INDEPENDENT BANK CORP
Form 10-K
March 14, 2008

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

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 1-9047
Independent Bank Corp.
(Exact name of registrant as specified in its charter)

Massachusetts *(State or other jurisdiction of incorporation or organization)*	**04-2870273** *(I.R.S. Employer Identification No.)*
288 Union Street **Rockland, Massachusetts** *(Address of principal executive offices)*	**02370** *(Zip Code)*

Registrant s telephone number, including area code:
(781) 878-6100

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.0l par value per share	Nasdaq Global Select Market
Preferred Stock Purchase Rights	Nasdaq Global Select Market

Securities registered pursuant to section 12(b) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate market value of the voting common stock held by non-affiliates of the registrant, computed by reference to the closing price of such stock on June 30, 2007, was approximately $383,944,200.

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date. January 31, 2008 13,761,611

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

Portions of the Registrant s definitive proxy statement for its 2008 Annual Meeting of Stockholders are incorporated into Part III, Items 10-13 of this Form 10-K.

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INDEPENDENT BANK CORP.

2007 ANNUAL REPORT ON FORM 10-K

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

A number of the presentations and disclosures in this Form 10-K, including, without limitation, statements regarding the level of allowance for loan losses, the rate of delinquencies and amounts of charge-offs, and the rates of loan growth, and any statements preceded by, followed by, or which include the words may, could, should, will, would hope, might, believe, expect, anticipate, estimate, intend, plan, assume or similar expressions constit forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements, implicitly and explicitly, include the assumptions underlying the statements and other information with respect to the Company s beliefs, plans, objectives, goals, expectations, anticipations, estimates, intentions, financial condition, results of operations, future performance and business, including the Company s expectations and estimates with respect to the Company s revenues, expenses, earnings, return on equity, return on assets, efficiency ratio, asset quality and other financial data and capital and performance ratios.

Although the Company believes that the expectations reflected in the Company s forward-looking statements are reasonable, these statements involve risks and uncertainties that are subject to change based on various important factors (some of which are beyond the Company s control). The following factors, among others, could cause the Company s financial performance to differ materially from the Company s goals, plans, objectives, intentions, expectations and other forward-looking statements:

A weakening in the strength of the United States economy in general and the strength of the regional and local economies within the New England region and Massachusetts which could result in a deterioration on credit quality, a change in the allowance for loan losses or a reduced demand for the Company s credit or fee-based products and services;

adverse changes in the local real estate market, could result in a deterioration of credit quality and an increase in the allowance for loan loss, as most of the Company s loans are concentrated in southeastern Massachusetts and Cape Cod and a substantial portion of these loans have real estate as collateral;

the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System, could affect the Company s business environment or affect the Company s operations;

the effects of, any changes in, and any failure by the Company to comply with tax laws generally and requirements of the federal New Markets Tax Credit program in particular could adversely affect the Company s tax provision and its financial results;

inflation, interest rate, market and monetary fluctuations could reduce net interest income and could increase credit losses;

adverse changes in asset quality could result in increasing credit risk-related losses and expenses;

competitive pressures could intensify and affect the Company s profitability, including as a result of continued industry consolidation, the increased financial services provided by non-banks and banking reform;

a deterioration in the conditions of the securities markets could adversely affect the value or credit quality of the Company s assets, the availability and terms of funding necessary to meet the Company s liquidity needs and the Company s ability to originate loans;

- the potential to adapt to changes in information technology could adversely impact the Company s operations and require increased capital spending;
- changes in consumer spending and savings habits could negatively impact the Company s financial results; and
- acquisitions may not produce results at levels or within time frames originally anticipated and may result in unforeseen integration issues or impairment of goodwill and/or other intangibles.

If one or more of the factors affecting the Company s forward-looking information and statements proves incorrect, then the Company s actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained in this Form 10-K. Therefore, the Company cautions you not to place undue reliance on the Company s forward-looking information and statements.

The Company does not intend to update the Company s forward-looking information and statements, whether written or oral, to reflect change. All forward-looking statements attributable to the Company are expressly qualified by these cautionary statements.

PART I.

Item 1. ***Business***

General

Independent Bank Corp. (the Company) is a state chartered, federally registered bank holding company headquartered in Rockland, Massachusetts that was incorporated under Massachusetts law in 1985. The Company is the sole stockholder of Rockland Trust Company (Rockland or the Bank), a Massachusetts trust company chartered in 1907. Rockland is a community-oriented commercial bank. The community banking business, the Company s only reportable operating segment, consists of commercial banking, retail banking, wealth management services, retail investments and insurance sales and is managed as a single strategic unit. The community banking business derives its revenues from a wide range of banking services, including lending activities, acceptance of demand, savings, and time deposits, wealth management, retail investments and insurance services, and mortgage banking income. At December 31, 2007, the Company had total assets of $2.8 billion, total deposits of $2.0 billion, stockholders equity of $220.5 million, and 742 full-time equivalent employees.

On March 1, 2008, the Company successfully completed its acquisition of Slade s Ferry Bancorp., parent of Slades Bank. In accordance with Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets the acquisition was accounted for under the purchase method of accounting and, as such, will be included in the results of operations from the date of acquisition. The Company issued 2,492,854 shares of common stock in connection with the acquisition. The value of the common stock, $30.586, was determined based on the average closing price of the Company s shares over a five day period including the two days preceding the announcement date of the acquisition, the announcement date of the acquisition and the two days subsequent the announcement date of the acquisition. The Company also paid cash of $25.9 million, for total consideration of $102.2 million.

Market Area and Competition

The Bank contends with considerable competition both in generating loans and attracting deposits. The Bank s competition for loans is primarily from other commercial banks, savings banks, credit unions, mortgage banking companies, insurance companies, finance companies, and other institutional lenders. Competitive factors considered for loan generation include interest rates and terms offered, loan fees charged, loan products offered, service provided, and geographic locations.

In attracting deposits, the Bank s primary competitors are savings banks, commercial and co-operative banks, credit unions, internet banks, as well as other non-bank institutions that offer financial alternatives such as brokerage firms and insurance companies. Competitive factors considered in attracting and retaining deposits include deposit and investment products and their respective rates of return, liquidity, and risk, among other factors, such as convenient branch locations and hours of operation, personalized customer service, online access to accounts, and automated teller machines.

The Bank s market area is attractive and entry into the market by financial institutions previously not competing in the market area may continue to occur. The entry into the market area by these institutions and other non-bank institutions that offer financial alternatives could impact the Bank s growth or profitability.

Lending Activities

The Bank s gross loan portfolio (loans before allowance for loan losses) amounted to $2.0 billion on December 31, 2007 or 73.8% of total assets on that date. The Bank classifies loans as commercial, business banking, real estate, or consumer. Commercial loans consist primarily of loans to businesses with credit needs in excess of $250,000 and revenue in excess of $2.5 million for working capital and other business-related purposes and floor plan financing. Business banking loans consist primarily of loans to businesses with commercial credit needs of less than or equal to $250,000 and revenues of less than $2.5 million. Real estate loans are comprised of commercial mortgages that are secured by non-residential properties, residential mortgages that are secured primarily by owner-occupied residences and mortgages for the construction of commercial and residential properties. Consumer loans consist primarily of home equity loans and automobile loans.

The Bank s borrowers consist of small-to-medium sized businesses and retail customers. The Bank s market area is generally comprised of the southeastern Massachusetts and Rhode Island. Substantially all of the Bank s commercial, business banking and consumer loan portfolios consist of loans made to residents of and businesses located in southeastern Massachusetts and Cape Cod and Rhode Island. The majority of the real estate loans in the Bank s loan portfolio are secured by properties located within this market area.

Interest rates charged on loans may be fixed or variable and vary with the degree of risk, loan term, underwriting and servicing costs, loan amount and the extent of other banking relationships maintained with customers. Rates are further subject to competitive pressures, the current interest rate environment, availability of funds and government regulations.

The Bank s principal earning assets are its loans. Although the Bank judges its borrowers to be creditworthy, the risk of deterioration in borrowers abilities to repay their loans in accordance with their existing loan agreements is inherent in any lending function. Participating as a lender in the credit market requires a strict underwriting and monitoring process to minimize credit risk. This process requires substantial analysis of the loan application, an evaluation of the customer s capacity to repay according to the loan s contractual terms, and an objective determination of the value of the collateral. The Bank also utilizes the services of an independent third-party consulting firm to provide loan review services, which consist of a variety of monitoring techniques performed after a loan becomes part of the Bank s portfolio.

The Bank s Controlled Asset and Consumer Collections Departments are responsible for the management and resolution of nonperforming assets. In the course of resolving nonperforming loans, the Bank may choose to restructure certain contractual provisions. Nonperforming assets are comprised of nonperforming loans, nonperforming securities and Other Real Estate Owned (OREO). Nonperforming loans consist of loans that are more than 90 days past due but still accruing interest and nonaccrual loans. In the course of resolving nonperforming loans, the Bank may choose to restructure the contractual terms of certain commercial and real estate loans. Terms may be modified to fit the ability of the borrower to repay in line with its current financial status. It is the Bank s policy to maintain restructured loans on nonaccrual status for approximately six months before management considers its return to accrual status. OREO includes properties held by the Bank as a result of foreclosure or by acceptance of a deed in lieu of foreclosure. In order to facilitate the disposition of OREO, the Bank may finance the purchase of such properties at market rates if the borrower qualifies under the Bank s standard underwriting guidelines. The Bank had three properties and one property held as OREO for the periods ending December 31, 2007 and December 31, 2006, respectively.

Origination of Loans Commercial and industrial loan applications are obtained through existing customers, solicitation by Bank personnel, referrals from current or past customers, or walk-in customers. Commercial real estate loan applications are obtained primarily from previous borrowers, direct contact with the Bank, or referrals. Business banking loan applications are typically originated by the Bank s retail staff, through a dedicated team of business officers, by referrals from other areas of the Bank, referrals from current or past customers, or through walk-in customers. Customers for residential real estate loans are referred to Mortgage Loan Officers who will meet with the borrowers at the borrower s convenience. In late 2007, the bank migrated to the Mortgagebot Loan Portal where borrowers can apply for a mortgage or be pre-approved on-line through the company s website via a seamless link to Federal National Mortgage Association s (FNMA) Desk Top Underwriter. Residential real estate loan applications primarily result from referrals by real estate brokers, homebuilders, and existing or walk-in customers. The Bank also maintains a staff of field originators who solicit and refer residential real estate loan applications to the Bank. These employees are compensated on a commission basis and provide convenient origination services during banking and non-banking hours. The Company uses a select group of in-market third party originators to generate additional real estate loan volume. The loans are underwritten and closed in the name of the Bank. Volume generated by these third party originators was less than 3% of total originations in 2007. Consumer loan applications are directly obtained through existing or walk-in customers who have been made aware of the Bank s consumer loan services through advertising and other media, as well as indirectly through a network of automobile, recreational vehicle, and boat dealers.

Commercial and industrial loans, commercial real estate loans, and construction loans may be approved by commercial loan lenders up to their individually assigned lending limits, which are established and modified periodically by management, with ratification by the Board of Directors, to reflect the officer s expertise and experience. Any of those types of loans which are in excess of a commercial loan officer s assigned lending authority must be approved by various levels of authority within the Commercial Lending Division, depending on the loan amount, up to and including the Senior Loan Committee and, ultimately, the Executive Committee of the Board of Directors.

Business banking loans may be approved by business banking underwriters up to their individually assigned lending limits which are established and modified periodically by the Director of Consumer and Business Banking and ratified by the Board of Directors to reflect the officer s expertise and experience. Any loan which is in excess of the business banking officer s assigned lending authority must be approved by the Director of Consumer and Business Banking. The Director of Consumer and Business Banking s lending limit is recommended by the Chief Financial Officer (CFO) and ratified by the Board of Directors.

Residential real estate and construction loans may be approved by residential underwriters and residential loan analysts up to their individually assigned lending limits, which are established and modified periodically by management, with ratification by the Board of Directors, to reflect the underwriter s and analyst s expertise and experience. Any loan which is in excess of the residential underwriter s and residential analyst s assigned residential lending authority must be approved by various levels of authority within the Residential Lending Division, depending on the loan amount, up to and including the Senior Loan Committee and, ultimately, the Executive Committee of the Board of Directors.

Consumer loans may be approved by consumer lenders up to their individually assigned lending limits which are established and modified periodically by the Director of Consumer and Business Banking to reflect the officer s expertise and experience. Any loan which is in excess of the consumer lender s assigned lending authority must be approved by the Director of Consumer and Business Banking. The Director of Consumer and Business Banking s lending limit is recommended by the CFO and ratified by the Board of Directors.

In accordance with governing banking statutes, Rockland is permitted, with certain exceptions, to make loans and commitments to any one borrower, including related entities, in the aggregate amount of not more than 20% of the Bank s stockholders equity, which is the Banks legal lending limit or $54.2 million at December 31, 2007. Notwithstanding the foregoing, the Bank has established a more restrictive limit of not more than 75% of the Bank s legal lending limit, or $40.6 million at December 31, 2007, which may only be exceeded with the approval of the Board of Directors. There were no borrowers whose total indebtedness in aggregate exceeded $40.6 million as of December 31, 2007.

Sale of Loans The Bank s residential real estate loans are generally originated in compliance with terms, conditions and documentation which permit the sale of such loans to the Federal Home Loan Mortgage Corporation (FHLMC), the FNMA, the Government National Mortgage Association (GNMA), and other investors in the secondary market. Loan sales in the secondary market provide funds for additional lending and other banking activities. The Bank sells the servicing on a majority of the sold loans for a servicing released premium, simultaneous with the sale of the loan. As part of its asset/liability management strategy, the Bank may retain a portion of the adjustable rate and fixed rate residential real estate loan originations for its portfolio. During 2007, the Bank originated $234.7 million in residential real estate loans of which $26.1 million was retained in its portfolio, comprised primarily of adjustable rate loans.

Commercial and Industrial Loans The Bank offers secured and unsecured commercial loans for business purposes, including issuing letters of credit. At December 31, 2007, $190.5 million, or 9.3% of the Bank s gross loan portfolio consisted of commercial and industrial loans. Commercial and industrial loans generated 8.6%, 8.0%, and 7.2% of total interest income for the fiscal years ending 2007, 2006 and 2005, respectively.

Commercial loans may be structured as term loans or as revolving lines of credit. Commercial term loans generally have a repayment schedule of five years or less and, although the Bank occasionally originates some commercial term loans with interest rates which float in accordance with a designated index rate, the majority of commercial term loans have fixed rates of interest. The majority of commercial term loans are collateralized by equipment, machinery or other corporate assets. In addition, the Bank generally obtains personal guarantees from the principals of the borrower for virtually all of its commercial loans. At December 31, 2007, there were $76.8 million of term loans in the commercial loan portfolio.

Collateral for commercial revolving lines of credit may consist of accounts receivable, inventory or both, as well as other business assets. Commercial revolving lines of credit generally are reviewed on an annual basis and usually require substantial repayment of principal during the course of a year. The vast majority of these revolving lines of credit have variable rates of interest. At December 31, 2007, there were $113.7 million of revolving lines of credit in the commercial loan portfolio.

The Bank s standby letters of credit generally are secured, generally have terms of not more than one year, and are reviewed for renewal in general on an annualized basis. At December 31, 2007, the Bank had $10.9 million of commercial and standby letters of credit.

The Bank also provides automobile and, to a lesser extent, boat and other vehicle floor plan financing. Floor plan loans are secured by the automobiles, boats, or other vehicles, which constitute the dealer s inventory. Upon the sale of a floor plan unit, the proceeds of the sale are applied to reduce the loan balance. In the event a unit financed under a floor plan line of credit remains in the dealer s inventory for an extended period, the Bank requires the dealer to pay-down the outstanding balance associated with such unit. Bank personnel make unannounced periodic inspections of each dealer to review the value and condition of the underlying collateral. At December 31, 2007, there were $11.2 million in floor plan loans, all of which have variable rates of interest.

Business Banking Loans Business banking caters to all of the banking needs of businesses with commercial credit requirements and revenues typically less than or equal to $250,000 and $2.5 million, respectively, with automated loan underwriting capabilities and deposit products. Business banking loans totaled $70.0 million at December 31, 2007, or 3.4% of the Bank s gross loan portfolio. Business banking loans generated 3.6%, 2.9%, and 2.4% of total interest income for the fiscal years ending 2007, 2006 and 2005, respectively.

Business banking loans may be structured as term loans, lines of credit including overdraft protection, owner and non-owner occupied commercial mortgages and standby letters of credit. Business banking generally obtains personal guarantees from the principals of the borrower for virtually all of its loan products.

Business banking term loans generally have an amortization schedule of five years or less and, although business banking occasionally originates some term loans with interest rates that float in accordance with the prime rate, the majority of business banking term loans have fixed rates of interest. The majority of business banking term loans are collateralized by machinery, equipment and other corporate assets. At December 31, 2007, there were $24.1 million of term loans in the business banking loan portfolio.

Business banking lines of credit and overdraft protection may be offered on an unsecured basis to qualified applicants. Collateral for secured lines of credit and overdraft protection typically consists of accounts receivable and inventory as well as other business assets. Business banking lines of credit and overdraft protection are reviewed on a periodic basis based upon the total amount of exposure to the customer and is typically written on a demand basis. The vast majority of these lines of credit and overdraft protection have variable rates of interest. At December 31, 2007, there were $36.6 million of lines of credit and overdraft protection in the business banking loan portfolio.

Both business banking owner and non-owner occupied commercial mortgages typically have an amortization schedule of twenty years or less but are written with a five year maturity. The majority of business banking owner-occupied commercial mortgages have fixed rates of interest that are adjusted typically every three to five years. The majority of business banking owner-occupied commercial mortgages are collateralized by first or second mortgages on owner-occupied commercial real estate. At December 31, 2007, there were $6.1 million of owner-occupied commercial mortgages in the business banking loan portfolio.

Business banking s standby letters of credit generally are secured, have expirations of not more than one year, and are reviewed periodically for renewal. The business banking team makes use of the Bank s authority as a preferred lender with the U.S. Small Business Administration. At December 31, 2007, there were $4.9 million of U.S. Small Business Administration guaranteed loans in the business banking loan portfolio.

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Real Estate Loans The Bank s real estate loans consist of loans secured by commercial properties, loans secured by one-to-four family residential properties, and construction loans. As of December 31, 2007, the Bank s loan portfolio included $797.4 million in commercial real estate loans, $335.0 million in residential real estate loans, $133.4 million in commercial construction loans, and $6.1 million in residential construction loans, altogether totaling 62.3% of the Bank s gross loan portfolio. Real estate loans generated an aggregate of 50.1%, 48.2%, and 47.5% of total interest income for the fiscal years ending December 31, 2007, 2006 and 2005, respectively.

The Bank s commercial real estate portfolio is well-diversified with loans secured by a variety of property types, such as owner-occupied and non-owner-occupied commercial, retail, office, industrial, warehouse and other special purpose properties, such as hotels, motels, restaurants, and golf courses. Commercial real estate also includes loans secured by certain residential-related property types including multi-family apartment buildings, residential development tracts and condominiums. The following pie chart shows the diversification of the commercial real estate portfolio as of December 31, 2007.

Commercial Real Estate Portfolio by Property Type

Although terms vary, commercial real estate loans generally have maturities of five years or less, amortization periods of 20 to 25 years, and have interest rates that float in accordance with a designated index or that are fixed during the origination process. It is the Bank s policy to obtain personal guarantees from the principals of the borrower on commercial real estate loans and to obtain financial statements at least annually from all actively managed commercial and multi-family borrowers.

Commercial real estate lending entails additional risks, as compared to residential real estate lending. Commercial real estate loans typically involve larger loan balances to single borrowers or groups of related borrowers. Development of commercial real estate projects also may be subject to numerous land use and environmental issues. The payment experience on such loans is typically dependent on the successful operation of the real estate project, which can be significantly impacted by supply and demand conditions within the markets for commercial, retail, office, industrial/warehouse and multi-family tenancy.

Construction loans are intended to finance the construction of residential and commercial properties, including loans for the acquisition and development of land or rehabilitation of existing properties. Construction loans generally have terms of at least six months, but not more than two years. They usually do not provide for amortization of the loan balance during the term. The majority of the Bank s commercial construction loans have floating rates of interest based upon the Rockland base rate or the Prime or LIBOR rates published daily in the Wall Street Journal.

A significant portion of the Bank s construction lending is related to residential development within the Bank s market area. The Bank typically has focused its construction lending on relatively small projects and has developed and maintains relationships with developers and operative homebuilders in the Plymouth, Norfolk, Barnstable and Bristol Counties of southeastern Massachusetts and Cape Cod and, to a lesser extent, in the state of Rhode Island.

Construction loans are generally considered to present a higher degree of risk than permanent real estate loans and may be affected by a variety of factors, such as adverse changes in interest rates and the borrower s ability to control costs and adhere to time schedules. Other construction-related risk may include market risk, that is, the risk that for-sale or for-lease units may or may not be absorbed by the market within a developer s anticipated time-frame or at a developer s anticipated price.

Rockland originates both fixed-rate and adjustable-rate residential real estate loans. The Bank will lend up to 100% of the lesser of the appraised value of the residential property securing the loan or the purchase price, and generally requires borrowers to obtain private mortgage insurance when the amount of the loan exceeds 80% of the value of the property. The rates of these loans are typically competitive with market rates. The Bank s residential real estate loans are generally originated only under terms, conditions and documentation, which permit sale in the secondary market.

The Bank generally requires title insurance protecting the priority of its mortgage lien, as well as fire, extended coverage casualty and flood insurance, when necessary, in order to protect the properties securing its residential and other real estate loans. Independent appraisers appraise properties securing all of the Bank s first mortgage real estate loans, as required by regulatory standards.

Consumer Loans The Bank makes loans for a wide variety of personal needs. Consumer loans primarily consist of installment loans, home equity loans, and overdraft protection. As of December 31, 2007, $510.6 million, or 25.0%, of the Bank s gross loan portfolio consisted of consumer loans. Consumer loans generated 22.5%, 22.2% and 20.8% of total interest income for the fiscal years ending December 31, 2007, 2006, and 2005, respectively.

The Bank s installment loans consist primarily of automobile loans, which totaled $156.0 million, at December 31, 2007, or 7.6% of loans, a decrease from 10.2% and 12.9% of loans at year-end 2006 and 2005, respectively. A substantial portion of the Bank s automobile loans are originated indirectly by a network of approximately 135 active new and used automobile dealers located within the Bank s market area. Although employees of the dealer take applications for such loans, the loans are made pursuant to Rockland s underwriting standards using Rockland s documentation. A Rockland consumer lender must approve all indirect loans. In addition to indirect automobile lending, the Bank also originates automobile loans directly.

The maximum term for the Bank s automobile loans is 84 months for a new car loan and 72 months with respect to a used car loan. Loans on new and used automobiles are generally made without recourse to the dealer. The Bank requires all borrowers to maintain automobile insurance, including full collision, fire and theft, with a maximum allowable deductible and with the Bank listed as loss payee. In addition, in order to mitigate the adverse effect on interest income caused by prepayments, dealers are required to maintain a reserve of up to 3% of the outstanding balance of the indirect loans originated by them under Reserve option A . Reserve option A allows the Bank to be rebated the prepaid dealer reserve on a pro-rata basis in the event of prepayment prior to maturity. Reserve option B allows the dealer to share the reserve with the Bank, split 75/25, however for the Bank s receipt of 25%, no rebates are applied to the account after 90 days from date of first payment. Indirect automobile loans at December 31, 2007, had a weighted average FICO[1] score of 703 and a weighted average combined loan-to-value ratio[2] of 98.8%. The average FICO scores are based upon re-scores available from September 2007 and actual score data for loans booked between October 1 and December 31, 2007. Use of re-score data enables the Bank to better understand the current credit risk associated with these loans.

The Bank s consumer loans also include home equity, unsecured loans, loans secured by deposit accounts, loans to purchase motorcycles, recreational vehicles, or boats. The Bank generally will lend up to 100% of the purchase price of vehicles other than automobiles with terms of up to three years for motorcycles and up to fifteen years for recreational vehicles.

[1] FICO represents a credit score determined by the Fair Isaac Corporation, with data provided by the three major credit repositories (Trans Union, Experian, and Equifax). This score predicts the likelihood of loan default. The lower the score, the more likely an individual is to default. The actual FICO scores range from 300 to 850 (fairissaac.com).
[2] Loan-to-Value is the ratio of the total potential exposure on a loan to the fair market value of the collateral. The higher the Loan-to-Value, the higher the loss risk in the event of default.

Home equity loans and lines may be made as a fixed rate term loan or under a variable rate revolving line of credit secured by a first or second mortgage on the borrower s residence or second home. At December 31, 2007, $108.7 million, or 35.2%, of the home equity portfolio were term loans and $200.0 million, or 64.8%, of the home equity portfolio were revolving lines of credit. The Bank will originate home equity loans and lines in an amount up to 89.9% of the appraised value or on-line valuation, reduced for any loans outstanding secured by such collateral. Home equity loans and lines are underwritten in accordance with the Bank s loan policy which includes a combination of credit score, loan-to-value ratio, employment history and debt-to-income ratio. Home equity lines of credit at December 31, 2007, had a weighted average FICO score of 753 and a weighted average combined loan-to-value ratio of 56.0%. The average FICO scores are based upon re-scores available from September 2007 and actual score data for loans booked between October 1 and December 31, 2007. Use of re-score data enables the Bank to better understand the current credit risk associated with these loans.

Cash reserve loans are made pursuant to previously approved unsecured cash reserve lines of credit. The rate on these loans is tied to the prime rate.

Investment Activities

The Bank s securities portfolio consists of U.S. Treasury and U.S. Government agency obligations, state, county and municipal securities, mortgage-backed securities, collateralized mortgage obligations, Federal Home Loan Bank (FHLB) stock, corporate debt securities and equity securities held for the purpose of funding supplemental executive retirement plan obligations through a Rabbi Trust. The majority of these securities are investment grade debt obligations with average lives of five years or less. U.S. Treasury and Government Sponsored Enterprises entail a lesser degree of risk than loans made by the Bank by virtue of the guarantees that back them, require less capital under risk-based capital rules than non-insured or non-guaranteed mortgage loans, are more liquid than individual mortgage loans, and may be used to collateralize borrowings or other obligations of the Bank. The Bank views its securities portfolio as a source of income and liquidity. Interest and principal payments generated from securities provide a source of liquidity to fund loans and meet short-term cash needs. The Bank s securities portfolio is managed in accordance with the Rockland Trust Company Investment Policy adopted by the Board of Directors. The Chief Executive Officer or the Chief Financial Officer may make investments with the approval of one additional member of the Asset/Liability Management Committee, subject to limits on the type, size and quality of all investments, which are specified in the Investment Policy. The Bank s Asset/Liability Management Committee, or its appointee, is required to evaluate any proposed purchase from the standpoint of overall diversification of the portfolio. At December 31, 2007, securities totaled $507.5 million. Total securities generated interest and dividends on securities of 14.3%, 17.8%, and 21.8% of total interest income for the fiscal years ended 2007, 2006 and 2005, respectively. The chart below shows the level of securities versus assets for the year end 2005, 2006 and 2007.

Level of Securities/Assets
(Dollars in thousands)

Sources of Funds

Deposits Deposits obtained through Rockland s branch banking network have traditionally been the principal source of the Bank s funds for use in lending and for other general business purposes. The Bank has built a stable base of in-market core deposits from consumers, businesses, and municipalities located in southeastern Massachusetts and Cape Cod. Rockland offers a range of demand deposits, interest checking, money market accounts, savings accounts, and time certificates of deposit. The Bank also offers services as a Qualified Intermediary holding deposits for customers executing like-kind exchanges pursuant to section 1031 of the Internal Revenue Code. Interest rates on deposits are based on factors that include loan demand, deposit maturities, alternative costs of funds, and interest rates offered by competing financial institutions in the Bank s market area. The Bank believes it has been able to attract and maintain satisfactory levels of deposits based on the level of service it provides to its customers, the convenience of its banking locations, and its interest rates that are generally competitive with those of competing financial institutions. Rockland has a municipal banking department that focuses on providing service to local municipalities. At December 31, 2007, municipal deposits totaled $113.6 million. As of December 31, 2007, total deposits were $2.0 billion.

Rockland s branch locations are supplemented by the Bank s internet banking services as well as automated teller machine (ATM) cards and debit cards, which may be used to conduct various banking transactions at ATMs maintained at each of the Bank s full-service offices and four additional remote ATM locations. The ATM cards and debit cards also allow customers access to the NYCE regional ATM network, as well as the Cirrus nationwide ATM network. In addition, Rockland is a member of the SUM network, which allows access to 2,800 participating ATM machines free of surcharge. These networks provide the Bank s customers access to their accounts through ATMs located throughout Massachusetts, the United States, and the world. The debit card also can be used at any place that accepts MasterCard worldwide.

Borrowings Borrowings consist of short-term and intermediate-term obligations. Short-term borrowings can consist of FHLB advances, federal funds purchased, treasury tax and loan notes and assets sold under repurchase agreements. In a repurchase agreement transaction, the Bank will generally sell a security agreeing to repurchase either the same or a substantially identical security on a specified later date at a price slightly greater than the original sales price. The difference in the sale price and purchase price is the cost of the proceeds recorded as interest expense. The securities underlying the agreements are delivered to the dealer who arranges the transactions as security for the repurchase obligation. Payments on such borrowings are interest only until the scheduled repurchase date, which generally occurs within a period of 30 days or less. Repurchase agreements represent a non-deposit funding source for the Bank and the Bank is subject to the risk that the purchaser may default at maturity and not return the collateral. In order to minimize this potential risk, the Bank only deals with established investment brokerage firms when entering into these transactions. On December 31, 2007, the Bank had $50.0 million outstanding under these repurchase agreements with investment brokerage firms. In addition to agreements with brokers, the Bank has entered into similar agreements with its customers. At December 31, 2007, the Bank had $88.6 million of customer repurchase agreements outstanding.

In July 1994, Rockland became a member of the FHLB of Boston. Among the many advantages of this membership, this affiliation provides the Bank with access to short-to-medium term borrowing capacity. At December 31, 2007, the Bank had $311.1 million outstanding in FHLB borrowings with initial maturities ranging from 3 months to 20 years. In addition, the Bank had $283.7 million of borrowing capacity remaining with the FHLB at December 31, 2007.

Also included in borrowings at December 31, 2007 were $51.5 million outstanding junior subordinated debentures, issued to an unconsolidated subsidiary Independent Capital Trust V, in connection with the issuance of variable rate (LIBOR plus 1.48%) Capital Securities due in 2037, for which the Company has locked in a fixed rate of interest of 6.52% for 10 years through an interest rate swap. The Company called the junior subordinated debentures issued to Independent Capital Trust IV in April 2007. See Note 8, Borrowings, within Notes to the *Consolidated Financial Statements for more information regarding the junior subordinated debentures.*

Wealth Management

Investment Management

The Rockland Trust Investment Management Group provides investment management and trust services to individuals, small businesses, and charitable institutions throughout southeastern Massachusetts and Cape Cod. In addition, the Bank serves as executor or administrator of estates.

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Accounts maintained by the Rockland Trust Investment Management Group consist of managed and non-managed accounts. Managed accounts are those for which the Bank is responsible for administration and investment management and/or investment advice. Non-managed accounts are those for which the Bank acts solely as a custodian or directed trustee. The Bank receives fees dependent upon the level and type of service(s) provided. For the year ended December 31, 2007, the Investment Management Group generated gross fee revenues of $7.0 million. Total assets under administration as of December 31, 2007, were $1.3 billion, an increase of $472.7 million, or 58.0%, from December 31, 2006. On November 1, 2007, Rockland Trust completed its acquisition of the Lincoln, Rhode Island based O Connell Investment Services, Inc. The closing of this transaction added approximately $200 million to the assets already under management by the Rockland Trust Investment Management Group and established Rockland Trust s first investment management office in Rhode Island.

The administration of trust and fiduciary accounts is monitored by the Trust Committee of the Bank s Board of Directors. The Trust Committee has delegated administrative responsibilities to three committees, one for investments, one for administration, and one for operations, all of which are comprised of Investment Management Group officers who meet not less than monthly.

Retail Wealth Management In 1999, the Bank entered into an agreement with Independent Financial Marketing Group, Inc. (IFMG) and their insurance subsidiary IFS Agencies, Inc. (IFS) for the sale of mutual fund shares, unit investment trust shares, general securities, fixed and variable annuities and life insurance. At the end of June 2006, the Bank terminated its relationship with IFMG Securities and IFS Agencies and entered into agreements with Linsco/Private Ledger Corp. (LPL) and their insurance subsidiary Private Ledger Insurance Services of Massachusetts, Inc. to offer those services. Under this new arrangement, registered representatives who are dually employed by both the Bank and LPL are onsite to offer these products to the Bank s customer base. In 2005, the Bank entered into an agreement with Savings Bank Life Insurance of Massachusetts (SBLI) to enable appropriately licensed Bank employees to offer SBLI s fixed annuities and life insurance to the Bank s customer base. For the year ended December 31, 2007, the retail investments and insurance group generated gross fee revenues of $1.1 million.

Regulation

The following discussion sets forth certain of the material elements of the regulatory framework applicable to bank holding companies and their subsidiaries and provides certain specific information relevant to the Company. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. A change in applicable statutes, regulations or regulatory policy, may have a material effect on our business. The laws and regulations governing the Company and Rockland generally have been promulgated to protect depositors and not for the purpose of protecting stockholders.

General The Company is registered as a bank holding company under the Bank Holding Company Act of 1956 (BHCA), as amended, and as such is subject to regulation by the Board of Governors of the Federal Reserve System (Federal Reserve). Rockland is subject to regulation and examination by the Commissioner of Banks of the Commonwealth of Massachusetts (the Commissioner) and the Federal Deposit Insurance Corporation (FDIC). The majority of Rockland s deposit accounts are insured to the maximum extent permitted by law by the Deposit Insurance Fund (DIF) which is administered by the FDIC.

The Bank Holding Company Act BHCA prohibits the Company from acquiring direct or indirect ownership or control of more than 5% of any class of voting shares of any bank, or increasing such ownership or control of any bank, without prior approval of the Federal Reserve. The BHCA also prohibits the Company from, with certain exceptions, acquiring more than 5% of any class of voting shares of any company that is not a bank and from engaging in any business other than banking or managing or controlling banks.

Under the BHCA, the Federal Reserve is authorized to approve the ownership by the Company of shares in any company, the activities of which the Federal Reserve has determined to be so closely related to banking or to managing or controlling banks as to be a proper incident thereto. The Federal Reserve has, by regulation, determined that some activities are closely related to banking within the meaning of the BHCA. These activities include, but are not limited to, operating a mortgage company, finance company, credit card company, factoring company, trust company or savings association; performing data processing operations; providing some securities brokerage services; acting as an investment or financial adviser; acting as an insurance agent for types of credit-related insurance; engaging in insurance underwriting under limited circumstances; leasing personal property on a full-payout, non-operating basis; providing tax planning and preparation services; operating a collection agency and a credit bureau; providing consumer financial counseling and courier services. The Federal Reserve also has determined that other activities, including real estate brokerage and syndication, land development, property management and, except under limited circumstances, underwriting of life insurance not related to credit transactions, are not closely related to banking and are not a proper incident thereto.

Interstate Banking Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the Interstate Banking Act), bank holding companies may acquire banks in states other than their home state without regard to the permissibility of such acquisitions under state law, but subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, after the proposed acquisition, controls no more than 10 percent of the total amount of deposits of insured depository institutions in the United States and no more than 30 percent or such lesser or greater amount set by state law of such deposits in that state.

Pursuant to Massachusetts law, no approval to acquire a banking institution, acquire additional shares in a banking institution, acquire substantially all the assets of a banking institution, or merge or consolidate with another bank holding company, may be given if the bank being acquired has been in existence for a period less than three years or, as a result, the bank holding company would control, in excess of 30%, of the total deposits of all state and federally chartered banks in Massachusetts, unless waived by the Commissioner. With the prior written approval of the Commissioner, Massachusetts also permits the establishment of de novo branches in Massachusetts to the full extent permitted by the Interstate Banking Act, provided the laws of the home state of such out-of-state bank expressly authorize, under conditions no more restrictive than those of Massachusetts, Massachusetts banks to establish and operate de novo branches in such state.

Capital Requirements The Federal Reserve has adopted capital adequacy guidelines pursuant to which it assesses the adequacy of capital in examining and supervising a bank holding company and in analyzing applications to it under the BHCA. The Federal Reserve s capital adequacy guidelines which generally require bank holding companies to maintain total capital equal to 8% of total risk-adjusted assets, with at least one-half of that amount consisting of Tier 1, or core capital and up to one-half of that amount consisting of Tier 2, or supplementary capital. Tier 1 capital for bank holding companies generally consists of the sum of common stockholders equity and perpetual preferred stock (subject in the case of the latter to limitations on the kind and amount of such stocks which may be included as Tier 1 capital), less net unrealized gains on available for sale securities and on cash flow hedges, post retirement adjustments recorded in accumulated other comprehensive income (according to an interim decision announced on December 14, 2006), and goodwill and other intangible assets required to be deducted from capital. Tier 2 capital generally consists of perpetual preferred stock which is not eligible to be included as Tier 1 capital; hybrid capital instruments such as perpetual debt and mandatory convertible debt securities, and term subordinated debt and intermediate-term preferred stock; and, subject to limitations, the allowance for loan losses. Assets are adjusted under the risk-based guidelines to take into account different risk characteristics, with the categories ranging from 0% (requiring no additional capital) for assets such as cash to 100% for the majority of assets which are typically held by a bank holding company, including commercial real estate loans, commercial loans and consumer loans. Single family residential first mortgage loans which are not 90 days or more past due or nonperforming and which have been made in accordance with prudent underwriting standards are assigned a 50% level in the risk-weighting system, as are certain privately-issued mortgage-backed securities representing indirect ownership of such loans and certain multi-family housing loans. Off-balance sheet items also are adjusted to take into account certain risk characteristics.

In addition to the risk-based capital requirements, the Federal Reserve requires bank holding companies to maintain a minimum leverage capital ratio of Tier 1 capital to total assets of 3.0%. Total assets for this purpose do not include goodwill and any other intangible assets or investments that the Federal Reserve determines should be deducted from Tier 1 capital. The Federal Reserve has announced that the 3.0% Tier 1 leverage capital ratio requirement is the minimum for the top-rated bank holding companies without any supervisory, financial or operational weaknesses or deficiencies or those which are not experiencing or anticipating significant growth. Other bank holding companies (including the Company) are expected to maintain Tier 1 leverage capital ratios of at least 4.0% to 5.0% or more, depending on their overall condition.

The Company currently is in compliance with the above-described regulatory capital requirements. At December 31, 2007, the Company had Tier 1 capital and total capital equal to 10.27% and 11.52% of total risk-adjusted assets, respectively, and Tier 1 leverage capital equal to 8.02% of total assets. As of such date, Rockland complied with the applicable bank federal regulatory risked based capital requirements, with Tier 1 capital and total capital equal to 10.22% and 11.47% of total risk-adjusted assets, respectively, and Tier 1 leverage capital equal to 8.00% of total assets.

The FDIC has promulgated regulations and adopted a statement of policy regarding the capital adequacy of state-chartered banks, which, like Rockland, are not members of the Federal Reserve System. These requirements are substantially similar to those adopted by the Federal Reserve regarding bank holding companies, as described above. The FDIC s capital regulations establish a minimum 3.0% Tier 1 leverage capital to total assets requirement for the most highly-rated state-chartered, non-member banks, with an additional cushion of at least 100 to 200 basis points for all other state-chartered, non-member banks, which effectively will increase the minimum Tier 1 leverage capital ratio for such banks to 4.0% or 5.0% or more. Under the FDIC s regulations, the highest-rated banks are those that the FDIC determines are not anticipating or experiencing significant growth and have well diversified risk, including no undue interest rate risk exposure, excellent asset quality, high liquidity, good earnings and in general which are considered strong banking organizations, rated composite 1 under the Uniform Financial Institutions Rating System.

Each federal banking agency has broad powers to implement a system of prompt corrective action to resolve problems of institutions, that it regulates, which are not adequately capitalized. A bank shall be deemed to be (i) well capitalized if it has a total risk-based capital ratio of 10.0% or more, has a Tier 1 risk-based capital ratio of 6.0% or more, has a Tier 1 leverage capital ratio of 5.0% or more and is not subject to any written capital order or directive; (ii) adequately capitalized if it has a total risk-based capital ratio of 8.0% or more, a Tier 1 risk-based capital ratio of 4.0% or more, a Tier 1 leverage capital ratio of 4.0% or more (3.0% under certain circumstances) and does not meet the definition of well capitalized ; (iii) undercapitalized if it has a total risk-based capital ratio that is less than 8.0%, or a Tier 1 risk-based capital ratio that is less than 4.0% or a Tier 1 leverage capital ratio of less than 4.0% (3.0% under certain circumstances); (iv) significantly undercapitalized if it has a total risk-based capital ratio that is less than 6.0%, or a Tier 1 risk-based capital ratio that is less than 3.0%, or a Tier 1 leverage capital ratio that is less than 3.0%; and (v) critically undercapitalized if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%. As of December 31, 2007, Rockland was deemed a well-capitalized institution for this purpose.

Commitments to Affiliated Institutions Under Federal Reserve policy, the Company is expected to act as a source of financial strength to Rockland and to commit resources to support Rockland. This support may be required at times when the Company may not be able to provide such support. Similarly, under the cross-guarantee provisions of the Federal Deposit Insurance Act, in the event of a loss suffered or anticipated by the FDIC either as a result of default of a banking or thrift subsidiary of a bank/financial holding company such as the Company or related to FDIC assistance provided to a subsidiary in danger of default the other banking subsidiaries of such bank/financial holding company may be assessed for the FDIC s loss, subject to certain exceptions.

Limitations on Acquisitions of Common Stock The federal Change in Bank Control Act (CBCA) prohibits a person or group of persons from acquiring control of a bank holding company or bank unless the appropriate federal bank regulator has been given 60 days prior written notice of such proposed acquisition and within that time period such regulator has not issued a notice disapproving the proposed acquisition or extending for up to another 30 days the period during which such a disapproval may be issued. The acquisition of 25% or more of any class of voting securities constitutes the acquisition of control under the CBCA. In addition, under a rebuttal presumption established under the CBCA regulations, the acquisition of 10% or more of a class of voting stock of a bank holding company or a

FDIC insured bank, with a class of securities registered under or subject to the requirements of Section 12 of the Securities Exchange Act of 1934 would, under the circumstances set forth in the presumption, constitute the acquisition of control.

Any company would be required to obtain the approval of the Federal Reserve under the BHCA before acquiring 25% (5% in the case of an acquirer that is a bank holding company) or more of the outstanding common stock of, or such lesser number of shares as constitute control over, the Company. Such approval would be contingent upon, among other things, the acquirer registering as a bank holding company, divesting all impermissible holdings and ceasing any activities not permissible for a bank holding company. The Company owns no voting stock in any banking institution.

Deposit Insurance Premiums The FDIC approved new deposit insurance assessment rates that took effect on January 1, 2007. During 2007, the Bank s assessment rate under the new FDIC system was the minimum 5 basis points. Additionally, the Federal Deposit Insurance Reform Act of 2005 allowed eligible insured depository institutions to share in a one-time assessment credit pool of approximately $4.7 billion, effectively reducing the amount these institutions are required to submit as an overall assessment. The Bank s one-time assessment credit was approximately $1.3 million, of which $556,000 is remaining at December 31, 2007.

Community Reinvestment Act (CRA) Pursuant to the CRA and similar provisions of Massachusetts law, regulatory authorities review the performance of the Company and Rockland in meeting the credit needs of the communities served by Rockland. The applicable regulatory authorities consider compliance with this law in connection with applications for, among other things, approval of new branches, branch relocations, engaging in certain new financial activities under the Gramm-Leach-Bliley Act of 1999 (GLB), as discussed below, and acquisitions of banks and bank holding companies. The FDIC and the Massachusetts Division of Banks has assigned the Bank a CRA rating of outstanding as of the latest examination.

Bank Secrecy Act The Bank Secrecy Act requires financial institutions to keep records and file reports that are determined to have a high degree of usefulness in criminal, tax and regulatory matters, and to implement counter-money laundering programs and compliance procedures.

USA Patriot Act of 2001 In October 2001, the USA Patriot Act of 2001 was enacted in response to the terrorist attacks in New York, Pennsylvania and Washington D.C. which occurred on September 11, 2001. The Patriot Act is intended to strengthen U.S. law enforcement s and the intelligence communities abilities to work cohesively to combat terrorism on a variety of fronts. The impact of the Patriot Act on financial institutions of all kinds is significant and wide ranging. The Patriot Act contains sweeping anti-money laundering and financial transparency laws and imposes various regulations, including standards for verifying client identification at account opening, and rules to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering.

Financial Services Modernization Legislation In November 1999, the GLB, was enacted. The GLB repeals provisions of the Glass-Steagall Act which restricted the affiliation of Federal Reserve member banks with firms engaged principally in specified securities activities, and which restricted officer, director or employee interlocks between a member bank and any company or person primarily engaged in specified securities activities.

In addition, the GLB also contains provisions that expressly preempt any state law restricting the establishment of financial affiliations, primarily related to insurance. The general effect of the law is to establish a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms and other financial service providers, by revising and expanding the BHCA framework to permit a holding company to engage in a full range of financial activities through a new entity known as a financial holding company. Financial activities is broadly defined to include not only banking, insurance and securities activities, but also merchant banking and additional activities that the Federal Reserve Board, in consultation with the Secretary of the Treasury, determines to be financial in nature, incidental to such financial activities or complementary activities that do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

The GLB also permits national banks to engage in expanded activities through the formation of financial subsidiaries. A national bank may have a subsidiary engaged in any activity authorized for national banks directly or any financial activity, except for insurance underwriting, insurance investments, real estate investment or development, or merchant banking, which may only be conducted through a subsidiary of a financial holding company. Financial activities include all activities permitted under new sections of the BHCA or permitted by regulation.

To the extent that the GLB permits banks, securities firms and insurance companies to affiliate, the financial services industry may experience further consolidation. The GLB is intended to grant to community banks certain powers as a matter of right that larger institutions have accumulated on an ad hoc basis and which unitary savings and loan holding companies already possess. Nevertheless, the GLB may have the result of increasing the amount of competition that the Company faces from larger institutions and other types of companies offering financial products, many of which may have substantially more financial resources than the Company.

Sarbanes-Oxley Act of 2002 The Sarbanes-Oxley Act (SOA) of 2002 includes very specific disclosure requirements and corporate governance rules, and the Securities and Exchange Commission (SEC) and securities exchanges have adopted extensive disclosure, corporate governance and other related rules, due to the SOA. The Company has incurred additional expenses in complying with the provisions of the SOA and the resulting regulations. As the SEC provides any new requirements under the SOA, management will review those rules, comply as required and may incur more expenses. However, management does not expect that such compliance will have a material impact on our results of operation or financial condition.

Regulation W Transactions between a bank and its affiliates are quantitatively and qualitatively restricted under the Federal Reserve Act. The Federal Deposit Insurance Act applies Sections 23A and 23B to insured nonmember banks in the same manner and to the same extent as if they were members of the Federal Reserve System. The Federal Reserve Board has also recently issued Regulation W, which codifies prior regulations under Sections 23A and 23B of the Federal Reserve Act and interpretative guidance with respect to affiliate transactions. Regulation W incorporates the exemption from the affiliate transaction rules, but expands the exemption to cover the purchase of any type of loan or extension of credit from an affiliate. Affiliates of a bank include, among other entities, the bank s holding company and companies that are under common control with the bank. The Company is considered to be an affiliate of the Bank. In general, subject to certain specified exemptions, a bank or its subsidiaries are limited in their ability to engage in covered transactions with affiliates:

to an amount equal to 10% of the bank s capital and surplus, in the case of covered transactions with any one affiliate; and

to an amount equal to 20% of the bank s capital and surplus, in the case of covered transactions with all affiliates.

In addition, a bank and its subsidiaries may engage in covered transactions and other specified transactions only on terms and under circumstances that are substantially the same, or at least as favorable to the bank or its subsidiary, as those prevailing at the time for comparable transactions with nonaffiliated companies. A covered transaction includes:

a loan or extension of credit to an affiliate;

a purchase of, or an investment in, securities issued by an affiliate;

a purchase of assets from an affiliate, with some exceptions;

the acceptance of securities issued by an affiliate as collateral for a loan or extension of credit to any party; and

the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate.

In addition, under Regulation W:

a bank and its subsidiaries may not purchase a low-quality asset from an affiliate;

covered transactions and other specified transactions between a bank or its subsidiaries and an affiliate must be on terms and conditions that are consistent with safe and sound banking practices; and

with some exceptions, each loan or extension of credit by a bank to an affiliate must be secured by collateral with a market value ranging from 100% to 130%, depending on the type of collateral, of the amount of the loan or extension of credit.

Regulation W generally excludes all non-bank and non-savings association subsidiaries of banks from treatment as affiliates, except to the extent that the Federal Reserve Board decides to treat these subsidiaries as affiliates.

Employees As of December 31, 2007, the Bank had 742 full time equivalent employees. None of the Company s employees are represented by a labor union and management considers relations with its employees to be good.

Miscellaneous Rockland is subject to certain restrictions on loans to the Company, on investments in the stock or securities thereof, on the taking of such stock or securities as collateral for loans to any borrower, and on the issuance of a guarantee or letter of credit on behalf of the Company. Rockland also is subject to certain restrictions on most types of transactions with the Company, requiring that the terms of such transactions be substantially equivalent to terms of similar transactions with non-affiliated firms. In addition, under state law, there are certain conditions for and restrictions on the distribution of dividends to the Company by Rockland.

The regulatory information referenced briefly summarizes certain material statutes and regulations affecting the Company and the Bank and is qualified in its entirety by reference to the particular statutory and regulatory provisions.

Statistical Disclosure by Bank Holding Companies

The following information, included under Items 6, 7, and 8 of this report are incorporated by reference herein.

Note 8, Borrowings within *Notes to the Consolidated Financial Statements* which includes information regarding short-term borrowings and is included in Item 8 hereof.

For additional information regarding the Company s business and operations, see *Selected Financial Data* in Item 6 hereof, *Management s Discussion and Analysis of Financial Condition and Results of Operations* in Item 7 hereof and the *Consolidated Financial Statements* in Item 8 hereof.

Securities and Exchange Commission Availability of Filings on Company Web Site

Under the Securities Exchange Act of 1934 Sections 13 and 15(d), periodic and current reports must be filed with the SEC. The public may read and copy any materials filed with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549-0213. The public may obtain information on the operation of the Public Reference Room by calling the Public Reference Room at 1-800-SEC-0330. The Company electronically files the following reports with the SEC: Form 10-K (Annual Report), Form 10-Q (Quarterly Report), Form 11-K (Annual Report for Employees Savings, Profit Sharing and Stock Ownership Plan), Form 8-K (Report of Unscheduled Material Events), Forms S-4, S-3 and 8-A (Registration Statements), and Form DEF 14A (Proxy Statement). The Company may file additional forms. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, at www.sec.gov, in which all forms filed electronically may be accessed. Additionally, our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K filed with the SEC and additional shareholder information are available free of charge on the Company s website: www.RocklandTrust.com (within the investor relations tab). Information contained on our website and the SEC website is not incorporated by reference into this Form 10-K. We have included our web address and the SEC website address only as inactive textual references and do not intend them to be active links to our website or the SEC website. The Company s Code of Ethics and other Corporate Governance documents are also available on the Company s website in the Investor Relations section of the website.

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Item 1A. ***Risk Factors***

Changes in interest rates could adversely impact the Company s financial condition and results of operations. The Company s ability to make a profit, like that of most financial institutions, substantially depends upon its net interest income, which is the difference between the interest income earned on interest earning assets, such as loans and investment securities, and the interest expense paid on interest-bearing liabilities, such as deposits and borrowings. However, certain assets and liabilities, may react differently to changes in market interest rates. Further, interest rates on some types of assets and liabilities may fluctuate prior to changes in broader market interest rates, while rates on other types of assets may lag behind. Additionally, some assets such as adjustable-rate mortgages, have features, and rate caps, which restrict changes in their interest rates.

Factors such as inflation, recession, unemployment, money supply, global disorder such as that experienced as a result of the terrorist activity on September 11, 2001, instability in domestic and foreign financial markets, and other factors beyond the Company s control, may affect interest rates. Changes in market interest rates will also affect the level of voluntary prepayments on loans and the receipt of payments on mortgage-backed securities, resulting in the receipt of proceeds that may have to be reinvested at a lower rate than the loan or mortgage-backed security being prepaid. Although the Company pursues an asset-liability management strategy designed to control its risk from changes in market interest rates, changes in interest rates can still have a material adverse effect on the Company s profitability.

The second half of 2007 was highlighted by disruption and volatility in the financial and credit markets, primarily due to the fallout associated with rising defaults within many subprime mortgage-backed structured investment vehicles (SIV s). A major consequence of these market conditions has been significant tightening in the availability of credit, especially as it relates to the activity of the secondary residential mortgage market. These conditions have been exacerbated further by the continuation of a correction in (mostly residential-related) real estate market prices and sales activity and rising foreclosure rates, resulting in considerable mortgage loan related losses incurred by many lending institutions. The present state of the mortgage market has impacted the global markets as well as the domestic markets and has led to a significantly tightened environment in terms of credit and liquidity during the second half of 2007. In addition, economic growth has slowed down both nationally and globally, during the fourth quarter of 2007, leading many economists and market observers to conclude that the national economy is bordering on recession.

The Company does not originate subprime mortgages to hold within its residential mortgage portfolio and the Company aims to diversify its entire lending portfolio, to the extent possible, across a variety of different loan types including: small business lines and loans, commercial & industrial lines and loans, commercial real estate mortgages, construction loans, direct and indirect consumer loans, residential mortgages and home equity loans. Nevertheless, there are risk elements that the Company may not be able to fully diversify out of its portfolio, such as its geographic concentration in southeastern Massachusetts and Rhode Island.

Consequently, the credit quality and the continued performance of the Company s lending portfolio is susceptible to the effects of general economic weakness and, in particular, a downturn in the housing industry, especially as these weaknesses relate to the Company s primary geographic markets of southeastern Massachusetts and Rhode Island. During the second half of 2007, the Company experienced incremental increases in both non-performing loans and net loan charge-offs, as compared to prior periods. No assurance can be given that the economic and market conditions precedent will improve or will not further deteriorate. Hence, the persistence or worsening of such conditions could result in an increase in delinquencies, could cause a decrease in the Company s interest income, or could continue to have an adverse impact on the Company s loan loss experience, which, in turn, may necessitate increases to Company s allowance for loan losses.

If the Company has higher loan losses than it has allowed for, its earnings could materially decrease. The Company s loan customers may not repay loans according to their terms, and the collateral securing the payment of loans may be insufficient to assure repayment. The Company may therefore experience significant credit losses which could have a material adverse effect on its operating results. The Company makes various assumptions and judgments about the collectibility of its loan portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. In determining the size of the allowance for loan losses, the Company relies on its experience and its evaluation of economic conditions. If its

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assumptions prove to be incorrect, its current allowance for loan losses may not be sufficient to cover losses inherent in its loan portfolio and adjustment may be necessary to allow for different economic conditions or adverse developments in its loan portfolio. Consequently, a problem with one or more loans could require the Company to significantly increase the level of its provision for loan losses. In addition, federal and state regulators periodically review the Company s allowance for loan losses and may require it to increase its provision for loan losses or recognize further loan charge-offs. Material additions to the allowance would materially decrease the Company s net income.

A significant amount of the Company s loans are concentrated in Massachusetts, and adverse conditions in this area could negatively impact its operations. Substantially all of the loans the Company originates are secured by properties located in or are made to businesses which operate in Massachusetts. Because of the current concentration of the Company s loan origination activities in Massachusetts, in the event of adverse economic conditions, potential downward pressure on housing prices, political or business developments or natural hazards that may affect Massachusetts and the ability of property owners and businesses in Massachusetts to make payments of principal and interest on the underlying loans, the Company would likely experience higher rates of loss and delinquency on its loans than if its loans were more geographically diversified, which could have an adverse effect on its results of operations or financial condition.

The Company operates in a highly regulated environment and may be adversely impacted by changes in law and regulations. The Company is subject to extensive regulation, supervision and examination. See Regulation in Item 1 hereof, *Business.* Any change in the laws or regulations and failure by the Company to comply with applicable law and regulation, or a change in regulators supervisory policies or examination procedures, whether by the Massachusetts Commissioner of Banks, the FDIC, the Federal Reserve Board, other state or federal regulators, the United States Congress, or the Massachusetts legislature could have a material adverse effect on the Company s business, financial condition, results of operations, and cash flows.

The Company has strong competition within its market area which may limit the Company s growth and profitability. The Company faces significant competition both in attracting deposits and in the origination of loans. See Market Area and Competition in Item 1 hereof, *Business*. Commercial banks, credit unions, savings banks, savings and loan associations operating in our primary market area have historically provided most of our competition for deposits. Competition for the origination of real estate and other loans come from other commercial banks, thrift institutions, insurance companies, finance companies, other institutional lenders and mortgage companies.

The success of the Company is dependent on hiring and retaining certain key personnel. The Company s performance is largely dependent on the talents and efforts of highly skilled individuals. The Company relies on key personnel to manage and operate its business, including major revenue generating functions such as loan and deposit generation. The loss of key staff may adversely affect the Company s ability to maintain and manage these functions effectively, which could negatively affect the Company s revenues. In addition, loss of key personnel could result in increased recruiting and hiring expenses, which could cause a decrease in the Company s net income. The Company s continued ability to compete effectively depends on its ability to attract new employees and to retain and motivate its existing employees.

Independent Bank Corp. s business strategy of growth in part through acquisitions could have an impact on its earnings and results of operations that may negatively impact the value of the Company s stock. In recent years, Independent Bank Corp. has focused, in part, on growth through acquisitions. In March 2008 Independent Bank completed the acquisition of Slade s Ferry Bancorp., headquartered in Somerset, Massachusetts.

From time to time in the ordinary course of business, Independent Bank Corp. engages in preliminary discussions with potential acquisitions targets. The consummation of any future acquisitions may dilute stockholder value.

Although Independent Bank Corp. s business strategy emphasizes organic expansion combined with acquisitions, there can be no assurance that, in the future, Independent Bank Corp. will successfully identify suitable acquisitions candidates, complete acquisitions and successfully integrate acquired operations into our existing operations or expand into new markets. There can be no assurance that acquisitions will not have an adverse effect upon Independent Bank Corp. s operating results while the operations of the acquired business are being integrated into Independent Bank Corp. s operations. In addition, once integrated, acquired operations may not achieve levels of profitability comparable to those achieved by Independent Bank Corp. s existing operations, or otherwise perform as expected. Further, transaction-related expenses may adversely affect Independent Bank Corp. s earnings. These adverse effects on Independent Bank Corp. s earnings and results of operations may have a negative impact on the value of Independent Bank Corp. s stock.

Item 1B. ***Unresolved Staff Comments***

None

Item 2. ***Properties***

At December 31, 2007, the Bank conducted its business from its headquarters and main office located at 288 Union Street, Rockland, Massachusetts and fifty-two banking offices located within Barnstable, Bristol, Norfolk and Plymouth Counties in southeastern Massachusetts and Cape Cod. In addition to its main office, the Bank owned twenty-one of its branches and leased the remaining thirty-one branches. In addition to these branch locations, the Bank had three remote ATM locations all of which were leased. On June 8, 2007, the Bank closed its branch located at 1670 Main Street, Brockton, MA. This branch was consolidated into the branch located at 100 Belmont Street, Brockton, MA. On November 9, 2007 the Bank sold its branch property located at 336 Route 28, Harwichport, MA. The Bank entered into a short term lease agreement with the new owner and plans to consolidate this branch into its West Dennis branch in early 2008. The Bank opened two new branches in 2007. The Abington branch, located at 381 Centre St, Abington, MA, which is a ground sublease, opened for business on November 19, 2007. The Quincy branch, located at 301 Quincy Ave., Quincy, MA, which is owned, opened for business on December 20, 2007.

County	Banking Offices	ATM	Deposits (Dollars in thousands)	
Barnstable	15		$	495,096
Bristol	3			85,542
Norfolk	6			171,888
Plymouth	29	3		1,274,084
Total	53	3	$	2,026,610

The Bank conducted business in twelve additional administrative locations. These locations housed executive, administrative, Investment Management Group (IMG), mortgage, consumer lending, commercial lending, back office support staff and warehouse space. The bank owns two of its administrative offices and leases the remaining ten offices. On January 1, 2007, the Bank acquired Compass Exchange Advisors LLC and assumed their lease for office space located at 50 Resnik Road, Plymouth, MA. On January 8, 2007, the Bank opened a mortgage origination office located at 60 Mall Road, Burlington, MA. On May 29, 2007, the Bank sold its property located at 295 Union Street, Rockland, MA. The Bank was not fully utilizing this building due to earlier consolidations into other locations. The Bank entered into a short term lease with the new owner and will relocate the remaining operations staff prior to the expiration of the lease in mid 2008. On November 1, 2007, the Bank acquired O Connell Investment Services, Inc. O Connell was a tenant-at-will in office space located at 11 Blackstone Valley Place, Lincoln, RI. The Bank finalized a lease for office space at 6 Blackstone Valley Place, Lincoln, RI and relocated to this space in January 2008.

Management is currently considering a sale and lease-back transaction of some of our bank owned real estate and has retained a broker who recently began marketing these properties.

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County	Administrative Offices
Barnstable	1
Bristol	2
Norfolk	1
Plymouth	6
Middlesex	1
Providence (Rhode Island)	1
Total	12

For additional information regarding our premises and equipment and lease obligations, see Notes 6 and 16, respectively, to the *Consolidated Financial Statements* included in Item 8 hereof.

Item 3. ***Legal Proceedings***

Rockland is the plaintiff in the federal court case commonly known as Rockland Trust Company v. Computer Associates International, Inc., United States District Court for the District of Massachusetts Civil Action No. 95-11683-DPW (the CA Case). On August 31, 2007 the judge in the CA Case issued a Memorandum and Order (the Decision) which directed the Clerk to enter judgment for Computer Associates in the amount of $1,089,113.73 together with prejudgment interest in the amount of $272,278 for a total of $1,361,392. On Wednesday, September 5, 2007, Rockland paid the amount due to Computer Associates in accordance with the Decision from the accrual established on June 30, 2007. The Decision also states that: . . . Computer Associates asserts in a recent filing that it has incurred $1,160,586.81 in attorney fees and costs. . . The propriety of the award of attorney fees and costs is disputed by Rockland Trust . . . Computer Associates may choose to pursue attorney fees and costs through, for example, a motion to amend or make additional findings.

In September 2007 Computer Associates filed a motion requesting an award of attorney fees and costs, Rockland believes that it has meritorious defenses to that motion and has opposed it. The court has not yet rendered its decision with respect to Computer Associates request for an award of attorney fees and costs.

In addition to the foregoing, the Company is involved in routine legal proceedings occurring in the ordinary course of business which in the aggregate are believed by us to be immaterial to our financial condition and results of operations.

Item 4. ***Submission of Matters to a Vote of Security Holders***

There were no matters submitted to a vote of our security holders in the fourth quarter of 2007.

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PART II

Item 5. ***Market for Independent Bank Corp. s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

(a.) Independent Bank Corp. s common stock trades on the National Association of Securities Dealers Automated Quotation System (NASDAQ) under the symbol INDB. The Company declared cash dividends of $0.68 per share in 2007 and $0.64 per share in 2006. The ratio of dividends paid to earnings in 2007 and 2006 was 33.4% and 29.1%, respectively.

Payment of dividends by the Company on its common stock is subject to various regulatory restrictions and guidelines. Since substantially all of the funds available for the payment of dividends are derived from the Bank, future dividends will depend on the earnings of the Bank, its financial condition, its need for funds, applicable governmental policies and regulations, and other such matters as the Board of Directors deem appropriate. Management believes that the Bank will continue to generate adequate earnings to continue to pay dividends on a quarterly basis.

The following schedule summarizes the closing price range of common stock and the cash dividends paid for the fiscal years 2007 and 2006.

Table 1 Price Range of Common Stock

2007	**High**	**Low**	**Dividend**
4th Quarter	$ 31.17	$ 26.86	$ 0.17
3rd Quarter	31.30	26.60	0.17
2nd Quarter	32.95	28.75	0.17
1st Quarter	36.01	30.09	0.17
2006	**High**	**Low**	**Dividend**
4th Quarter	$ 36.91	$ 31.60	$ 0.16
3rd Quarter	34.59	31.34	0.16
2nd Quarter	32.98	29.91	0.16
1st Quarter	32.33	28.52	0.16

As of December 31, 2007 there were 13,746,711 shares of common stock outstanding which were held by approximately 1,436 holders of record. The closing price of the Company s stock on December 31, 2007 (the last trading day of calendar year 2007) was $27.22. The number of record holders may not reflect the number of persons or entities holding stock in nominee name through banks, brokerage firms and other nominees.

The information required by S-K Item 201 (d) is incorporated by reference from Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* hereof.

Comparative Stock Performance Graph

The stock performance graph below and associated table compare the cumulative total shareholder return of the Company s common stock from December 31, 2002 to December 31, 2007 with the cumulative total return of the NASDAQ Market Index (U.S. Companies) and the NASDAQ Bank Stock Index. The lines in the graph and the numbers in the table below represent monthly index levels derived from compounded daily returns that include reinvestment or retention of all dividends. If the monthly interval, based on the last day of fiscal year, was not a trading day, the preceding trading day was used. The index value for all of the series was set to 100.00 on December 31, 2002 (which assumes that $100.00 was invested in each of the series on December 31, 2002).

Independent Bank Corp.
Total Return Performance

			Period Ending			
Index	**12/31/02**	**12/31/03**	**12/31/04**	**12/31/05**	**12/31/06**	**12/31/07**
Independent Bank Corp.	100.00	126.79	154.04	132.99	171.30	132.35
NASDAQ Composite	100.00	150.01	162.89	165.13	180.85	198.60
SNL Bank NASDAQ Index	100.00	129.08	147.94	143.43	161.02	126.42

Source: SNL

(b.) Not applicable

(c.) On January 19, 2006 the Company s Board of Directors approved a common stock repurchase program. Under the program, which was effective immediately, the Company was authorized to repurchase up to 800,000 shares, or approximately 5% of the Company s outstanding common stock. During the quarter ended September 30, 2006, the Company completed its repurchase plan with a total of 800,000 shares of common stock repurchased at a weighted average share price of $31.04. Additional information about the repurchase program is set forth in Part II, Item 5(c.) hereof.

On December 14, 2006, the Company s Board of Directors approved another common stock repurchase program. Under the program, which was effective immediately, the Company was authorized to repurchase up to 1,000,000 shares, or approximately 7% of the Company s outstanding common stock. On August 14, 2007 the

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Company completed its repurchase plan with a total of 1,000,000 shares of common stock repurchased at a weighted average share price of $30.70.

The following table sets forth information with respect to any purchase made by or on behalf of Independent Bank Corp. or any affiliated purchaser, as defined in 204.10b-18(a)(3) under the Securities Exchange Act of 1934, of shares of Independent Bank Corp. common stock during the indicated periods:

Table 2 Issuer Purchases of Equity Securities

2006 Period	Total Number of Shares Purchased		Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs(1)
January 1st 31st, 2006	43,700	$	29.56	43,700	756,300
February 1st 28th, 2006	81,500	$	29.42	81,500	674,800
March 1st 31st, 2006	68,100	$	30.67	68,100	606,700
April 1st 30th, 2006	196,450	$	31.30	196,450	410,250
May 1st May 31st, 2006	160,286	$	31.63	160,286	249,964
June 1st June 30th, 2006	161,800	$	31.07	161,800	88,164
July 1st July 31st, 2006	75,000	$	31.62	75,000	13,164
August 1st August 31st, 2006	13,164	$	33.09	13,164	
September 1st September 30th, 2006					
October 1st October 31st, 2006					
November 1st November 30th, 2006					
December 1st December 31st, 2006					1,000,000
Total	800,000	$	31.04	800,000	1,000,000

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2007 Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs(1)
					1,000,000
January 1st 31st, 2007	192,980	$	33.09	192,980	807,020
February 1st 28th, 2007	131,663	$	32.54	131,663	675,357
March 1st 31st, 2007	87,204	$	30.71		