



Say Yes to a better life.

Isabella Bank Corporation

2008 Year in Review by Dennis Angner

To Our Shareholders,

2008 proved to be a year of exceptional opportunities coupled with demanding challenges. In our 2007 annual report, we discussed the looming potential for an economic recession due to nationwide economic uncertainty. As it turned out, 2008 was one of the most challenging years for both the banking industry and the economy as a whole in the past 75 years. As a result of poor residential mortgage underwriting (subprime) and a general lack of understanding of the risks associated with hybrid financial products, the financial markets collapsed. This meltdown has seriously undermined profitability and liquidity of many of the nation's largest financial institutions, of which 20 institutions control over 80% of the nation's banking assets. The financial losses at these large institutions combined with the well documented housing industry crisis have resulted in a severe global economic recession.

Despite this economic downturn, we are pleased to report that Isabella Bank Corporation (ISBA or Corporation) reported earnings of \$4.10 million in 2008 and the Board of Directors increased cash dividends by 4.8%, which is the 27th consecutive year cash dividends have been increased. Total assets as of December 31, 2008 were \$1.14 billion and total assets under management, which includes loans sold and serviced, trust assets, and assets under the Raymond James brokerage operations, were \$1.61 billion.

There are three important measurements of a bank's financial health: (1) Profitability as measured by net income as a percent of average assets; (2) Nonperforming loans to total loans; and (3) Risked based capital to risk weighted assets. Isabella Bank exceeded the performance of its peer group (the peer group includes 305 banks nationwide with assets between \$1.0 and \$3.0 billion) in all three categories.

	Isabella Bank	Peer Group
Net Income to Average Assets	0.58%	0.35%
Nonperforming Loans to Total Loans	1.62%	2.50%
Risk Capital to Risk Weighted Assets	12.37%	11.79%

Additionally, Isabella Bank performed better in all three categories than the average of all banks headquartered in the state of Michigan.

Like many community banks, Isabella Bank did not follow the "herd" off the cliff and has maintained traditional underwriting and investment standards. While both loan losses and residential foreclosures have increased, we believe ISBA is well positioned to withstand a substantial and prolonged economic downturn as we continue to be profitable and well capitalized. Our strong financial position allowed the Board of Directors to unanimously decline to participate in the U.S. Treasury Department's TARP Capital Purchase Program (the bank bail out program).

Unfortunately, our better than average financial performance did not prevent ISBA's stock price from declining in 2008, the first decline since the early 1980's. The ISBA stock price closed the year at \$25.51. While the decline was substantial, ISBA stock performance over the past five years exceeded both the broad NASDAQ market index and its banking sector index.

For a number of years, we have facilitated the buying and selling of our common stock in a private market. ISBA facilitated the market by maintaining a list of individuals interested in purchasing shares and informing those interested buyers when shares became available for sale (as well as the potential seller's asking price). Shareholders have historically found this system adequate due to the lack of trading volume but over the past few years we have experienced a substantial increase in the number of our shares traded; 91,800 in 2006, 134,160 in 2007, and 258,678 in 2008.

During that same time, we have also experienced a significant increase in the number of ISBA shares being traded by brokers over-the-counter through the Pink Sheets system. The Pink Sheets system refers to the electronic quotation system where stocks that are not listed on a stock exchange are traded. All licensed stock brokers have the ability to process trades of ISBA shares through the Pink Sheets system. Pink Sheets activity was 15,000, 58,600, 131,503, in 2006, 2007, and 2008 respectively.

Based on the increased trading volume and the use of the over-the-counter trading, the Board of Directors recognized that two separate markets had developed and that many shareholders were not aware that the over-the-counter market existed. In order to improve the transparency of ISBA's stock sales volume and prices, we made a subtle change in the way stock trades are settled. Starting in August 2008, stock transactions are now settled through Isabella's brokerage service, Raymond James Financial Services (RJFS), or other licensed brokers selected individually by our shareholders as part of the over-the-counter market.

Shareholders should note that the Board of Directors, at its February 2009 meeting, approved an open market stock repurchase plan. Under the plan, the ISBA intends to purchase its shares on the open market and reissue these shares through the Corporation's employee stock purchase plan and its dividend reinvestment plan. ISBA has also established a trust to fund the ISBA nonqualified deferred compensation plan for directors. Under this plan directors must defer 25% of their board fees but most directors contribute the majority of their fees. The trust will use any board fees deferred by directors to purchase ISBA shares on the open market through the Corporation's brokerage services department.

I am pleased to announce in 2008 the Corporation promoted Julie Huber to Vice President of its Financial Group Information Services. Julie started with the Corporation as a co-op 25 years ago, during that time she was a proof operator, night time computer operator, and an item processing supervisor. Currently Julie oversees the core computer software, ATM processing, item processing, purchasing, and courier operations. Julie is an important contributor to our success.

2009 will be a challenging year for both the banking industry and our nation's economy. Isabella Bank Corporation, and the United States as a whole, have faced difficult times before and have risen to the challenge. We believe both will do so this time as well. As always, we appreciate your support and look forward to seeing you and having the opportunity to respond to your questions at the annual meeting on May 5, 2009 at 5:00 p.m. at the Comfort Inn in Mt. Pleasant, Michigan.



Dennis P. Angner
DENNIS P.
ANGNER
President and CEO

James C. Fabiano
JAMES C.
FABIANO
Chairman of the Board

Isabella Bank

2008 Year in Review by Richard Barz

Isabella Bank had a very productive, yet challenging year in 2008. With the economic crisis spreading to all sectors of the country, we were pleased to complete the year as one of the more profitable banks in Michigan with net income of approximately \$6.1 million. In addition, we grew approximately \$164 million to \$1.1 billion dollars in assets. The merger of the Greenville Community Bank and solid growth in both loans and deposits contributed to our increase in assets. Despite the rapid changes in our economy, we continued to look for opportunities to grow. This included projects such as the integration of Greenville Community Bank into Isabella Bank and an opportunity to strengthen our position in our markets through rebranding. Although at year end we did not reach our budgeted goals, in light of the challenges which faced the entire banking industry, we were extremely pleased with our results.

We began the year by welcoming the staff and Board of Directors of Greenville Community Bank (GCB). GCB was a denovo bank started in 1999 by local businessmen and seasoned bankers. Since then, they grew extremely well in their community by offering excellent products and outstanding customer service. Their operating philosophy and culture mirrored Isabella Bank's and we are very pleased to have them as part of our family.

A marketing and rebranding effort for our bank was a major initiative in 2008. Prior to the rebranding, a poll of our community members showed that over 90% viewed the change to one name as favorable. The total rebranding process took over two years to plan and implement. As a result, we took on a bold and progressive new look, a highly identifiable logo, and fresh image that we will carry with us into the future. Prior to the public unveiling of the logo, we revealed this new look to all of our employees and directors at the Mt. Pleasant High School auditorium in what we called our "Big Show." Since launching the new look, we have received many positive comments. We want to thank our shareholders, customers, and employees for their support in this initiative.

Later in the year, the federal government issued funds to assist troubled banks with rebuilding their capital using the Capital Purchase Plan, more commonly referred to as TARP funds. We are proud to say that Isabella Bank did not accept funding from this program. While many of our peers' capital positions had deteriorated from losses in the real estate market, the impact on our capital position was minimized by our prudent lending and business practices. In addition to our conservative nature, our management team used their past experience in handling tough times to make key decisions to minimize our exposure. As a result, we have substantial capital, money available to loan, and can withstand economic downturns such as the one we are currently facing.

In 2008, while many institutions focused on just maintaining their business operations, we continued to think towards the future and plan for growth. Two of these expansion projects will be completed in March 2009. The first is the renovation of the building located to the west of our main office in downtown Mt. Pleasant. The new office, called the Investment and Trust Services building, will house the Trust and Raymond James Brokerage departments along with our Human Resources department. A north and south entrance to the building will provide easier access for our customers and visitors. The second project is the renovation of the old Mt. Pleasant City Hall building at 401 North Main Street in Mt. Pleasant. This location will be the new headquarters for Isabella Bank Corporation and will provide space for future growth, along with more convenient access and parking for the corporate clients and shareholders.

Our 2008 planning also included identifying locations for 2009 expansion projects. Our East Pickard office in Mt. Pleasant was one of the locations identified for expansion. This extremely busy office will use the additional space to create more room for customer traffic and more privacy to conduct business. In addition, the Lake Isabella office, which opened last year, will add a drive-thru and ATM as a result of their strong growth.

Next, I would like to recognize and congratulate five employees that were promoted last year. Mr. Steven Pung was promoted to Chief Operating Officer and is responsible for all operational functions of the bank. Steve has been with Isabella Bank for over 29 years and has risen through the ranks through extremely hard work and dedication. Mr. James Binder was promoted to Vice President of Consumer Lending. Jim is a seasoned employee in consumer credit and one of the reasons we have had success in the highly competitive consumer loan market. In addition, Ms. Erika Ross was named Assistant Vice President of Marketing. Erika has done an excellent job in this area and was instrumental in orchestrating our branding effort. I am also proud to announce the promotions of two employees that were new to Isabella Bank through the Greenville merger, Mr. Josh Gibbs and Ms. Tracy Zayler. Josh was promoted to Assistant Vice President of Commercial Lending and Tracy to Assistant Vice President of Consumer Lending. Both Josh and Tracy assisted in the conversion of GCB to Isabella Bank and have been great additions to the family.

Overall, we faced a challenging economy in 2008 but our conservative business practices and our ability to make prudent decisions positioned us well for the challenges we may encounter ahead. Although we cannot predict what 2009 will bring, you can be assured that we will continue to use the same community bank values that have helped us weather the tough economies that we have experienced throughout our 105 year history.



RICHARD J.
BARZ
President and CEO

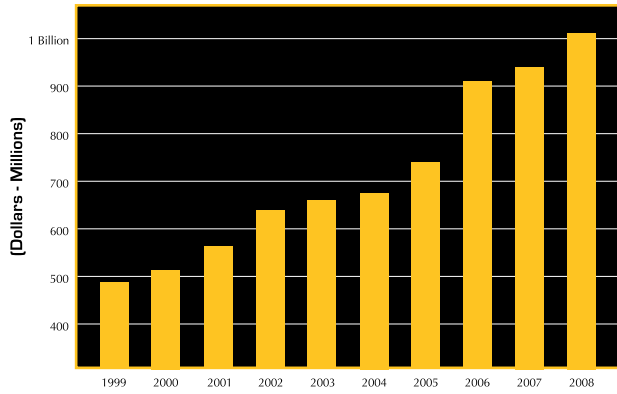
Summary of Financial Data

Historical Comparison

	2008	2007	2006	2005	2004
Balance Sheet Data					
Total Assets	\$ 1,139,263	\$ 957,282	\$ 910,127	\$ 741,654	\$ 678,034
Investments Securities	\$ 268,230	\$ 238,191	\$ 213,450	\$ 183,406	\$ 162,553
Gross Loans	\$ 735,385	\$ 612,687	\$ 591,042	\$ 483,242	\$ 452,895
Allowance for Loan Losses	\$ 11,982	\$ 7,301	\$ 7,605	\$ 6,899	\$ 6,444
Deposits	\$ 775,630	\$ 733,473	\$ 725,840	\$ 592,478	\$ 563,876
Shareholders' Equity	\$ 134,476	\$ 123,080	\$ 115,749	\$ 80,902	\$ 72,594
Income Statement Data					
Interest Income	\$ 61,385	\$ 53,972	\$ 44,709	\$ 36,882	\$ 33,821
Net Interest Income	\$ 35,779	\$ 28,013	\$ 24,977	\$ 23,909	\$ 23,364
Provision for Loans Losses	\$ 9,500	\$ 1,211	\$ 682	\$ 777	\$ 735
Net Income	\$ 4,101	\$ 7,930	\$ 7,001	\$ 6,776	\$ 6,645
Per Share Data*					
Net Income	\$ 0.55	\$ 1.14	\$ 1.12	\$ 1.14	\$ 1.13
Cash Dividends	\$ 0.65	\$ 0.62	\$ 0.58	\$ 0.55	\$ 0.52
Year End Book Value	\$ 17.89	\$ 17.58	\$ 16.61	\$ 13.44	\$ 12.25
Year End Market Value	\$ 25.50	\$ 40.00	\$ 40.00	\$ 36.36	\$ 34.71
Financial Ratios					
Shareholders' Equity to Assets	11.80%	12.86%	12.72%	10.91%	10.71%
Net Income to Average Equity	2.86%	6.65%	7.61%	9.07%	9.39%
Cash Dividend Payout to Net Income	118.82%	54.27%	53.89%	48.02%	46.20%
Net Income to Average Assets	.37%	.86%	.87%	.97%	.98%

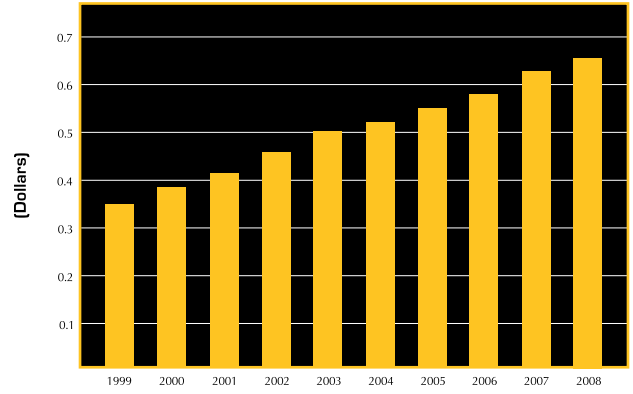
*Restated for the 10% stock dividend, paid on February 29, 2008

Total Assets

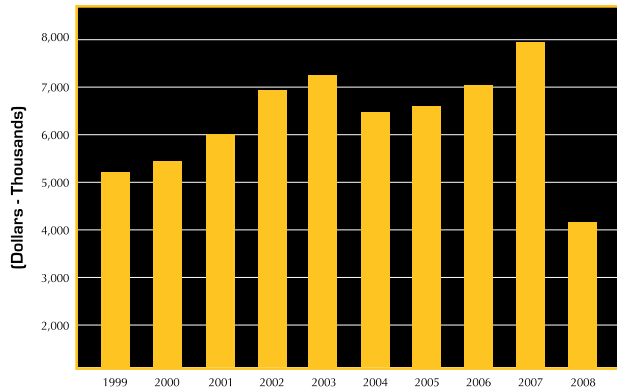


Dividends Per Share *

*Restated for the 10% Stock Dividend Paid on February 29, 2008

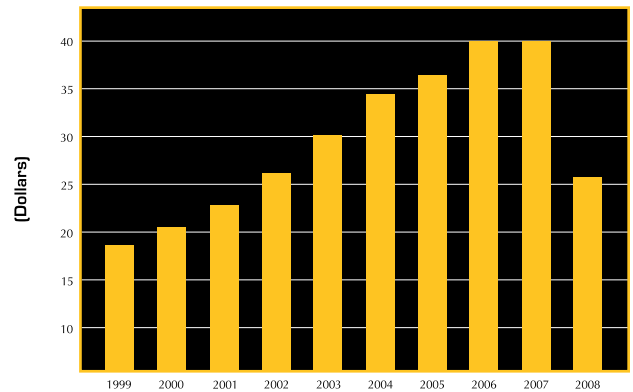


Net Income



Ending Stock Price *

*Restated for the 10% Stock Dividend Paid on February 29, 2008



Isabella Bank Corporation

Company Profile and 2008 Headlines

Isabella Bank Corporation, with \$1.6 billion in assets under management, is the parent company of Isabella Bank. Isabella Bank is one of the top 10 banks in asset size headquartered in Michigan and has 24 offices located throughout Isabella, Clare, Gratiot, Montcalm, Mecosta and Saginaw counties. Founded in 1903, Isabella Bank maintains a strong commitment to being a community bank. As a community bank, an emphasis is placed on putting customers first, making decisions locally, building long term relationships with customers, volunteering for community events, and donating to local organizations. In 2008, over 39,000 families and businesses looked to Isabella Bank for their personal and business banking needs and over 360 employees called Isabella Bank Corporation home.

Mission Statement

To create an operating environment that will provide shareholders with sustained growth in their investment while maintaining our independence and subsidiaries autonomy.

Stock Information

Isabella Bank Corporation is traded through the Pink Sheets OTC Market and can be tracked using the Corporation's ticker symbol, **ISBA**. Current stock price and availability can be obtained by contacting the financial advisors of Raymond James Financial Services at Isabella Bank - (989) 773-3585, or through any other licensed broker.

Say Yes to a Better Life

Introduced in 2008, "Say Yes to a Better Life" represents the commitment made by our employees to help customers and the surrounding communities live a better life. In the office, this is accomplished by providing financial products and services to help enable customers do their banking faster, buy their first home, or start a new business. Outside of the office, this commitment to the community is displayed by the many volunteer hours employees donate each year to local organizations.



GCB Joins Team

On January 1, 2008, Greenville Community Bank became part of the Isabella Bank family. As a result of this partnership, Isabella Bank acquired a group of seasoned bankers and added two locations in the southwest Michigan market.

New Office Location

In January 2008, Isabella Bank opened a new office at Lake Isabella. The office provides both personal and business banking services. The Bank plans to add a drive-thru and ATM to this office in 2009.

One Family, One Name

Many individuals did not realize that Greenville Community Bank, Farwell State Savings Bank, Farmers State Bank, and Isabella Bank and Trust were related. In response, the Bank did extensive research on how to build awareness. This process included both community and employee surveys. This two year project resulted in all four banks uniting under one name, Isabella Bank. As part of this unification, a new logo was unveiled. As a result, one name has created stronger brand recognition for both customers and the public.

Name Change for IBT Bancorp, Inc.

On May 14, 2008, the Corporation's shareholders voted to change the name of IBT Bancorp, Inc. to Isabella Bank Corporation. A new stock ticker symbol, **ISBA**, was introduced to reflect the Company's change of name.

Isabella Bank Corporation Declines TARP

In December, Isabella Bank Corporation declined to participate in the U.S. Treasury Department's Capital Purchase Program (TARP). After carefully reviewing the terms and conditions of participating in the Capital Purchase Program, and the consequences of having the U.S. Treasury as a preferred stock holder, the Corporation's Board of Directors decided it would not be in the best interest of the shareholders to participate in the program. Isabella Bank Corporation continues to be profitable, well capitalized and currently has funds available to meet its customers' banking needs without participating in this government program.

Isabella Bank - 4 Star Rating

Isabella Bank earned a 4-Star "Excellent" Rating from BauerFinancial Inc., an independent bank and credit union rating firm. Ratings were based upon current and historical financial data including profitability, historical trends, loan delinquencies, regulatory compliance, along with several other factors.

Dividends Announced

The Corporation paid a total of \$0.65 per share in cash dividends during 2008. This marks the 27th consecutive year that cash dividends increased.

Board of Directors and Senior Officers



Isabella Bank Corporation Board of Directors

Back Row: W. Joseph Manifold | David J. Maness | W. Michael McGuire | Ted W. Kortés | Dale D. Weburg
Front Row: Dennis P. Angner | William J. Strickler | James C. Fabiano | Sandra L. Caul | Richard J. Barz

JAMES C. FABIANO - Chairman
Chairman - Fabiano Brothers, Inc.

DENNIS P. ANGNER
President and CEO - Isabella Bank Corporation, Inc.

RICHARD J. BARZ
President and CEO - Isabella Bank

SANDRA L. CAUL
State Representative (retired)

TED W. KORTES
President and CEO - Greenville Community Financial Corporation (retired)

W. JOSEPH MANIFOLD, CPA
President - Federal Broach & Machine Co.

DAVID J. MANESS
President - Maness Petroleum

W. MICHAEL McGUIRE
Attorney - The Dow Chemical Company

WILLIAM J. STRICKLER
President - Michiwest Energy

DALE D. WEBURG
Partner - Weburg Farms, Inc.

Isabella Bank Corporation Officers

DENNIS P. ANGNER
President and CEO

RICHARD J. BARZ
Executive Vice President

PEGGY L. WHEELER
Senior Vice President

GREGORY S. MAPES
Vice President

BARBARA A. PLACE, CPA
Vice President

PATRICIA A. PLAXTON
Vice President

AMY C. VOGEL
Vice President

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WILLIAM J. STRICKLER - Chairman

DENNIS P. ANGNER

JEFFERY J. BARNES, MD

RICHARD J. BARZ

SANDRA L. CAUL

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G. CHARLES HUBSCHER

THOMAS L. KLEINHARDT

JOSEPH LaFRAMBOISE

DAVID J. MANESS

TIMOTHY M. MILLER

DIANNE C. MOREY

Isabella Bank Officers

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President and CEO

STEVEN D. PUNG
Chief Operations Officer

DAVID J. REETZ
Senior Vice President

JAMES L. BINDER
Vice President

JULIA F. BOLT
Vice President

RANDY J. DICKINSON, CPA
Vice President

Isabella Bank Officers

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Vice President

DANIEL E. EVERSOLE
Vice President

DAVID D. GILLESPIE
Vice President

MICHAEL K. HUENEMANN
Vice President

ROBERT K. MADSEN
Vice President

PAUL C. SIERS
Vice President

JEFFREY W. SMITH
Vice President

JONATHAN J. WAINWRIGHT
Vice President

PEGGY L. WHEELER
Vice President

LEO R. WICKERT
Vice President

Breckenridge Division Board of Directors

DALE D. WEBURG - Chairman

DENNIS P. ANGNER

RICHARD J. BARZ

DAVID J. KING

WILSON C. LAUER

TIMOTHY M. MILLER

NANCY A. SHANKEL

GREGORY V. VARNER

Breckenridge Division Officers

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President

BRIAN K. GOWARD
Vice President

KENNETH L. HOWELL
Vice President

BARBARA K. MCKENZIE
Vice President

JOHN D. RIVETT
Vice President

Board of Directors and Senior Officers

Farwell Division Board of Directors

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RICHARD J. BARZ
DEAN L. BEAVERS
THOMAS E. KEDROWSKI
WARREN L. McGUIRE
W. MICHAEL McGUIRE
LARRY R. SCHOFIELD
THOMAS J. WALLACE

Farwell Division Officers

THOMAS J. WALLACE
President

DEAN L. BEAVERS
Senior Vice President

MELODY M. DARNELL
Vice President

Greenville Division Board of Directors

TED W. KORTES - Chairman
DENNIS P. ANGNER
RICHARD J. BARZ
JAE A. EVANS
KIRKWOOD E. FABER, DDS
WILLIAM T. HAM
GREGORY D. MILLARD
JAMES M. MULLENDORE, Jr.
TODD N. TAYLOR
LELAND T. WALLIN

Greenville Division Officers

JAE A. EVANS
President

JAMES R. BECKMAN
Senior Vice President

KATHY J. KORSON
Vice President

Mecosta Division Board of Directors

RICHARD J. BARZ
Dr. RALPH P. CREW
LAWRENCE E. EMIG
KEVIN J. DEFEVER
JOSEPH LaFRAMBOISE
JEROME E. SCHWIND

Mecosta Division Officers

JEROME E. SCHWIND
President

KATHY Y. WALKINGTON
Vice President

Financial Group Information Services Board of Directors

DAVID J. MANESS - Chairman
DENNIS P. ANGNER
RICHARD J. BARZ
THOMAS L. KLEINHARDT
TIMOTHY M. MILLER
STEVEN D. PUNG
JONATHAN J. WAINWRIGHT
DALE D. WEBURG

Financial Group Information Services Officers

JONATHAN J. WAINWRIGHT
President

JULIE A. HUBER
Vice President

Equal Employment Opportunity

The equal employment opportunity clauses in Section 202 of the Executive Order 11246, as amended; 38 USC 2012, Vietnam Era Veterans Readjustment Act of 1974; Section 503 of the Rehabilitation Act of 1973, as amended; relative to equal employment opportunity and implementing rules and regulations of the Secretary of Labor are adhered to and supported by Isabella Bank Corporation and its subsidiaries.

Isabella Bank Corporation

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Mt. Pleasant, MI 48858