax-equivalent basis is $246,000, $228,000, and $314,000 for the three months ended September 30, 2014, June 30, 2014, and September 30, 2013, respectively.
(2) Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(3) Net interest margin represents annualized net interest income as a percentage of average interest-earning assets.

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2014 | | | September 30, 2013 | | |
| | Average Balance | Interest Earned/ Paid | Yield/ Rate | Average Balance | Interest Earned/ Paid | Yield/ Rate |
| **Interest-earning assets** | | | | | | |
| Interest earning deposits with banks, federal funds sold, and short term investments | $ 108,771 | $ 203 | 0.25% | $ 72,126 | $ 134 | 0.25% |
| Securities | | | | | | |
| Taxable investment securities | 709,774 | 13,903 | 2.62% | 539,823 | 10,798 | 2.67% |
| Nontaxable investment securities (1) | 6,036 | 181 | 4.01% | 892 | 52 | 7.79% |
| Total securities | 715,810 | 14,084 | 2.63% | 540,715 | 10,850 | 2.68% |
| Loans held for sale | 10,840 | 306 | 3.77% | 32,796 | 661 | 2.69% |
| Loans | | | | | | |
| Commercial and industrial | 835,092 | 24,234 | 3.88% | 725,385 | 21,534 | 3.97% |
| Commercial real estate (1) | 2,289,601 | 73,178 | 4.27% | 2,143,925 | 71,780 | 4.48% |
| Commercial construction | 246,077 | 7,787 | 4.23% | 218,181 | 6,732 | 4.13% |
| Small business | 78,832 | 3,289 | 5.58% | 77,068 | 3,200 | 5.55% |
| Total commercial | 3,449,602 | 108,488 | 4.20% | 3,164,559 | 103,246 | 4.36% |
| Residential real estate | 539,400 | 15,997 | 3.97% | 540,073 | 16,206 | 4.01% |
| Home equity | 835,549 | 22,061 | 3.53% | 796,326 | 21,391 | 3.59% |
| Total consumer real estate | 1,374,949 | 38,058 | 3.70% | 1,336,399 | 37,597 | 3.76% |
| Other consumer | 18,054 | 1,345 | 9.96% | 23,320 | 1,568 | 8.99% |
| Total loans | 4,842,605 | 147,891 | 4.08% | 4,524,278 | 142,411 | 4.21% |
| Total interest-earning assets | $ 5,678,026 | $ 162,484 | 3.83% | $ 5,169,915 | $ 154,056 | 3.98% |
| Cash and due from banks | 111,091 | | | 114,199 | | |
| Federal Home Loan Bank stock | 37,557 | | | 39,455 | | |
| Other assets | 418,333 | | | 403,311 | | |
| Total assets | $ 6,245,007 | | | $ 5,726,880 | | |
| **Interest-bearing liabilities** | | | | | | |
| Deposits | | | | | | |
| Savings and interest checking accounts | $ 2,024,157 | $ 2,703 | 0.18% | $ 1,685,398 | $ 2,192 | 0.17% |
| Money market | 1,009,821 | 1,834 | 0.24% | 877,891 | 1,689 | 0.26% |
| Time deposits | 711,393 | 3,777 | 0.71% | 726,737 | 3,976 | 0.73% |
| Total interest-bearing deposits | $ 3,745,371 | $ 8,314 | 0.30% | $ 3,290,026 | $ 7,857 | 0.32% |
| Borrowings | | | | | | |
| Federal Home Loan Bank borrowings | $ 113,995 | $ 2,327 | 2.73% | $ 267,515 | $ 4,188 | 2.09% |
| Customer repurchase agreements and other short-term borrowings | 140,421 | 148 | 0.14% | 146,872 | 205 | 0.19% |
| Wholesale repurchase agreements | 50,000 | 866 | 2.32% | 50,000 | 866 | 2.32% |
| Junior subordinated debentures | 73,826 | 2,996 | 5.43% | 74,046 | 3,029 | 5.47% |
| Subordinated debentures | 30,000 | 758 | 3.38% | 30,000 | 1,524 | 6.79% |
| Total borrowings | $ 408,242 | $ 7,095 | 2.32% | $ 568,433 | $ 9,812 | 2.31% |
| Total interest-bearing liabilities | $ 4,153,613 | $ 15,409 | 0.50% | $ 3,858,459 | $ 17,669 | 0.61% |
| Demand deposits | 1,398,599 | | | 1,244,138 | | |
| Other liabilities | 79,139 | | | 79,650 | | |
| Total liabilities | $ 5,631,351 | | | $ 5,182,247 | | |
| Stockholders' equity | 613,656 | | | 544,633 | | |
| Total liabilities and stockholders' equity | $ 6,245,007 | | | $ 5,726,880 | | |
| Net interest income | | $ 147,075 | | | $ 136,387 | |
| Interest rate spread (2) | | | 3.33% | | | 3.37% |
| Net interest margin (3) | | | 3.46% | | | 3.53% |
| **Supplemental Information** | | | | | | |
| Total deposits, including demand deposits | $ 5,143,970 | $ 8,314 | | $ 4,534,164 | $ 7,857 | |
| Cost of total deposits | | | 0.22% | | | 0.23% |
| Total funding liabilities, including demand deposits | $ 5,552,212 | $ 15,409 | | $ 5,102,597 | $ 17,669 | |
| Cost of total funding liabilities | | | 0.37% | | | 0.46% |

(1) The total amount of adjustment to present interest income and yield on a fully tax-equivalent basis is $851,000 and $714,000 for the nine months ended September 30, 2014 and 2013, respectively.
(2) Interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(3) Net interest margin represents annualized net interest income as a percentage of average interest-earning assets.

*Certain amounts in prior year financial statement have been reclassified to conform to the current year's presentation.*

Independent Bank Corp.
*Chris Oddleifson, 781-982-6660*
*President and Chief Executive Officer*
or
*Robert Cozzone, 781-982-6723*
*Chief Financial Officer and Treasurer*

Source: Independent Bank Corp.