HARRODSBURG FIRST FINANCIAL BANCORP INC
Form S-4
February 27, 2004
Table of Contents

As filed with the Securities and Exchange Commission on February 27, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

HARRODSBURG FIRST FINANCIAL BANCORP, INC.

(exact name of registrant as specified in its charter)

Delaware

(state or other jurisdiction of incorporation or organization)

6035

(Primary Standard Industrial Classification Code Number)

61-1284899

(IRS Employer Identification No.)

104 South Chiles Street

Harrodsburg, Kentucky 40330-1620

(859) 734-5452

(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

Arthur L. Freeman

Chairman and Chief Executive Officer

104 South Chiles Street

Harrodsburg, Kentucky 40330-1620

(859) 734-5452

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Felicia C. Battista, Esquire
Patton Boggs LLP
2550 M Street, N.W.
Washington, D.C. 20037
(202) 457-6000

N. William White
President and Chief Executive Officer
Independence Bancorp
3801 Charlestown Road
New Albany, Indiana 47151
(812) 944-1400

John W. Tanselle, Esquire
Kreig Devault LLP
Indiana Square, Suite 2800
Indianapolis, Indiana 46204-2079
(317) 636-4341

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

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, please 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 number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Amount to be Registered (1)(2)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(1)(2)
Common Stock, Par Value $0.10 per share.	990,000	N/A	$ 12,783,500	$ 1,620

(1) Represents the maximum number of shares of Harrodsburg First Financial Bancorp, Inc. (Harrodsburg) common stock, estimated to be issuable upon the consummation of the merger of Independence Bancorp (Independence), an Indiana corporation, with and into Harrodsburg, based on the number of shares of Independence common stock, no par value per share, outstanding or reserved for issuance under various plans, immediately prior to the merger and the exchange of each such share of Independence common stock for 1.0 share of Harrodsburg common stock. Pursuant to Rules 457(f) under the Securities Act of 1933, and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is equal to the aggregate market value of the estimated number of shares of Independence Common Stock to be converted into the right to receive Harrodsburg Common Stock in the merger (757,000 shares), based upon the value of the average price ($9.50) of shares of Independence Common Stock.

(2) The maximum number of shares of common stock issuable upon awards to be granted under the Harrodsburg 2004 Stock Option Plan consists of 233,000 shares. Pursuant to Rule 457(h) under the 1933 Securities Act, the shares are being based upon the average of the high and low selling prices of Harrodsburg common stock reported on the Nasdaq National Market on February 24, 2004, of $24.00 per share.

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 Section 8(a), may determine.

Table of Contents

Harrodsburg First Financial Bancorp, Inc. **Independence Bancorp**

Merger Proposed Your Vote Is Very Important

The Boards of Directors of Harrodsburg First Financial Bancorp, Inc. and Independence Bancorp have agreed to merge and are seeking your approval of this important transaction.

Upon completion of the merger, Independence shareholders will receive 1.0 share of Harrodsburg common stock in exchange for each share of Independence common stock they own. Harrodsburg shareholders will continue to own their existing shares.

On __________, 2004, the closing price of Harrodsburg common stock was $______, making 1.0 share worth $______. The closing price of Independence common stock on that date was $______. These prices will fluctuate between now and the completion of the merger. Harrodsburg common stock is listed on the Nasdaq National Market under the symbol HFFB. Independence common stock is not publicly traded.

The merger cannot be completed unless the shareholders of each company adopt the merger agreement by the affirmative vote of a majority of the total outstanding shares entitled to vote. Harrodsburg has scheduled its annual meeting and Independence has scheduled an annual meeting to vote on the matters necessary to complete the merger.

We are asking the **Harrodsburg** shareholders to:

- Adopt the merger agreement and approve the issuance of Harrodsburg common stock;
- Ratify the Harrodsburg 2004 Stock Option Plan;
- Elect two directors of Harrodsburg; and
- Ratify the appointment of auditors.

The annual meeting of Harrodsburg shareholders will be held:

[TO BE INSERTED]

We are asking **Independence** shareholders to:

Adopt the merger agreement; and

Elect three directors of Independence.

The annual meeting of Independence shareholders will be held:

[TO BE INSERTED]

Whether or not you plan to attend your shareholder meeting, please take the time to vote by signing, dating and mailing your enclosed proxy card. **Regardless of the number of shares you own, your vote is very important. Please act today.**

Both Boards of Directors have approved the merger and recommend you vote **FOR** adoption of the merger agreement.

We encourage you to read this document carefully.

Thank you for your continued interest and support.

Arthur L. Freeman ***Chairman and Chief Executive Officer*** ***Harrodsburg First Financial Bancorp, Inc.***	***N. William White*** ***President and Chief Executive Officer*** ***Independence Bancorp***

Neither the SEC nor any state securities regulator has approved the Harrodsburg common shares to be issued under this document or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense. These securities are not savings or deposit accounts or other obligations of any bank or nonblank subsidiary of any of the parties, and they are not insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund, the Bank Insurance Fund or any other governmental agency.

This document is dated as of __________, 2004 and is first being mailed to shareholders on or about __________, 2004.

Table of Contents

HARRODSBURG FIRST FINANCIAL BANCORP, INC.

104 South Chiles Street

Harrodsburg, Kentucky 40330-1620

(859) 734-5452

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on __________, 2004

Notice is hereby given that the annual meeting of shareholders of Harrodsburg First Financial Bancorp, Inc. will be held at the __________ located at __________, Harrodsburg, Kentucky on ______ __, 2004, at ____ p.m., local time.

A proxy card and proxy statement for the meeting are enclosed.

The meeting is for the purpose of considering and acting upon:

1. The adoption of an Agreement and Plan of Reorganization between Harrodsburg First Financial Bancorp, Inc., First Financial Bank, Independence Bancorp and Independence Bank, dated January 22, 2004, and the approval of the issuance of shares of Harrodsburg common stock in the merger;

2. The ratification of the Harrodsburg 2004 Stock Option Plan;

3. The election of two directors of Harrodsburg; and

4. The ratification of the appointment of BKD, LLP as auditors of Harrodsburg for the fiscal year ending September 30, 2004.

and such other business as may properly come before the meeting or any adjournment thereof. The Board of Directors is not aware of any such other business.

Any action may be taken on the foregoing proposals at the meeting on the date specified above, or on any date or dates to which the meeting may be adjourned. Only shareholders of record at the close of business on ___________ __, 2004 are entitled to vote at the meeting or any adjournments or postponements.

YOUR VOTE IS VERY IMPORTANT

You are requested to complete and sign the enclosed proxy card which is solicited on behalf of the board of directors, and to mail it promptly in the enclosed envelope. The proxy will not be used if you attend the meeting and vote in person.

Remember, if your shares are held in the name of a broker, only your broker can vote your shares on the merger agreement and only after receiving your instructions. Please contact the person responsible for your account and instruct him/her to execute a proxy card on your behalf. You should also sign, date and mail your proxy at your earliest convenience.

Please review the document accompanying this notice for more complete information regarding the matters proposed for your consideration at the annual meeting. Should you have any questions or require assistance, please call Arthur L. Freeman at (859) 734-5452.

BY ORDER OF THE BOARD OF DIRECTORS

Arthur L. Freeman
Chairman of the Board and Chief Executive Officer

Harrodsburg, Kentucky
___________, 2004

The Board of Directors of Harrodsburg unanimously recommends that you vote FOR each of the proposals. Your support is appreciated.

Table of Contents

INDEPENDENCE BANCORP

3801 Charlestown Road

New Albany, Indiana 47151

(812) 944-1400

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on __________, 2004

Notice is hereby given that the annual meeting of shareholders of Independence Bancorp will be held at the __________ located at __________, __________, Indiana on ______ __, 2004, at ____ p.m., local time.

A proxy card and proxy statement for the meeting are enclosed.

The meeting is for the purpose of considering and acting upon:

1. The adoption of an Agreement and Plan of Reorganization between Harrodsburg First Financial Bancorp, Inc., First Financial Bank, Independence Bancorp and Independence Bank, dated January 22, 2004; and

2. The election of three directors of Independence.

and such other business as may properly come before the meeting or any adjournment or postponement thereof. The Board of Directors is not aware of any such other business.

Any action may be taken on the foregoing proposal at the meeting on the date specified above, or on any date or dates to which the meeting may be adjourned. Only shareholders of record at the close of business on __________ __, 2004 are entitled to vote at the meeting or any adjournments or postponements.

YOUR VOTE IS VERY IMPORTANT

You are requested to complete and sign the enclosed proxy card which is solicited on behalf of the board of directors, and to mail it promptly in the enclosed envelope. The proxy will not be used if you attend the meeting and vote in person.

Remember, if your shares are held in the name of a broker, only your broker can vote your shares and only after receiving your instructions. Please contact the person responsible for your account and instruct him/her to execute a proxy card on your behalf. You should also sign, date and mail your proxy at your earliest convenience.

Please review the document accompanying this notice for more complete information regarding the matter proposed for your consideration at the special meeting. Should you have any questions or require assistance, please call N. William White at (812) 944-1400.

BY ORDER OF THE BOARD OF DIRECTORS

N. William White
President and Chief Executive Officer

New Albany, Indiana
__________, 2004

The Board of Directors of Independence recommends that you vote FOR the adoption of the merger agreement. Your support is appreciated.

TABLE OF CONTENTS

Table of Contents

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE MEETINGS

Q: Why do Harrodsburg and Independence want to merge?

A: Our companies are proposing a strategic alliance because we believe that by combining we can create a strong franchise in the southern Indiana and greater Louisville and central Kentucky market areas, that will provide significant long-term benefits to our shareholders and customers alike.

Q: What will happen to outstanding shares of Independence and Harrodsburg common stock?

A: Upon completion of the merger, each outstanding share of Independence common stock will be converted into 1.0 share of Harrodsburg common stock, with fractional shares paid in cash. Outstanding shares of Harrodsburg common stock will remain outstanding with no change. After the merger, shares of Harrodsburg common stock will represent the combined assets and business of Harrodsburg and Independence.

Q: What will the combined company be called and will the shares continue to trade on the Nasdaq National Stock Market?

A: Upon the completion of the merger of Harrodsburg and Independence, the combined company will be called 1st Independence Financial Group, Inc. The shares of 1st Independence Financial Group, Inc. will trade on the Nasdaq National Stock Market under the symbol FIFG.

Q: Is the merger taxable?

A: Harrodsburg and Independence each expect the merger to be tax-free. Harrodsburg s legal counsel will deliver an opinion to Harrodsburg and Independence at the closing of the merger that neither Harrodsburg, Independence, Harrodsburg shareholders, nor the Independence shareholders should recognize any gain or loss for U.S. federal income tax purposes in the merger, except with respect to any cash that Independence shareholders will receive instead of fractional shares.

We describe the material federal income tax consequences of the transaction in more detail on page __. The tax consequences to you will depend on the facts of your own situation. Please consult your tax advisor for a full understanding of the tax consequences that the merger will have on you.

Q: Am I entitled to appraisal rights?

A: Independence shareholders are entitled to appraisal rights in connection with the merger. Harrodsburg shareholders are not entitled to appraisal rights in connection with the merger.

Q: When do you expect the merger to be completed?

A: We expect to complete the merger in the second quarter of 2004. However, because the merger is subject to governmental approvals, we cannot predict the exact timing.

Q: Should I send in my stock certificates now?

A: No. After we complete the merger, Harrodsburg will send instructions to Independence shareholders whose shares are converted in the merger. These instructions will explain how to exchange your Independence stock certificates for 1st Independence Financial Group, Inc. stock certificates. Harrodsburg shareholders will keep their current stock certificates.

Q: How do I vote?

A: Just mail your signed proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at your shareholders meeting. In order to assure that your vote is counted, please give your proxy as instructed on your proxy card even if you currently plan to attend the meeting in person. If you sign and send in your proxy card and do not indicate how you want to vote, we will count your proxy card as a vote <u>in favor</u> of each proposal submitted at your shareholders meeting.

Q: Why is the Harrodsburg 2004 Stock Option Plan being ratified?

A: The merger agreement requires the exchange of stock options to certain individuals from Independence. There are currently not sufficient shares available under the current Harrodsburg stock option plan to make these grants. The Harrodsburg board of directors is recommending the issuance of these additional shares solely because Harrodsburg has agreed to exchange the options of Independence s employees, executive officers and directors under the merger agreement.

Q: Can I change my vote?

A. Yes. You can change your vote at any time prior to your shareholders meeting by submitting a later-dated signed proxy card or by attending the meeting and voting in person.

Q: If my shares are held in street name by a broker, will the broker vote the shares for me on the merger?

A: No. You must instruct your broker to vote your shares on the merger, following the directions provided to you by your broker. Your failure to instruct your broker to vote on the merger will be the equivalent of voting against the merger.

Q: Who do I call if I have questions about the meetings or the merger?

A: If you are a shareholder of Harrodsburg, you can contact Arthur L. Freeman at (859) 734-5452 to answer your questions about the merger.

If you are a shareholder of Independence, you can contact N. William White at (812) 944-1400 to answer your questions about the merger.

Table of Contents

SUMMARY

This section highlights selected information in this document and may not contain all of the information important to you. To understand the merger more fully and for a more complete description of the legal terms of the merger, you should read this entire document carefully, including Appendices, and the documents to which we refer to in this document. A list of the documents that we incorporate by reference appears on page __ under the heading Where You Can Find More Information.

THE COMPANIES

Harrodsburg First Financial Bancorp, Inc.

104 South Chiles Street

Harrodsburg, Kentucky 40330-1620

(859) 734-5452

Headquartered in Harrodsburg, Kentucky, Harrodsburg First Financial Bancorp, Inc. (Harrodsburg) is the publicly traded parent company of First Financial Bank (First Financial). Harrodsburg has two full service banking offices in Harrodsburg and Lawrenceburg, Kentucky. Additionally, Harrodsburg owns a majority interest in Citizens Financial Bank, Inc., which has one full service banking office in Glasgow, Kentucky. Harrodsburg currently owns 22.5% of Independence Bancorp. As of December 31, 2003, Harrodsburg had total consolidated assets of $173.7 million, deposits of $141.5 million and shareholders equity of $21.2 million.

Independence Bancorp

3801 Charlestown Road

New Albany, Indiana

(812) 944-1400

Privately held Independence Bancorp (Independence) has a presence in southern Indiana and Louisville, Kentucky. Independence, formed in 1998, has four full service banking offices, located in New Albany, Jeffersonville, and Marengo, Indiana and one in Louisville, Kentucky. Independence also operates Independence Mortgage Group, a division of Independence Bank, in both Louisville, Kentucky and southern Indiana. As of December 31, 2003, Independence had total consolidated assets of $108.8 million, deposits of $79.8 million and shareholders equity of $8.5 million.

THE MERGER AND THE MERGER AGREEMENT (page __)

The Agreement and Plan of Reorganization is attached to this document as Appendix A. Please read the merger agreement carefully. It is the legal document that governs the merger.

What Independence Shareholders Will Receive (page __)

As a result of the merger, Independence shareholders (except for Harrodsburg) will receive, for each share of Independence common stock, 1.0 share of Harrodsburg common stock. Harrodsburg will not issue any fractional shares. Independence shareholders will receive a check for any fractional share in an amount equal to the share fraction multiplied by the average closing price of Harrodsburg common stock on the five trading days before Harrodsburg completes the merger.

On __________ __, 2004, the latest available date prior to the mailing of this document, the closing share price of Harrodsburg common stock as reported on the Nasdaq National market was $______. Applying the 1.0 exchange ratio to the Harrodsburg closing price on that date, each holder of Independence common stock would be entitled to receive Harrodsburg common stock with a market value of approximately $______ for each share of Independence common stock. The value of Harrodsburg common stock, however, is likely to change between now and completion of the merger. You should obtain current price quotes for Harrodsburg common stock. See Selected Historical and Pro Forma Financial Data on page__ .

Ownership of Harrodsburg After the Merger

Harrodsburg will issue approximately 690,000 shares of Harrodsburg common stock to Independence shareholders in the merger. The shares of Harrodsburg common stock to be issued to Independence shareholders in the merger will represent approximately 36% of the outstanding Harrodsburg common stock after the merger. This information does not take into account outstanding Harrodsburg or Independence stock options or shares of Independence stock already owned by Harrodsburg.

Board of Directors Following the Merger (page __)

Following the merger, the board of directors of the combined company will consist of ten members, five of which have been chosen from among Harrodsburg s current directors and five of which have been chosen from among Independence s current directors.

Interests of Harrodsburg s and Independence s Officers and Directors in the Merger (page)

You should be aware that a number of Harrodsburg and Independence directors and executive officers may have interests in the merger that are different from, or in addition to, their interest as shareholders. These interests exist because of the rights that these directors and executive officers have under

Table of Contents

the terms of their benefit and compensation plans and also, in the case of the executive officers, under the terms of various agreements. Additionally, these interests arise from provisions of the merger agreement relating to appointments to the Harrodsburg board, employment arrangements and employee benefits after the merger, the exchange of stock options and indemnification and insurance after the merger.

The members of Harrodsburg s and Independence s boards of directors knew about and considered these additional interests when they approved the merger agreement.

Our Reasons and Recommendations for the Merger (pages __ and __)

Harrodsburg and Independence believe that the merger will:

- create a strong franchise with an expanded core market area;
- create opportunities for significant operational benefits and financial cost savings and revenue enhancements through the integration of Harrodsburg and Independence s operations;
- strengthen the combined company s competitive and capital position in the financial services industry, which is rapidly changing and growing more competitive;
- widen the combined company s product range through a broadened customer base with similar demographics;
- enable shareholders of both companies to participate in the future growth of the combined businesses of Harrodsburg and Independence; and
- provide customers of both companies with a broader range of products and services.

Harrodsburg s board of directors believes the merger is in its shareholders best interests and unanimously recommends that Harrodsburg s shareholders vote **FOR** the proposal to adopt the merger agreement and approve the issuance of shares of Harrodsburg common stock in the merger.

Independence s board of directors believes the merger is in its shareholders best interests and recommends that Independence s shareholders vote **FOR** the proposal to adopt the merger agreement.

You should note, however, that achieving these objectives is subject to particular risks and uncertainties, including possible difficulties in combining the operations of the two companies, in achieving anticipated cost savings and other financial and operating benefits from the merger and in the introduction and acceptance of new products and services into Harrodsburg s and Independence s market areas. See Disclosure Regarding Forward-Looking Information. To review our reasons for the merger in greater detail, as well as how we came to agree on the merger, please see pages __ through __.

Opinions of Financial Advisors (pages __ through __)

Harrodsburg. Among other factors considered in deciding to approve the merger, the Harrodsburg board of directors received the opinion of its financial advisor, Keefe, Bruyette & Woods, Inc., to the effect that, as of January 22, 2004, the date the parties signed the merger agreement, the exchange ratio was fair to the holders of Harrodsburg common stock from a financial point of view. We have attached a copy of the opinion to this document as Appendix B. You should read this opinion completely to understand the assumptions made, matters considered and limitations of the review undertaken by Keefe, Bruyette & Woods, Inc., in providing its opinion.

Independence. Among other factors considered in deciding to approve the merger, the Independence board of directors received the opinion of its financial advisor, David A. Noyes & Company, that, as of January 22, 2004, the date the parties signed the merger agreement, the exchange ratio was fair to the holders of Independence common stock from a financial point of view. We have attached a copy of the opinion to this document as Appendix C. You should read this opinion completely to understand the assumptions made, matters considered and limitations of the review undertaken by David A. Noyes & Company in providing its opinion.

Material Federal Income Tax Consequences of the Merger (page __)

The Merger is structured so that Harrodsburg, Independence, and the holders of Harrodsburg and Independence common stock should not recognize any income, gain or loss for federal income tax purposes as a result of the merger, except for any gain or loss related to cash received by Independence shareholders for fractional shares.

It is a condition to closing the merger that each company receive an opinion of counsel that the merger will be a tax-free reorganization for federal income tax purposes.

Tax matters are very complicated and the tax consequences that the merger will have on you will depend on the facts of your own situation. You should consult your tax advisors for a complete description of the tax consequences of the merger to you.

Market Price of Common Stock

Shares of Harrodsburg common stock are traded on the Nasdaq National Market and shares of Independence common stock are not publicly traded. On __________, 2004, the last trading day before Harrodsburg announced the merger, Harrodsburg common stock closed at $23.42 per share. On __________,

Table of Contents

2004, the latest available date prior to the meeting of this document, Harrodsburg common stock closed at $______ per share.

Shareholders Appraisal Rights (page __)

Under Delaware law, Harrodsburg shareholders do not have a right to an appraisal of the value of their shares in connection with the merger.

Under Indiana law, Independence shareholders have a right to an appraisal of the value of their shares in connection with the merger.

To dissent and receive the appraised fair value of their shares, Independence shareholders must follow the procedures outlined in Appendix E, including, without limitation:

- make a proper demand for appraisal in accordance with the Indiana law as more fully described on pages __; and
- not vote in favor of the merger (including by appointing a proxy to vote your shares).

What We Must Do to Complete the Merger (page __)

The completion of the merger depends on a number of conditions being met. In addition to compliance with the merger agreement, these conditions include:

- adoption of the merger agreement by Harrodsburg and Independence shareholders;
- approval of the merger by federal and state regulatory authorities;
- receipt of opinion regarding the federal income tax consequences of the merger; and
- the absence of any injunction or legal restraint blocking the merger or government proceeding preventing the completion of the merger.

As long as the law allows the parties to do so, Harrodsburg and Independence could decide to complete the merger even though one or more of the conditions in the merger agreement has not been met. Harrodsburg and Independence cannot be certain when (or if) the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Accounting Treatment (page __)

The merger will be accounted for as a purchase transaction. This means that, for accounting and financial reporting purposes, we will treat the fair market value of the consideration received by Independence shareholders that is in excess of the fair market value of Independence as goodwill, on Harrodsburg s financial statements. In accordance with Statement of Financial Accounting Standard No. 142, this goodwill will not need to be amortized in the future, but, goodwill will be evaluated annually for impairment. Outstanding stock options exchanged in the merger will be accounted for in accordance with APB No. 25.

Termination of the Merger Agreement (page __)

Harrodsburg and Independence can mutually agree at any time to terminate the merger agreement prior to completing the merger. In addition, either of Harrodsburg or Independence may terminate the merger agreement if:

- either Harrodsburg or Independence violates a material provision of the merger agreement and does not cure the violation within 30 days;
- any required approval of shareholders or regulatory authorities is not received;
- the merger has not been completed by August 31, 2004;
- either Harrodsburg s or Independence s board of directors withdraws their recommendation to approve the merger agreement or modify or qualify their recommendation in a manner adverse to the other party;
- either Harrodsburg or Independence recommends to its shareholders to tender their respective shares to a third party;
- if either Harrodsburg or Independence enters into another agreement with someone else in connection with a superior proposal.

Material Differences in the Rights of Stockholders (page __)

The rights of Harrodsburg shareholders are governed by Delaware law and Harrodsburg s certificate of incorporation and bylaws. The rights of Independence shareholders are governed by Indiana law and Independence s articles of incorporation and bylaws. Upon our completion of the merger, Independence shareholders will become shareholders of Harrodsburg and their rights will be governed by Delaware law and by Harrodsburg s certificate of incorporation and bylaws. There are differences between the rights of the shareholders of Harrodsburg and Independence. Some of these differences include the requirements to amend the certificate of incorporation and the bylaws, the procedures surrounding potential business combinations and dissenter s rights of appraisal. These differences, among others, are discussed in detail beginning on pages ______ and ______.

Table of Contents

THE SHAREHOLDER MEETINGS

Harrodsburg Shareholders

The Harrodsburg annual meeting has been called for ______ __, 2004, at ____ p.m., local time, at the __________ located at __________, Harrodsburg, Kentucky. At this meeting Harrodsburg shareholders will be asked to:

1. Adopt the merger agreement and approve the issuance of shares of Harrodsburg common stock in the merger.

Consummation of the merger is subject to Harrodsburg shareholders approving this proposal.

2. Ratify the Harrodsburg 2004 Stock Option Plan.

3. Elect two directors.

4. Ratify the appointment of BKD, LLP as auditors for fiscal 2004.

Record Date. You can vote at the Harrodsburg annual meeting if you owned Harrodsburg common stock at the close of business on __________ __, 2004. You can cast one vote for each share of Harrodsburg common stock you owned at that time.

Vote Required. Adoption of the merger agreement will require the affirmative vote of a majority of the outstanding Harrodsburg common stock entitled to vote. Ratification of the Harrodsburg 2004 Stock Option Plan and ratification of the appointment of BKD, LLP as the auditors for fiscal 2004 will require the affirmative vote of a majority of the shares of Harrodsburg common stock present and voting on these matters. Directors shall be elected by a plurality of the votes cast.

Proxies. You can vote your shares at the Harrodsburg annual meeting by marking the enclosed proxy card with your vote, signing it and mailing it in the enclosed return envelope. You can revoke your proxy at any time before it is voted either by sending to Harrodsburg a revocation notice or a new proxy or by attending the Harrodsburg annual meeting and voting in person. Simply attending the Harrodsburg annual meeting will not revoke your proxy.

Independence Shareholders

The Independence annual meeting has been called for ______ __, 2004 at ____ p.m., local time, at __________, __________, Indiana. At this meeting, Independence shareholders will be asked to:

1. Adopt the merger agreement; and

2. Elect three directors.

Record Date. You can vote at the Independence annual meeting if you owned Independence common stock at the close of business on __________ __, 2004. You can cast one vote for each share of Independence common stock you owned at that time.

Vote Required. Adoption of the merger agreement will require the affirmative vote of a majority of the outstanding Independence common stock entitled to vote. Directors shall be elected by a plurality of the votes cast.

Proxies. You can vote your shares at the Independence annual meeting by marking the enclosed proxy card with your vote, signing it and mailing it in the enclosed return envelope. You can revoke your proxy at any time before it is voted either by sending to Independence a revocation notice or a new proxy or by attending the Independence annual meeting and voting in person. Simply attending the Independence annual meeting will not revoke your proxy.

SHARE OWNERSHIP OF MANAGEMENT AND DIRECTORS

On __________ __, 2004, the record date for the Harrodsburg annual meeting, executive officers and directors of Harrodsburg and their affiliates beneficially owned and were entitled to vote ____ shares of Harrodsburg common stock, or __% of the Harrodsburg shares outstanding on that date. The Harrodsburg executive officers and directors have entered into shareholder agreements with Independence whereby they have agreed to vote at the Harrodsburg annual meeting ____ shares of Harrodsburg common stock owned or controlled by them in favor of the proposal to adopt the merger agreement and in favor of the proposal to ratify the Harrodsburg 2004 Stock Option Plan. Additionally, Harrodsburg owns 200,000 shares of Independence and will vote those shares in favor of the merger.

On __________ __, 2004, the record date for the Independence annual meeting, executive officers and directors of Independence and their affiliates beneficially owned and were entitled to vote ____ shares of Independence common stock, or __% of the Independence shares outstanding on that date. The Independence executive officers and directors have entered into shareholder agreements with Harrodsburg whereby they have agreed to vote at the Independence annual meeting ____ shares of Independence common stock owned or controlled by them in favor of the proposal to adopt the merger agreement.

Table of Contents

SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following tables present (1) selected historical financial data of Harrodsburg, (2) selected historical financial data of Independence and (3) selected unaudited pro forma consolidated financial data of Harrodsburg, which reflect the merger.

Selected Consolidated Historical Financial Data of Harrodsburg

Set forth below are highlights from Harrodsburg s consolidated financial data as of and for the years ended September 30, 1999 through 2003 and Harrodsburg s unaudited consolidated financial data as of and for the three months ended December 31, 2003. The results of operations for the three months ended December 31, 2003 are not necessarily indicative of the results of operations for the full year or any other interim period. Harrodsburg s management prepared the unaudited information on the same basis as it prepared Harrodsburg s audited consolidated financial statements. In the opinion of Harrodsburg s management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with Harrodsburg s consolidated financial statements and related notes included in Harrodsburg s Annual Report on Form 10-KSB for the year ended September 30, 2003, and Harrodsburg s Quarterly Report on Form 10-QSB for the quarter ended December 31, 2003, which are incorporated by reference in this proxy statement/prospectus and from which this information is derived. See Where You Can Find More Information on page .

	At December 31,	At September 30,				
	2003	2003	2002	2001	2000	1999
	(Dollars in Thousands)					
Selected Consolidated Financial Data:						
Assets	$ 173,845	$ 173,609	$ 153,052	$ 136,541	$ 117,393	$ 110,416
Loans receivable, net	118,260	117,655	113,352	105,081	100,881	89,062
Investments	38,883	38,039	21,328	17,450	10,994	11,240
Cash and interest-bearing deposits	7,531	9,134	12,448	10,896	3,031	8,350
Deposits[1]	141,563	141,745	121,920	102,961	86,473	82,018
FHLB advances	2,772	2,707	5,000	7,000	3,500	
Subordinated preferred securities	5,000	5,000				
Minority interests	1,779	1,764	1,662	1,849		
Stockholders equity	21,287	20,772	22,066	22,305	25,241	26,220

	For the three months ended December 31,	For the Years Ended September 30,				
	2003	2003	2002	2001	2000	1999
	(Dollars in Thousands)					
Operating Data:						
Interest income	$ 2,219	$ 8,674	$ 8,737	$ 8,744	$ 8,051	$ 7,745
Interest expense	1,089	4,343	4,741	5,187	4,150	3,813
Net interest income	1,130	4,331	3,996	3,557	3,901	3,932

Provision for loan losses	29	428	241	40	15	35
Net interest income after provision for loan losses	1,101	3,903	3,755	3,517	3,886	3,897
Non-interest income	184	934	486	178	113	116
Non-interest expense	1,011	3,733	3,306	2,679	2,261	1,728
Income before income tax expense and minority interests	274	1,104	935	1,016	1,738	2,285
Income tax (expense) benefit	(75)	311	(494)	(394)	(591)	(777)
Minority interests	(16)	(108)	229	63		
Net income	183	1,307	670	685	1,147	1,508
Basic earnings per share	.16	1.05	.54	.52	.76	.94
Diluted earnings per share	.16	1.05	.54	.52	.76	.94

(1) Includes Federal Home Loan Bank stock, and term deposits with the Federal Home Loan Bank.

Table of Contents

	At or for the three months ended December 31,	At or for the Years Ended September 30,				
	2003*	2003	2002	2001	2000	1999
Performance Ratios:						
Return on average assets (net income divided by average total assets)	.42%	.80%	.46%	.56%	1.02%	1.36%
Return on average equity (net income divided by average equity)	3.48%	6.31%	3.02%	3.06%	4.49%	5.49%
Average interest-earning assets to average interest-bearing liabilities	1.09	112.03	116.00	123.25	128.80	133.86
Net interest rate spread	1.87%	2.46%	2.34%	1.95%	2.46%	2.43%
Net yield on average interest-earning assets	2.81%	2.80%	2.89%	2.95%	3.55%	3.63%
Dividend payout		59.79	110.90	108.63	113.08	87.74
Capital Ratios:						
Average equity to average assets (average equity divided by average total assets)	12.10	12.69	15.32	18.16	22.64	24.80
Equity to assets at period end	12.24	11.96	14.42	16.34	21.50	23.75
Asset Quality Ratios:						
Net interest income after provisions for loan losses to total noninterest expenses	108.86	104.55	113.58	131.28	171.87	225.58
Non-performing loans to total loans	.56	.35	.33	.21	.51	.32
Non-performing loans to total assets	.38	.24	.25	.16	.44	.25

* Percents are annualized.

Table of Contents

Selected Consolidated Historical Financial Data of Independence

Set forth below are highlights from Independence s consolidated financial data as of and for the years ended December 31, 2000 through 2003. Independence commenced its operations on June 10, 1999. You should read this information in conjunction with Independence s consolidated financial statements and related notes included in this proxy statement/prospectus under Index to Independence Financial Statements on page __.

	At or For the Year Ended December 31,			
	2003	**2002**	**2001**	**2000**
	(Dollars in thousands)			
Selected Consolidated Financial Data:				
Assets	$ 108,775	$ 89,565	$ 65,465	$ 54,966
Loans held for sale	1,818	8,084		
Loans receivable, net	91,427	65,180	53,249	43,973
Investments	2,607	2,588	2,949	5,069
Cash and cash equivalents	8,391	10,663	6,648	3,139
Deposits	79,833	75,006	53,146	43,572
FHLB advances and other borrowings	19,648	6,416	5,879	5,881
Minority interests (1)			700	700
Stockholders equity	8,492	7,697	5,367	4,471
Operating Data:				
Interest income	5,804	4,798	4,664	3,911
Interest expense	1,969	2,032	2,559	1,990
Net interest income	3,835	2,766	2,105	1,921
Provision for loan losses	361	292	123	212
Net interest income after provision for loan losses	3,474	2,474	1,982	1,709
Non-interest income	3,200	1,317	359	175
Non-interest expense	5,397	3,271	2,198	1,850
Income before income tax expense and minority interests	1,277	520	143	34
Income tax (expense)	(473)	(215)	(37)	(43)
Minority interests (1)		(56)	(56)	(53)
Net income (loss)	804	249	50	(62)
Performance and Capital Ratios:				
Return on average assets (net income divided by average total assets)	.79%	.33%	.08%	(.14)%
Return on average equity (net income divided by average equity)	9.93	3.81	1.02	(1.39)
Average equity to average assets (average equity divided by average total assets)	7.81	8.59	8.20	9.41
Asset Quality Ratios:				
Net interest income after provisions for loan losses to total noninterest expenses	64.37	75.63	90.17	92.38
Non-performing loans to total loans	.27	1.36	.36	1.23
Non-performing loans to total assets	.23	.99	.29	.99

(1) At December 31, 2002, Independence liquidated Independence Bank s minority interest holders as a result of calling $700,000 of 8% non-cumulative junior preferred stock.

Table of Contents

UNAUDITED HISTORICAL AND PRO FORMA PER SHARE DATA

The following table shows information about Harrodsburg and Independence s earnings per common and diluted share, dividends per share and book value per share, reflecting the merger (which we refer to as pro forma information) as of and for the three months ended December 31, 2003 and the twelve months ended September 30, 2003. The pro forma and equivalent pro forma comparative per share data for Independence has been computed utilizing these periods. In presenting the comparative pro forma information for certain time periods, the parties assumed that they have been merged through those periods.

The information listed as equivalent pro forma was obtained by multiplying the pro forma amounts by the exchange ratio of 1.0. This information is presented to reflect the fact that Independence shareholders will receive 1.0 share of Harrodsburg common stock for each share of Independence common stock exchanged in the merger. Harrodsburg shareholders will not exchange their shares. Harrodsburg expects that it will incur merger and integration charges as a result of combining the companies. Harrodsburg also anticipates that the merger will provide financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of Harrodsburg under one set of assumptions, does not reflect these expenses or benefits and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined.

The summary historical financial data of Independence has been derived from its financial statements which are included in this proxy statement/prospectus on page __. The summary historical financial data of Harrodsburg has been derived from historical financial information that Harrodsburg has included in prior filings with the Securities and Exchange Commission. Historical financial information for Harrodsburg can be found in its Annual Report on Form 10-KSB for the year ended September 30, 2003 and in its Quarterly Report on Form 10-QSB for the three months ended December 31, 2003. See Where You Can Find More Information, beginning on page .

When you read the summary financial information provided in the following tables, you also should read the more detailed financial information included in the historical financial information for Independence which is set forth herein and for Harrodsburg which is included in the other documents of Harrodsburg previously referenced. See Where You Can Find More Information, beginning on page .

	Three Months Ended December 31, 2003		Twelve Months Ended September 30, 2003(1)	
Net Income Per Common Share:				
Historical:				
Harrodsburg:				
Basic	$	.16	$	1.05
Diluted	$	.16	$	1.05
Independence:				
Basic	$	.12	$	.91
Diluted	$	.12	$	.90
Pro forma combined:				
Basic	$	.06	$	.90
Diluted	$	.06	$	.89
Equivalent pro forma amount of Independence (2)				
Basic	$	.06	$	.90

Diluted	$	.06	$	.89

Table of Contents

	Three Months Ended December 31, 2003	Twelve Months Ended September 30, 2003(1)
Dividends Per Common Share: (4)		
Historical:		
Harrodsburg Financial Corp	$	$ .60
Independence Bancorp, Inc		
Equivalent pro forma amount of Independence (3)		$ .60
Book Value Per Common Share (at period-end):		
Historical:		
Harrodsburg	$ 17.41	$ 16.98
Independence	9.55	9.40
Pro forma combined	19.98	19.68
Equivalent pro forma amount of Independence (2)	19.98	19.68

(1) Harrodsburg s year end is September 30 and Independence s year end is December 31. The pro forma information presented above for the twelve months ended September 30, 2003 includes Harrodsburg s historical income statement information for its fiscal year ended September 30, 2003 and Independence s historical income statement information for its fiscal year December 31, 2003.

(2) The equivalent pro forma per share data for Independence is computed by multiplying pro forma combined Harrodsburg and Independence information by 1.0, the share exchange ratio.

(3) The equivalent pro forma cash dividends per common share represent the historical cash dividends per common share declared by Harrodsburg and assume no change will occur, multiplied by 1.0, the share exchange ratio.

(4) Independence does not currently pay dividends to its shareholders. For the three months ended December 31, 2003, Harrodsburg did not declare or pay a dividend.

10

Table of Contents

RISK FACTORS

Prior to deciding whether or not to approve the transaction, shareholders of Harrodsburg and Independence should be aware of and consider the following risks and uncertainties that are applicable to the merger and the combined company, in addition to the other information contained in or incorporated by reference into this document, including the matters addressed under the caption Cautionary Statement Concerning Forward-Looking Statements, beginning on page __.

Upon completion of the merger, the combined company will be called 1st Independence Financial Group, Inc. (1st Independence Financial) and the resulting institution will be called 1st Independence Bank.

Risks Relating to the Merger

The exchange ratio is fixed and will not be adjusted to reflect any changes in the market value of Harrodsburg prior to the effective time of the Merger.

The precise value of the merger consideration to be paid to you will not be known at the time of the meetings. The merger agreement provides that 1.0 share of Harrodsburg common stock will be issued in the merger in exchange for each share of Independence common stock. This exchange ratio is fixed and will not be adjusted to reflect any changes in the value of Harrodsburg common stock between the date of the merger agreement and the effective time of the merger. The market value for the Harrodsburg common stock could fluctuate depending on any number of reasons, including those specific to Harrodsburg and those that influence trading prices of equity securities generally. There are no termination rights in the merger agreement that would permit Independence to terminate the merger if the value of Harrodsburg s common stock falls.

Your interests will be diluted by the merger.

After the merger, Independence s shareholders will own less than a majority of the outstanding voting stock of Harrodsburg and could therefore be outvoted by Harrodsburg shareholders if they all voted together as a group on any issue that is presented to Harrodsburg s shareholders. Harrodsburg s shareholders will own approximately 64% of Harrodsburg s outstanding voting stock, but the majority of the senior management positions of Harrodsburg and half of Harrodsburg s initial board of directors will be comprised of individuals who formerly served as officers or directors of Independence. There is no single individual shareholders of Harrodsburg or Independence who controls in excess of 8.5% of either company s common stock.

Some directors and executive officers of Harrodsburg and Independence will receive benefits in the merger in addition to the merger consideration received by all other shareholders of Independence.

Some officers of Harrodsburg or Independence will receive employment agreements in connection with the merger. In addition, five of the members of Harrodsburg s current board of directors and five of the members of Independence s board of directors will together serve as the entire board of directors of Harrodsburg after the completion of the merger. They will also serve on the board of the combined bank subsidiary and receive payments for their service. Accordingly, our directors and some of our executive officers may have interests in the merger that are different from, or in addition to, yours. See Interests of Certain Persons in the Merger.

Post Merger Risks

Difficulties in combining the operations of Harrodsburg and Independence may prevent 1st Independence Financial from achieving the expected benefits from its acquisitions.

1st Independence Financial may not be able to achieve fully the strategic objectives and operating efficiencies it hopes to achieve in the merger. The success of the merger will depend on a number of factors, including (but not limited to), Harrodsburg s ability to:

- integrate the operations of Harrodsburg and Independence;

- maintain existing relationships with depositors of Harrodsburg and Independence to minimize withdrawals of deposits after the merger;
- maintain and enhance existing relationships with borrowers to limit unanticipated credit losses from loans of Independence;
- control the incremental non-interest expense from the combined operations to maintain overall operating efficiencies;
- retain and attract qualified personnel; and
- compete effectively in the communities served by Harrodsburg and Independence and in nearby communities.

These factors could contribute to 1st Independence Financial not achieving the expected benefits from the merger within the desired time frames, if at all.

1st Independence Financial s stock price may be volatile.

The trading price of 1st Independence Financial s common stock may be volatile. The market for 1st Independence Financial s common stock may experience significant price and volume fluctuations in response to a number of factors including actual or anticipated quarterly variations in operating results, changes in expectations of future financial performance, changes in estimates of securities analysts, governmental regulatory action, banking industry reform measures, share illiquidity, and other factors, many of which are beyond 1st Independence Financial s control.

Furthermore, the stock market in general, and the market for banks and bank holding companies in particular, has experienced extreme volatility that often has been unrelated to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of the combined company s common stock, regardless of actual operating performance.

Future sales of shares of 1st Independence Financial common stock could negatively affect its market price.

Upon completion of the merger, the combined company will have approximately 1.9 million outstanding shares of common stock. Future sales of substantial amounts of 1st Independence Financial s common stock (including shares issued upon the exercise of stock options) by Harrodsburg s or Independence s current shareholders, or the perception that such sales could occur, could adversely affect the market price of 1st Independence Financial s common stock. We make no prediction as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on market price of 1st Independence Financial s common stock.

1st Independence Financial is extensively regulated.

The operations of 1st Independence Financial and 1st Independence Bank are subject to extensive regulation by federal, state and local governmental authorities and are subject to various laws and judicial and administrative decisions imposing requirements and restrictions on them. Policies adopted by the entities can affect 1st Independence Financial s business operations and the availability, growth and distribution of 1st Independence Financial s investments, borrowings and deposits. In addition, federal authorities will periodically conduct examinations of 1st Independence Financial and 1st Independence Bank and may impose various requirements or sanctions.

1st Independence Financial s ability to pay dividends to its shareholders will be dependent upon its ability to receive distributions from 1st Independence Bank. Certain statutes and regulations restrict 1st Independence Bank s ability to pay dividends or make other distributions on its capital stock and thus limit the transfer of funds to 1st Independence Financial.

Table of Contents

Legislative and Regulatory Proposals May Unfavorably Affect 1st Independence Financial

Proposals to change the laws governing financial institutions are frequently raised in Congress and before bank regulatory authorities. Changes in applicable laws or policies could materially affect 1st Independence Financial s business, and the likelihood of any major changes in the future and their effects are impossible to determine. Moreover, it is impossible to predict the ultimate form any proposed legislation might take or how it might affect 1st Independence Financial.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This document and the documents incorporated herein by reference contain forward-looking statements by Harrodsburg and Independence within the meaning of the federal securities laws. These forward-looking statements include information about the financial condition, results of operations and businesses of Harrodsburg and Independence. This document also includes forward-looking statements about the consummation and anticipated timing of the merger, the exchange ratio and the tax-free nature of the merger. In addition, any of the words believes, expects, anticipates, estimates, plans, projects, predicts and similar expressions indicate forward-looking statements. These forward-looking statemen involve certain risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

- estimated cost savings from the merger may not be fully realized within the expected time frame;
- deposit attrition, customer loss or revenue loss following the merger may be greater than expected;
- competitive pressure among depository and other financial institutions may increase significantly;
- costs or difficulties related to the integration of the businesses of Harrodsburg and Independence may be greater than expected;
- changes in the interest rate environment may reduce interest margins;
- general economic or business conditions, either nationally or in the states or regions in which Harrodsburg and Independence do business, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality or a reduced demand for credit;
- legislation or changes in regulatory requirements, including changes in accounting standards, may adversely affect the businesses in which Harrodsburg and Independence are engaged;
- adverse changes may occur in the securities markets; and
- competitors of Harrodsburg and Independence may have greater financial resources and develop products and technology that enable those competitors to compete more successfully than Harrodsburg and Independence.

Management of Harrodsburg and Independence each believes that the forward-looking statements about their respective company are reasonable; however, you should not place undue reliance on them. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. The future results and shareholder values of Harrodsburg following completion of the merger may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond Harrodsburg s and Independence s ability to control or predict.

All subsequent written and oral forward-looking statements attributable to Harrodsburg or Independence or any person acting or their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Neither Harrodsburg nor Independence undertakes any obligation to update publicly any forward-looking statements to reflect events, circumstances or new information after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

Table of Contents

Further information on other factors that could affect the financial results of Harrodsburg after the merger is included in the Securities and Exchange Commission filings incorporated by reference in this proxy statement/prospectus.

INTRODUCTION

Harrodsburg is furnishing this joint proxy statement-prospectus to holders of Harrodsburg common stock, $0.10 par value per share, in connection with the proxy solicitation by Harrodsburg s board of directors. Harrodsburg s board of directors will use the proxies at the annual meeting of shareholders of Harrodsburg to be held on __________, 2004, and at any adjournments or postponements of the meeting. However, no proxy with instructions to vote against the proposal to approve the merger agreement will be voted in favor of any adjournment or postponement of the annual meeting.

Independence is furnishing this joint proxy statement-prospectus to holders of Independence common stock, no par value per share, in connection with the proxy solicitation by Independence s board of directors. Independence s board of directors will use the proxies at the annual meeting of stockholders of Independence to be held on __________, 2004, and at any adjournments or postponements of the meeting. However, no proxy with instructions to vote against the proposal to approve the merger agreement will be voted in favor of any adjournment or postponement of the annual meeting. Additionally, Independence shareholders will elect three directors.

Shareholders will be asked at their respective meetings to vote to adopt the Agreement and Plan of Reorganization, dated as of January 22, 2004, among Harrodsburg, First Financial, Independence and Independence Bank. Pursuant to the merger agreement, Independence will merge into the Harrodsburg and each of the outstanding shares of Independence common stock will be converted into 1.0 share of Harrodsburg common stock. Independence shareholders will receive cash for any fractional shares. Outstanding shares of Harrodsburg common stock will remain outstanding with no change. Additionally, Harrodsburg shareholders will ratify the 2004 stock option plan, elect two directors and ratify the appointment of auditors.

INFORMATION ABOUT THE COMPANIES

Harrodsburg First Financial Bancorp, Inc.

104 South Chiles Street

Harrodsburg, Kentucky 40330-1620

(859) 734-5452

Harrodsburg is the publicly traded parent company of First Financial. Harrodsburg has two full service banking offices in Harrodsburg and Lawrenceburg, Kentucky. Additionally, Harrodsburg also owns a majority interest in Citizens Financial Bank, Inc. (Citizens), which has one full service banking office in Glasgow, Kentucky. On December 31, 2002, Harrodsburg purchased 200,000 shares of Independence Bancorp for $2.0 million and currently owns 22.5% of the outstanding shares of Independence.

First Financial operates a traditional savings bank business, attracting deposit accounts from the general public and using those deposits, together with other funds, primarily to originate and invest in loans secured by one- to four-family residential real estate, non-residential real estate, and commercial loans. To a lesser extent, First Financial also originates multi-family real estate loans and consumer loans.

Citizens commenced operations on July 17, 2001, and operates as a commercial bank, attracting deposit accounts from the general public and using those deposits, together with other funds primarily to originate residential and non-residential, commercial and consumer loans.

First Financial is a federally chartered stock savings bank and is subject to examination and regulation by the Office of Thrift Supervision, its chartering agency, and the Federal Deposit Insurance Corporation. Citizens is subject to examination regulation by the Federal Deposit Insurance Corporation and the Kentucky Department of Financial Institutions. First Financial s and Citizens deposits are insured by Savings Association Insurance Fund and the Bank Insurance Fund, respectively. Both banks are members and own capital stock in the Federal Home Loan Bank of

Table of Contents

Cincinnati. Harrodsburg is a registered bank holding company subject to regulation under the Bank Holding Company Act of 1956, as amended and is subject to the regulation and supervision by the Board of Governors of the Federal Reserve System. Additionally, Harrodsburg is also subject to examination by the Kentucky Department of Financial Institutions.

Additional information about Harrodsburg and its subsidiaries is included in documents incorporated by reference in this joint proxy statement/prospectus. See Where You Can Find More Information. on page .

Independence Bancorp

3801 Charlestown Road

New Albany, Indiana 47151

(812) 944-1400

Privately held Independence, is the parent company of Independence Bank. Independence formed in 1998, has three full service banking offices located in New Albany, Jeffersonville, and Marengo, Indiana and one in Louisville, Kentucky. Independence also operates Independence Mortgage Group, a division of Independence Bank in both Louisville, Kentucky and southern Indiana. Additionally, on December 31, 2002, Harrodsburg purchased 200,000 shares of Independence for $2.0 million and currently owns 22.5% of Independence.

Independence Bank operates as a commercial bank, attracting deposit accounts from the general public and using those deposits, together with other funds primarily to originate commercial loans, real estate mortgage loans and home equity lines of credit**.**

Independence Bank is subject to examination and regulation by the Federal Deposit Insurance Corporation and the Indiana Department of Financial Institutions. Independence Bank s deposits are insured by the Bank Insurance Fund and is a member of the Federal Home Loan Bank of Indianapolis. Independence is a registered bank holding company subject to regulation under the Bank Holding Company Act of 1956, as amended, and is subject to the regulation and supervision by the Board of Governors of the Federal Reserve system. Additionally, Independence is also subject to examination by the Indiana Department of Financial Institutions.

Independence s Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with Independence s Consolidated Financial Statements and related notes in this proxy statement/ prospectus.

Overview

Independence is a bank holding company headquartered in New Albany, Indiana, which provides a full range of deposit and loan products through its wholly owned subsidiary, Independence Bank, a state chartered commercial bank. All references to Independence generally refer to the consolidated entity including Independence Bank, unless the context indicates otherwise.

At December 31, 2003, total assets and liabilities increased $19.2 million and $18.4 million, respectively to $108.8 million and $100.3 million, respectively, as compared to fiscal 2002. For the fiscal year ended December 31, 2003, net income was $804,000 or $.90 per diluted share, as compared to $249,000 or $.36 cents per diluted share for same period in 2002. Set forth below is a detailed discussion of the changes to Independence s Consolidated Financial Statements as of December 31, 2003.

Additionally, on January 22, 2004, Independence, Independence Bank, Harrodsburg and First Financial entered into a strategic alliance and signed a definitive agreement to merge their companies in a tax-free transaction. For further information, reference is made to Note 16 to the Consolidated Financial Statements.

Table of Contents

Asset/Liability Management

Independence Bank, like many other financial institutions, is vulnerable to an increase in rates to the extent that interest-bearing liabilities generally mature or reprice more rapidly than interest-earning assets. Historically, the lending activities of commercial banks, such as Independence Bank, emphasized the origination of short to intermediate variable rate loans, secured by various types of collateral that are more closely matched with the deposit maturities and repricing of interest-earning assets occurs closer to the same general time period. While having interest-bearing liabilities that reprice more frequently than interest-earning assets is generally beneficial to net interest income during a period of declining interest rates, such an asset/liability mismatch is generally detrimental during periods of rising interest rates.

To reduce the effect of interest rate changes on net interest income Independence Bank has adopted various strategies to enable them to improve matching of interest-earning asset maturities to interest-bearing liability maturities. The principal elements of these strategies include:

- Originate variable rate commercial loans instituting interest rate floors;
- Originate one-to-four family residential mortgage loans with adjustable rate features or fixed rate loans with short maturities;
- Lengthen the maturities of our liabilities when it would be cost effective through the pricing and promotion of higher rate certificates of deposit and utilization of Federal Home Loan Bank advances or other borrowings;
- Attract low cost checking and transaction accounts, which tend to be less interest rate sensitive when interest rates rise;
- Maintain interest-bearing deposits, federal funds, and U.S. government securities with short to intermediate terms to maturities; and
- Maintain an investment portfolio that provides a stable cash flow, thereby providing investable funds in varying interest rate cycles.

Independence Bank measures its interest rate risk exposure to rate movements using an overnight upward and downward shift (shock) in the Treasury yield curve. As of December 31, 2003, if interest rates increased 300 basis points and decreased 100 points, respectively, net interest margins would increase by 3.6% and 2.5%, respectively.

FINANCIAL CONDITION

At December 31, 2003, total assets increased $19.2 million to $108.8 million from $89.6 million in fiscal 2002. The increase in total assets in 2003 is primarily due to commercial and home equity loan growth of $26.2 million, increases in premises and equipment of $716,000, offset by a $6.3 million decrease in loans held for sale.

At December 31, 2003, loans held for sale decreased $6.3 million to $1.8 million from $8.1 million in fiscal 2002. Such decreases in loans held for sale were primarily due to a slowdown in the mortgage refinance market attributable to a less favorable interest rate environment.

Loans receivable, net increased $26.2 million to $91.4 million at December 31, 2003 from $65.2 million in fiscal 2002. The growth in the loan portfolio in fiscal 2003 was primarily due to increases in commercial loans of approximately $21.5, real estate mortgage loans of approximately $1.5 million, and home equity lines of credit of approximately $3.9 million. The growth in the commercial loan portfolio reflects the strong loan demand for small business and middle market loans in the southern Indiana and greater Louisville market areas. Home equity and real estate mortgage increases reflect a strong market presence of Independence Bank s mortgage division that was opened for a full year.

16

Table of Contents

At December 31, 2003, premises and equipment increased $716,000 to $1.8 million from $1.1 million in fiscal 2002. In fiscal 2003, Independence Bank opened the St. Matthews branch, a full service branch, located in the greater Louisville, Kentucky market area.

At December 31, 2003, total liabilities increased $18.4 million to $100.3 million from $81.9 million in fiscal 2002. Increases in 2003 reflect net deposit increases of $4.8, increases in federal funds purchased of $7.6 million, increases in federal home loan bank advances of $2.0 million, and an increase in subordinated debentures of $4.0 million.

Interest bearing deposits in fiscal 2003 increased $6.8 million offset by a decrease in noninterest bearing deposits $2.0 million. These increases in interest bearing deposits reflect the competitively priced product lines within the local market areas for Independence Bank. Noninterest bearing deposits decreased $2.0 primarily due to a decline in closing attorneys real estate escrow balances held by Independence Bank.

In fiscal 2003, federal funds purchased increased $7.6 million and Federal Home Loan Bank borrowings increased $2.0 million. Independence Bank utilizes federal funds purchased lines of credit to meet overnight liquidity needs and utilizes short term variable rate Federal Home Loan Bank advances to fund short term liquidity needs. The rate on federal funds purchased lines of credit are tied to the Federal Reserve Federal Funds rate while the Federal Home Loan Bank variable advances are tied to market rates.

In March of 2003, a trust was formed by Independence that issued $4.0 million of 4.32% floating rate trust preferred securities in 2003 as part of a pooled offering of such securities. Independence issued subordinated debentures to the trust in exchange for the proceeds of the offering, which represents the sole asset of the trust. Please refer to Note 9 to the Consolidated Financial Statements.

Stockholders equity increased by $795,000 to $8.5 million at December 31, 2003 compared to $7.7 million at December 31, 2002. The total proceeds of common shares purchased by Directors through options exercised were $18,000 during 2003. Additional decreases to stockholders equity included a decrease in the net unrealized appreciation on investment securities available-for-sale for $27,000, which was offset by net income of $804,000 during fiscal year 2003.

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2003 and 2002

Net Income

Net income for the year ended December 31, 2003 increased $555,000 to $804,000 from $249,000 for the same period in 2002. The increase in net income for the 2003 period is primarily due to increases in net interest income and non-interest income offset by increases in noninterest expenses.

Net Interest Income

For the year ended December 31, 2003, net interest income after provision increased $1.0 million to $3.8 million from $2.8 million for the same period in 2002. The increase in interest income for the 2003 year end was due to the increase in commercial and home equity loan volume.

Provision for Loan Losses

For the year ended December 31, 2003, the provision for loan losses increased $69,000 to $361,000 from $292,000 for the same period in 2002. The increase in the loan loss provision in 2003 was related to the continued growth of the Independence s loan portfolio, which increased by a net $26.2 million during the year ended December 31, 2003. The allowance for loan losses is maintained at a level that represents management s best estimates of losses in the loan portfolio at the balance sheet date. However, there can be no assurance that the allowance for losses will be adequate to cover losses, which may be realized in the future and that additional provisions for losses will not be required.

Table of Contents

Non-Interest Income

Non-interest income for December 31, 2003 increased $1.9 million to $3.2 million from $1.3 million for the same period in 2002. Such increase in fiscal 2003 was primarily due to an increase in gains on sales of loans on the secondary mortgage market of $1.8 million.

Non-Interest Expense

For the year ended December 31, 2003, non-interest expense increased $2.1 million to $5.4 million from $3.3 million for the same period in 2002. Salaries and benefits increased $1.5 million due to commissions paid associated with the increase in non-interest income increase from gains on sales of loans and increased staffing levels associated with opening of the St. Matthews branch.

Income Tax Expense

For the year ended December 31, 2003, Independence income tax expense totaled $473,000 compared to an income tax expense of $215,000 for the year ended December 31, 2002. Such increase in tax expense for the 2003 period was the direct result of an increase in income.

Liquidity

Independence Bank s primary sources of funds are deposits and proceeds from principal and interest payments of loans. Additional sources of liquidity are advances from the FHLB of Indianapolis and other borrowings, such as Federal Funds purchased or the issuance of subordinated preferred securities. At December 31, 2003, FHLB advances totaled $7.4 million. Independence utilizes FHLB advances during periods when management believes that such advances provide a lower cost source of funds at a lower cost than deposit accounts, and when management desires liquidity in order to help expand the loan portfolio. Additionally, cash and cash equivalents totaled $8.4 million at December 31, 2003.

Independence s operating activities produced positive cash flows for the fiscal years ended December 31, 2003 and negative cash flows for 2002. Net cash from operating activities for 2003 totaled $7.8 million, as compared to a $7.4 million deficit for 2002. The increase in operating cash flows in year 2003 resulted primarily from increased secondary market loan sales.

Net cash used in investing activities for 2003 totaled $28.1 million, as compared to $12.4 million in fiscal 2002. The increase in cash used in investing activities was attributable to portfolio loan growth.

Net cash from financing activities for the year ended December 31, 2003 totaled $18.1 million, as compared to $23.7 million for 2002. The decrease of $5.6 million of funds from financing activities primarily reflects a $17.0 slower deposit growth and a $2.0 million prior year sale of common stock offset by proceeds received of $7.6 million in federal funds purchased, $2.0 million in FHLB advances, and $4.0 million from the issuance of subordinated debentures. The $2.0 million prior year sale of common stock reflects Harrodsburg s purchase of 200,000 shares of

Independence common stock in 2002.

At December 31, 2003, Independence Bank had $14.7 million in certificates of deposits due within one year and $4.4 million due between one and three years. Management believes, based on past experience, that the Banks will retain much of the deposits or replace them with new deposits or borrowings. Additionally, at December 31, 2003, Independence Bank had $22.6 million in outstanding commitments to make loans at market rates. Independence Bank intends to fund these commitments with short-term investments proceeds from loan repayments, and increased deposits.

Table of Contents

REPORT OF INDEPENDENT AUDITORS

Board of Directors

Independence Bancorp

New Albany, Indiana

We have audited the accompanying consolidated balance sheets of Independence Bancorp as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independence Bancorp as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Crowe Chizek and Company LLC

Louisville, Kentucky

January 30, 2004

Table of Contents

INDEPENDENCE BANCORP

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

December 31

	2003	2002
ASSETS		
Cash and due from banks	$ 8,391	$ 6,153
Federal funds sold		4,510
Total cash and cash equivalents	8,391	10,663
Securities available for sale	2,278	2,058
Securities held to maturity	329	530
Loans held for sale	1,818	8,084
Loans, net	91,427	65,180
Premises and equipment	1,767	1,051
Federal Home Loan Bank stock, at cost	626	445
Goodwill	947	947
Core deposit intangibles	14	25
Interest receivable and other assets	1,178	582
Total assets	$ 108,775	$ 89,565
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits		
Noninterest-bearing	$ 7,554	$ 9,588
Interest bearing	72,279	65,418
Total deposits	79,833	75,006
Federal funds purchased	7,577	
Securities sold under agreements to repurchase	671	258
Note payable		758
Federal Home Loan Bank advances	7,400	5,400
Subordinated debenture	4,000	
Interest payable and other liabilities	802	446
Total liabilities	100,283	81,868
Stockholders equity		
Common stock, no par value, 5,000,000 shares authorized, 889,670 and 887,670 shares issued and outstanding	7,672	7,654
Retained earnings (accumulated loss)	778	(26)
Accumulated other comprehensive income	42	69
Total stockholders equity	8,492	7,697
Total liabilities and stockholders equity	$ 108,775	$ 89,565

See accompanying notes.

Table of Contents

INDEPENDENCE BANCORP

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Thousands)

Years ended December 31

	2003	2002
Interest income		
Loans, including fees	$ 5,573	$ 4,518
Securities: taxable	81	142
tax exempt	37	50
Federal funds sold and other	113	88
	5,804	4,798
Interest expense		
Deposits	1,611	1,681
Federal Home Loan Bank advances and other	224	351
Subordinated debenture	134	
	1,969	2,032
Net interest income	3,835	2,766
Provision for loan losses	361	292
Net interest income after provision for loan losses	3,474	2,474
Noninterest income		
Gain on sales of loans	2,820	1,047
Service charges and fees	184	190
Other income	196	80
	3,200	1,317
Noninterest expenses		
Salaries and employee benefits	3,359	1,832
Occupancy and equipment expenses	641	491
Legal and professional fees	211	117
Amortization of intangibles	11	28
Other	1,175	803
	5,397	3,271
Income before income taxes and minority interest	1,277	520
Income tax expense	(473)	(215)
Minority interest		(56)
Net income	$ 804	$ 249

Earnings per share:		
Basic	$ 0.91	$ 0.36
Diluted	0.90	0.36

See accompanying notes.

Table of Contents

INDEPENDENCE BANCORP

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Dollars in Thousands)

Years ended December 31

	Common Stock	Retained Earnings (Accumulated Loss)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
Balance at January 1, 2002	$ 5,604	$ (275)	$ 38	$ 5,367
Sale of stock (205,000 shares)	2,050			2,050
Comprehensive loss:				
Net income		249		249
Change in net unrealized gain on securities, net			31	31
Total comprehensive income				280
Balance at December 31, 2002	7,654	(26)	69	7,697
Exercise of stock options (2,000 shares), including tax benefit ($2)	18			18
Comprehensive loss:				
Net income		804		804
Change in net unrealized gain on securities, net			(27)	(27)
Total comprehensive income				777
Balance at December 31, 2003	$ 7,672	$ 778	$ 42	$ 8,492

See accompanying notes.

22

Table of Contents

INDEPENDENCE BANCORP

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

Years ended December 31

	2003	2002
Cash flows from operating activities		
Net income	$ 804	$ 249
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	361	292
Depreciation and amortization	207	168
Security amortization (accretion), net	8	7
Gain on sale of loans	(2,820)	(1,047)
Net change in:		
Loans held for sale	9,086	(7,037)
Interest receivable and other assets	(199)	(69)
Interest payable and other liabilities	356	73
Net cash from operating activities	7,803	(7,364)
Cash flows from investing activities		
Purchases of securities available for sale	(1,191)	(2,504)
Proceeds from sales of securities available for sale		1,500
Proceeds from maturities of securities available for sale	924	1,176
Proceeds from maturities of securities held to maturity	200	227
Purchase of FHLB stock	(181)	(159)
Net change in loans	(26,990)	(12,223)
Purchase of premises and equipment, net	(912)	(385)
Net cash from investing activities	(28,150)	(12,368)
Cash flows from financing activities		
Net change in deposits	4,827	21,860
Net change in federal funds purchased	7,577	
Net change in repurchase agreements	413	37
Proceeds from FHLB advances	2,000	
Repayment of note payable	(758)	
Note payable advance		500
Proceeds from issuance of subordinated debenture	4,000	
Sale of common stock		2,050
Proceeds from exercise of stock options	16	
Retirement of minority interest		(700)
Net cash from financing activities	18,075	23,747
Net change in cash and cash equivalents	(2,272)	4,015
Cash and cash equivalents, beginning of year	10,663	6,648
Cash and cash equivalents, end of year	$ 8,391	$ 10,663

Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ 1,981	$ 2,055
Income taxes	234	83
Supplemental noncash disclosures		
Transfers from loans to repossessed assets	$ 382	$

See accompanying notes.

Table of Contents

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Independence Bancorp (the Company) and its subsidiaries, Crawford Financial Corp. (inactive) and Independence Bank (the Bank). The Company is a bank holding company whose principal activity is the ownership and management of the Bank. The Bank operates under a state bank charter and provides full banking services, including trust services. Independence Mortgage Group, a division of the Bank, was created during 2002 for the purpose of engaging in mortgage banking operations. As a state bank, the Bank is subject to regulation by the Department of Financial Institutions, State of Indiana, and the Federal Deposit Insurance Corporation.

Nature of Operations: The Company, through its bank subsidiary, conducts basic commercial banking and mortgage banking operations with customers located primarily in Floyd, Clark and Crawford County, Indiana and Louisville, Kentucky. Operations consist of generating commercial, mortgage and consumer loans and accepting deposits from customers. The loan portfolio is diversified and the ability of debtors to repay loans is not dependent upon any single industry. The majority of the Company s loans are secured by specific items of collateral including business assets, real property, and consumer assets.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses is particularly subject to change.

Cash Flows: Cash and cash equivalents includes cash, deposits with other financial institutions under 90 days, and federal funds sold. Net cash flows are reported for loan, deposit, and short-term borrowings.

Securities: Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. These securities are carried at fair value, with unrealized holding gains and losses reported in accumulated other comprehensive income. Securities are written down to fair value when a decline in fair value is not temporary. Gains and losses on sales are determined using the amortized cost of the specific security sold. Interest income includes amortization of purchase premiums and discounts.

(Continued)

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Banking Activities: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or market value. To deliver closed loans to the secondary market and to control its interest rate risk prior to sale, the Company enters into best efforts contracts. The aggregate market value of mortgage loans held for sale considers the price of the sales contracts. No servicing is retained on loans sold into the secondary market.

Loans: Loans are carried at the principal amount outstanding. Interest income is accrued on the principal balances of loans. The accrual of interest on impaired loans is discontinued when, in management s opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed when considered uncollectible. Interest income is subsequently recognized only to the extent cash payments are received. Certain loan fees and direct costs are being deferred and amortized as an adjustment of yield on the loans.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the allowance balance required using past loan loss experience, known and inherent risks in the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management s judgment, should be charged-off.

A loan is impaired when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as residential mortgage, consumer, and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan s existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

(Continued)

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value when acquired, establishing a new cost basis. If fair value declines, a valuation allowance is recorded through expense. Costs after acquisition are expensed.

Premises and Equipment, net: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is recorded using both straight-line and accelerated methods over the estimated useful lives of the premises and equipment.

Goodwill and Intangible Assets: Goodwill results from prior business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Upon adopting new accounting guidance on January 1, 2002, the Company ceased amortizing goodwill. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified.

Intangible assets consist of core deposit intangibles arising from whole bank acquisitions. The core deposit intangibles are being amortized on an accelerated basis over seven years.

Long-term Assets: Premises and equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at discounted amounts.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. Instruments, such as standby letters of credit, that are considered financial guarantees in accordance with FASB Interpretation No. 45 are recorded at fair value.

Repurchase Agreements: Substantially all repurchase agreement liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

Benefit Plans: Profit sharing and 401k plan expense is the amount contributed to the Plans as determined by Board decision.

(Continued)

Table of Contents

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock Compensation: Employee compensation expense under stock options is reported using the intrinsic value method. No stock-based compensation cost is reflected in net income, as all options granted had an exercise price equal to or greater than the market price of the underlying common stock at date of grant. The following table illustrates the effect on net income and earnings per share if expense was measured using the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation.*

	2003	2002
Net income as reported	$ 804	$ 249
Deduct: Stock-based compensation expense determined under fair value based method	35	29
Pro forma net income	$ 769	$ 220
Basic earnings per share as reported	$ 0.91	$ 0.36
Pro forma basic earnings per share	0.87	0.32
Diluted earnings per share as reported	0.90	0.36
Pro forma diluted earnings per share	0.86	0.32

The pro forma effects are computed using option pricing models, using the following weighted-average assumptions as of grant date.

	2003	2002
Risk-free interest rate	3.94%	4.81%
Expected option life	10 years	10 years
Weighted-average fair value of options granted, per share	$ 3.25	$ 3.82

No assumption was made for estimated volatility since it was not feasible to determine this assumption for a non-public entity whose stock was not actively traded. There is no dividend yield assumption since the Company has not historically paid dividends or indicated that dividends would be paid in the future.

Income Taxes: Income tax expense is the sum of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax liabilities and assets are recorded for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amounts expected to be realized. The Company files consolidated income tax returns with its subsidiaries.

(Continued)

Table of Contents

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivatives: The Company only uses derivative instruments in its Mortgage Banking Activities as described in Note 3.

Earnings Per Common Share: Basic earnings per common share are net income divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share include the dilutive effect of additional potential common shares issuable under stock options. Earnings and dividends per share are restated for all stock splits and dividends through the date of issue of the financial statements.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, which are also recognized as separate components of equity. Since there were no security sales gains on losses during the period, the only component is the change in unrealized gains and losses on securities available for sale.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the financial statements.

Minority Interest: The minority interest consists of callable preferred stock in the Bank. The Bank s existing articles of incorporation state that the callable preferred stock may be called at the option of the Bank at any time at the par value thereof, plus any declared but unpaid dividend, pursuant to such procedures as the Board of Directors may specify. During 2002, the Company retired the minority interest.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation.

(Continued)

Table of Contents

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 2 - SECURITIES

Year-end securities by category are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2003				
Available for sale				
U. S. Government and federal agency	$ 500	$ 2	$	$ 502
State and municipal	485	24		509
Mortgage-backed	1,230	40	(3)	1,267
Total available for sale	$ 2,215	$ 66	$ (3)	$ 2,278
Held to maturity				
State and municipal	$ 327	$ 18	$	$ 345
Mortgage-backed	2			2
Total held to maturity	$ 329	$ 18	$	$ 347
2002				
Available for sale				
State and municipal	$ 300	$ 20	$	$ 320
Mortgage-backed	1,655	83		1,738
Total available for sale	$ 1,955	$ 103	$	$ 2,058
Held to maturity				
State and municipal	$ 527	$ 19	$	$ 546
Mortgage-backed	3	1		4
Total held to maturity	$ 530	$ 20	$	$ 550

There were no sales of securities during 2003, and proceeds from the sale of securities during 2002 totaled $1,500 with no gross gains or losses.

(Continued)

Table of Contents

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 2 - SECURITIES (Continued)

Contractual maturities of securities held to maturity and available for sale at year-end 2003 were as follows. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 5	$ 5	$	$
Due from one to five years	247	257	685	687
Due from five to ten years	20	22		
Due after ten years	55	61	300	324
Mortgaged-backed securities	2	2	1,230	1,267
Total	$ 329	$ 347	$ 2,215	$ 2,278

Securities pledged at year-end 2003 and 2002 had a carrying value of $1,174 and $1,477 were pledged to secure FHLB advances and for other purposes as permitted or required by law.

At year-end 2003 and 2002, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders equity.

Securities with unrealized losses at year-end 2003 not recognized in income are as follows:

	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss

Mortgage-backed and other asset backed	$ 445	$ (3)	$	$	$ 445	$ (3)

All of the securities are backed by the U. S. Government and its agencies. There are no concerns of credit loss and there is nothing to indicate that full principal will not be received. Management considers the unrealized losses to be market driven and no loss will be incurred unless the securities are sold. While these securities are held in the available for sale portfolio, the current intent and ability is to hold them to maturity. The Company does not have a history of actively trading securities, but keeps the securities available for sale should liquidity or other needs develop that would warrant the sale of securities.

(Continued)

Table of Contents

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 3 LOANS

Loans at year-end were as follows:

	2003	2002
Commercial	$ 60,094	$ 38,959
Real estate mortgage	21,095	19,556
Installment and other	11,234	7,338
	92,423	65,853
Allowance for loan losses	(996)	(673)
Loans, net	$ 91,427	$ 65,180

Certain directors and executive officers and companies in which they have beneficiary ownership were loan customers of the Bank. Total loans to these persons were approximately $2,621 and $2,116 at year-end 2003 and 2002.

Activity in the allowance for loan losses was as follows:

	2003	2002
Allowance for loan losses		
Beginning balance	$ 673	$ 538
Provision for loan losses	361	292
Loans recoveries	14	15
Loan charged off	(52)	(172)
Ending balance	$ 996	$ 673

As of the year ending 2002, there were no impaired loans.

Impaired loans were as follows.

	2003
Year-end loans with no allocated allowance for loan losses	$
Year-end loans with allocated allowance for loan losses	70
Total	$ 70
Amount of the allowance for loan losses allocated	$ 70

(Continued)

Table of Contents

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 3 LOANS (Continued)

	2003
Average of impaired loans during the year	$ 71
Interest income recognized during impairment	2
Cash-basis interest income recognized	

Nonperforming loans were as follows:

	2003	2002
Loans past due over 90 days still on accrual	$ 109	$ 11
Nonaccrual loans	141	875

Nonperforming loans includes both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

Loan held for sale activity is as follows:

	2003	2002
Beginning balance	$ 8,084	$
Origination of loan held for sale	179,721	87,096
Sale proceeds	(188,807)	(80,059
Gain on sales of loans	2,820	1,047
Ending balance	$ 1,818	$ 8,084

No servicing is retained on loans sold into the secondary market. Salaries and employee benefits expense for 2003 and 2002 includes expenses associated with mortgage banking activities of approximately $1,740 and $772.

In conjunction with the mortgage banking activities, the Company enters into commitments to originate and commitments to sell loans, both of which are considered derivatives. The Company s commitments are generally for fixed rate mortgage loans, lasting 45 days and are at market rates when initiated. The Company had commitments to originate $3,247 and $1,556 in loans as of December 31, 2003 and 2002 that it intends to sell. The sales contracts are entered into for amounts and terms offsetting the interest rate risk of loan commitments. Substantially all of the gain on sale generated from mortgage banking activities is recorded when closed loans are delivered into the sales contracts.

NOTE 4 PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	2003	2002
Land and buildings	$ 550	$ 548
Leasehold improvements	644	195
Furniture and equipment	1,553	1,164
	2,747	1,907
Accumulated depreciation and amortization	(980)	(856)
	$ 1,767	$ 1,051

(Continued)

Table of Contents

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 5 GOODWILL AND INTANGIBLE ASSETS

On January 1, 2002, the Company ceased amortization of goodwill. The carrying value of goodwill was $947 on such date. There were no additions and no impairment during 2002.

Acquired intangible assets were as follows as of year-end:

	2003		2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Core deposit intangibles	$ 215	$ 201	$ 215	$ 190
Total	$ 215	$ 201	$ 215	$ 190

Aggregate amortization expense was $11 and $28 for 2003 and 2002.

Estimated amortization expense for each of the next three years:

2004	$ 8
2005	5
2006	1

NOTE 6 LEASES

The Company entered into an agreement in 2000 to lease an office facility from the Company s Chairman under an operating lease for 15 years. After 2005, the base rent is adjusted annually based on U. S. Consumer Price Index - All Urban Consumers (CPI-U) for the prior five-year period. The Company may purchase the facility at any time for $1,187 plus an increase equal to the percentage increase in the CPI-U from January 1, 2001 until the month of the purchase.

A lease was entered into during December 2001 to lease an office building for the Bank s new Jeffersonville, Indiana branch. This three year operating lease is from January 1, 2002 through year-end 2004 with 3 three-year renewal options. The facility may be purchased in the fourth year of the lease for $288 with six months notice.

A lease was entered into during August 2002 to lease an office facility for the Bank s new mortgage lending division. This three year operating lease is from August 1, 2002 to July 31, 2005 with a two-year renewal option.

(Continued)

Table of Contents

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 6 LEASES (Continued)

A lease was entered into during April 2003 to lease an office building for the Bank s new St. Matthews, Kentucky branch. This 15-year lease is from May 1, 2003 through April 30, 2018 with a five year renewal option.

Rent expense for operating leases was $215 and $160 for 2003 and 2002. Rent commitments under noncancelable operating leases were as follows, before considering renewal options that generally are present:

2004	$ 229
2005	189
2006	174
2007	178
2008	180
Thereafter	1,716
Total	$ 2,666

NOTE 7 DEPOSITS

Time deposits of $100 or more were $19,155 and $17,741 at year-end 2003 and 2002.

Scheduled maturities of total time deposits for the next five years were as follows:

2004	$ 14,676
2005	3,766
2006	299
2007	314
2008	
	$ 19,055

The Bank held related party deposits of approximately $688 and $846 at year-end 2003 and 2002.

(Continued)

Table of Contents

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 8 BENEFIT PLAN

The Company has a 401(k) benefit plan that covers substantially all employees. The Plan allows employee contributions up to 15% of their compensation, which is matched at a discretionary rate determined annually by the Board of Directors. Company contributions for 2003 and 2002 were approximately $17 and $12.

NOTE 9 FEDERAL HOME LOAN BANK ADVANCES AND OTHER DEBT

Federal Home Loan Bank advances were as follows at year-end:

	2003	**2002**
Fixed rate advances from 1.59% to 2.32% with final maturities due September 29, 2004 through June 9, 2006.	$ 5,400	$ 5,400
Single maturity advance with a variable rate of 1.11%, maturing June 14, 2004.	2,000	
	$ 7,400	$ 5,400

The advances were collateralized by $363 and $676 of investment securities and $13,766 and $15,617 of qualifying mortgage loans under a lien arrangement at year-end 2003 and 2002. Advances are subject to cash restrictions or penalties in the event of early repayment.

The Company has a line of credit with an unaffiliated institution. The Company may borrow up to $2,500 ($0 and $758 outstanding at year-end 2003 and 2002) at an interest rate of 4.325% (as of year-end 2003, which adjusts quarterly based on the changes in prime rate) with a maturity date of January 25, 2004. The Company renewed this line of credit at a rate of prime plus .125%, which matures on January 25, 2005. The note payable is secured by all of the Bank s common stock.

At year-end 2003, the Company did not have an outstanding balance in unused lines of credit with the FHLB.

(Continued)

Table of Contents

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 9 FEDERAL HOME LOAN BANK ADVANCES AND OTHER DEBT

(Continued)

Subordinated Debentures: A trust formed by the Company issued $4,000,000 of 4.32% floating rate trust preferred securities in 2003 as part of a pooled offering of such securities. The Company issued subordinated debentures to the trust in exchange for the proceeds of the offering, which represents the sole asset of the trust. The Trust Preferred Securities are subject to mandatory redemption, in whole or in part, upon repayment of the subordinated debentures at maturity or their earlier redemption at the liquidation preference. The subordinated debentures are redeemable at par prior to the maturity date of March 26, 2033 at the option of the Company as defined within the trust indenture. The Company has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed twenty (20) consecutive quarters. If payments are deferred, the Company is prohibited from paying dividends to its common stockholders.

Under new accounting guidance, FASB Interpretation No. 46, as revised in December 2003, the trust is not consolidated with the Company. Accordingly, the Company does not report the securities issued by the Company and held by the trust, as these are no longer eliminated in consolidation.

No payments on the subordinated debenture are required over the next five years. Required payments on the FHLB advances over the next three years are:

2004	$ 3,400
2005	1,000
2006	3,000

NOTE 10 INCOME TAX

	2003	2002
Income tax expense (benefit)		
Currently payable		
Federal	$ 390	$ 140
State	68	38
Deferred		
Federal	7	22
State	8	15

	$ 473	$ 215

Tax expense is more than obtained by using the statutory federal income tax rate 34% primarily because of state income taxes as offset by income exempt from federal tax

(Continued)

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 10 INCOME TAX (Continued)

The Company s deferred tax assets and liabilities at year-end 2003 and 2002 are as follows. Deferred tax assets and liabilities are composed primarily of temporary differences related to unrealized gains and losses on securities, the allowance for loan losses and fixed assets. No valuation allowance for the realization of deferred tax assets is considered necessary.

	2003	2002
Deferred tax assets	$ 256	$ 151
Deferred tax liabilities	(258)	(152)
Net deferred tax asset (liability)	$ (2)	$ (1)

NOTE 11 OFF-BALANCE-SHEET ACTIVITY

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer-financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amount of financial instruments with off-balance-sheet risk was as follows at year-end. These amounts are exclusive of mortgage banking commitments discussed in Note 3.

	2003	2002
Commitments to make loans (at market rates)	$ 22,576	$ 11,344
Unused lines of credit and letters of credit	1,437	788

The Company extends binding commitments to customers and prospective customers. Commitments to make loans are generally made for periods of 60 days or less. The majority of loan commitments are variable with maturities ranging from one to twenty years.

(Continued)

Table of Contents

INDEPENDENCE BANCORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands, except per share data)

December 31, 2003 and 2002

NOTE 12 CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS

Banks and holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

At year-end 2003, the Company and Bank were considered well capitalized under these regulations. Actual and required capital amounts and ratios are presented below at year-end.

	Actual		For Capital Adequacy Purposes		Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2003						