



INVEST
locally



For ***your*** today
and ***their*** tomorrow.

Isabella Bank Corporation

Isabella Bank Corporation, with \$1.14 billion in assets and \$1.74 billion in assets under management, is the parent company of Isabella Bank. Founded in 1903, Isabella Bank is now the eighth largest bank in asset size headquartered in Michigan. Isabella Bank has 24 offices located throughout Clare, Gratiot, Isabella, Mecosta, Montcalm, and Saginaw counties.

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\$1,139,263	\$268,230	\$735,385	\$11,982	\$775,630	\$134,476	\$61,385	\$35,779	\$9,500	\$4,101	\$0.55	\$0.65	\$17.89	\$01	1.80%	2.85	\$957,282
\$238,191	\$612,687	\$7,301	\$733,473	\$123,080	\$53,972	\$28,013	\$7,211	\$7,930	\$1.14	\$0.62	\$17.58	\$40.00	12.86%	6.65%	54.27%	0.8%
\$5,127	\$213,450	\$591,042	\$7,605	\$725,840	\$115,749	\$44,709	\$24,977	\$682	\$7,001	\$1.12	\$0.58	\$16.61	\$40.00	12.72%	7.61%	53.89%
\$592,478	\$80,902	\$36,882	\$23,909	\$777	\$6,77	\$1.14	\$0.55	\$13.44	\$36.36	10.91%	9.07%	48.02%	0.97%	\$678,034	\$162,553	\$452,895
\$563,876	\$72,594	\$33,821	\$23,364	\$735	\$6,645	\$1.13	\$0.52	\$12.25	\$34.711	0.71%	9.39%	46.20%	.98%	\$1,139,263	\$268,230	\$6,982
\$134,476	\$61,385	\$35,779	\$9,500	\$4,101	\$0.55	\$0.65	\$17.89	11.80%	2.85%	735%	118.82%	0.37%	\$957,282	\$238,191	\$612,687	\$7,301
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\$6,899	\$592,478	\$80,902	\$36,882	\$23,909	\$777	\$6,77	\$1.14	\$0.55	\$13.44	\$36.36	10.91%	9.07%	48.02%	0.97%	\$678,034	\$162,553
\$452,895	\$6,444	\$563,876	\$72,594	\$33,821	\$23,364	\$735	\$6,645	\$1.13	\$0.52	\$12.25	\$34.71	10.71%	9.39%	46.20%	0.98%	\$213,450

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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 common stock is listed under ISBA on the Pink Sheets OTC Market. Current stock price and availability can be obtained by contacting the financial advisors of Raymond James Financial Services located at Isabella Bank or through any other licensed broker.

2009 Year in Review

the end of 2009, we had nearly 500 Mobile Banking users. We also introduced a service called Quick and Simple Payments to help our local businesses offer a more convenient way for their customers to make payments to them electronically, without having to write a check. We believe that by offering innovative products and services such as these,

year in review



RICHARD J. BARZ
Chief Executive Officer



JAMES C. FABIANO
Chairman of the Board

In 2009, banks in Michigan experienced historic levels of loan defaults and massive increases in Federal Deposit Insurance Corporation (FDIC) premiums. Isabella Bank Corporation has not only survived these turbulent economic conditions but we emerged stronger and healthier; retaining earnings and paying healthy dividends. Equally important, we have not lost sight of our community bank heritage and avoided falling prey to the outside influences that created so many problems for other organizations.

During challenging years such as 2009, the true test of a bank's financial strength and stability can best be measured by how effectively they adapt to changes. Below is a quote written by R. Perry Shorts about Isabella Bank that speaks well to this and is especially relevant during today's difficult economy. In this speech, delivered in 1957 honoring John Benford (President of Isabella County State Bank from 1949-1957), Shorts wrote:

"...and the one thing that a Bank is proudest of, is old age—for old age to a Bank is best proof of its ability to survive the ups and downs of business life, especially the downs."

This quote is a reminder that Isabella Bank has experienced several cyclical ups and downs, including the Great Depression, during our 106 year history. While 2009 was a difficult year for the banking industry, we have weathered the storm and quite frankly Isabella Bank is doing very well. It was our ability to adapt to changes in the economy, respond efficiently to changes in regulations, and support from our local communities that helped us through a challenging year.

Isabella Bank Corporation's net income, earnings per share, and cash dividends all posted increases compared to year-end 2008. In fact, 2009 marked the 28th consecutive year that the Corporation increased cash dividends.

	2009	2008
Net Income	\$7.80 million	\$4.10 million
Earnings Per Share	\$1.04	\$0.55
Cash Dividends	\$0.70	\$0.65

When compared to our peer group averages in Michigan and across the country in 2009, Isabella Bank had higher income. In fact, Isabella Bank had the second highest net income of the 132 banks headquartered in the state of Michigan. Later in Dennis Angner's letter, you will see a detailed analysis of how Isabella Bank Corporation compared with other bank holding companies on a national level. We owe our performance to a seasoned staff that remains focused on fundamental banking practices, strict adherence to credit risk policies, diligent asset-liability management, and holding true to our primary mission - **to serve the needs of our local communities.**

The banking industry certainly faced many challenges in 2009, but for well capitalized banks, such as Isabella Bank, there were great opportunities. This past year, when few banks were in a position to lend, we stood apart from our competition. We were able to tell our story as a safe and strong community bank still committed to lending in our local communities. As a result, we were able to deepen many of our relationships with existing customers and also attract new customers.

While many financial institutions avoided expansion, our financial position allowed us to complete many projects to better serve our customers. We know that the more accessible we are, the more competitive we are. In 2009, we completed our addition at one of our busiest offices located on East Pickard Street in Mt. Pleasant. We also added a drive-thru facility to our newest office at Lake Isabella. Both offices have seen an increase in their customer activity as a result of the resources invested in them. In addition, we moved our Corporate Office to Main Street in Mt. Pleasant to accommodate our growth.

During 2009, our Trust Department and the Raymond James brokerage services moved together under one convenient location. Each team brings a unique set of expertise to offer customers the most appropriate products and services to meet their financial needs. In addition, offering one location has brought more awareness of the services they offer. The Trust Department and Raymond James brokerage services have been large contributors to our financial success and we look forward to the future growth of these areas.

In addition to physical expansion, we also added new electronic services for the convenience of our customers. Mobile Banking, which is the ability to view our online banking from a mobile device, was available to customers in November. By the end of 2009, we had nearly 500 Mobile Banking users. We also introduced a service called Quick and Simple Payments

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to help our local businesses offer a more convenient way for their customers to make payments to them electronically, without having to write a check. We believe that by offering innovative products and services such as these, we maintain a competitive edge in the marketplace.

While our ability to lend and our expansion projects have certainly differentiated us from our competition, we also believe that our ability to deliver excellent customer service presents a unique opportunity as well. We recognize that there are always opportunities for us to improve in this area and in 2009 we dedicated significant time and resources to employee development. We are constantly challenging our staff by offering Dale Carnegie training courses, leadership classes, and most recently in 2010 bank-wide service excellence training. We believe that investments in our employees' development will strengthen our organization and give us a competitive edge now and in the future.

Our employees are a key element of the Corporation's success. At this time we would like to recognize three employees; Patrick Mease, Chuck Amble, and Tom Gross for their contributions to Isabella Bank and their promotions during 2009. Mr. Mease was promoted to Assistant Vice President of Human Resources and is responsible for planning and coordinating the Bank's training programs. As discussed earlier, Isabella Bank is committed to employee development and Mr. Mease is an integral part of this initiative. Mr. Amble was promoted to Assistant Vice President of our Collection Department. With increases in loan delinquencies, it is essential that banks have employees who can work with customers through tough financial times. Mr. Amble is one of these individuals and a great asset to our team. Mr. Gross was promoted to Assistant Vice President of Commercial Lending. Banking has changed over the years and it is more important than ever for us to actively seek business development opportunities. Mr. Gross is a large contributor to the success that we have experienced in our business development area. Thank you gentlemen for your dedication to our Bank.

In addition to our 2009 promotions, we would like to recognize and congratulate Michael Huenemann, Greg Mapes, and Jerome Schwind as our recent graduates from the prestigious Graduate School of Banking in Madison,

so in a January 2010 press release, we announced that the Board approved a resolution stating their current intent to pay future dividends in equal quarterly amounts. This will assist current and prospective shareholders in calculating the Corporation's dividend yield and is consistent with industry practice. At the Corporation's February meeting, the Board

Wisconsin. The Graduate School of Banking is a three year program that gives attendees tools and best practices to apply to their current bank positions. This intense program takes many hours outside of work and we would like to thank Mr. Huenemann, Mr. Mapes, and Mr. Schwind for their hard work and dedication.

On a solemn note, we would like to recognize two of our board members who passed away in 2009, Warren McGuire and Robert R. Smith. Mr. McGuire was a long term board member who served on our Farwell Board. Warren was an avid supporter of the Farwell and Clare communities with successful business interests in both areas. Mr. Smith was a long term board member of our Breckenridge Board where he served as Chairman. Bob retired from Total Petroleum and was active in several Breckenridge and Gratiot community organizations. We were deeply saddened by their deaths and they will be greatly missed.

We would also like to recognize four members of our boards who retired; Nancy Shankel from our Breckenridge Board, Dean Beavers from our Farwell Board, and Todd Taylor and William Ham from our Greenville Board. Thank you for your contributions and dedication to Isabella Bank.

Although this letter focuses primarily on 2009, we would like to mention that in January 2010 the Corporation's Board of Directors approved the proposal to have identical board membership at the Corporation and Bank levels. As a result of these changes Isabella Bank Corporation and Isabella Bank now have common board membership. The Board believes common board membership will improve corporate governance and will lead to decreased costs. In addition to the Isabella Bank Board of Directors and the Isabella Bank Corporation Board of Directors, we have local boards in our Breckenridge, Farwell, Greenville, and Mecosta communities. These boards are essential to us as a community bank. They ensure that customers in each of our locations are represented by members of their own communities and that local people are making the decisions.

Also in a January 2010 press release, we announced that the Board approved a resolution stating our current intent to pay future dividends in equal quarterly amounts. This will assist current and prospective shareholders in calculating the Corporation's dividend yield and is consistent with industry practice. At the Corporation's February meeting, the Board instituted the change in quarterly dividend payments. The Board approved an \$0.18 cash dividend payable on March 31, 2010. Of course, any future dividend payments will depend upon the Corporation's financial position and the action by the Board at that time.

In closing, we would like to express our gratitude to you; our shareholders, our customers, our employees and our communities. It is your support that has helped us through challenging economies and it is your support that will help lead us into the future. We look forward to working together this year.

2009 Expansion Projects



Investment & Trust Services



Corporate Offices



Lake Isabella



East Pickard

Financial Highlights and Industry Updates

The Corporation's asset quality as of December 31, 2009 continues to be strong as evidenced by the relatively low percentage of the total loans, 1.28%, that are classified as "non-performing." This compares very favorably to the average of all banks in the state of Michigan at 4.43%. While overall assets quality remains excellent in this difficult



Dennis P. Angner

DENNIS P. ANGNER
President and Chief Financial Officer

2009 Financial Highlights & Industry Updates

- Net income of \$7.80 million
- Assets of \$1.14 billion
- Book value of \$18.69 per share
- Net interest income on a fully taxable basis increased \$2.46 million, a 6.4% increase

In 2009, Isabella Bank Corporation's net income was \$7.80 million, an increase of \$3.70 million when compared to year-end 2008. Like banks in Michigan and across the country, our earnings continue to be impacted by elevated loan charge-offs (compared to historical norms), increases in Federal Deposit Insurance Corporation (FDIC) premiums, and the ongoing costs of complying with regulatory changes. The Corporation estimates that these factors have had a combined negative impact on earnings of approximately \$0.56 per share.

The Corporation's asset quality as of December 31, 2009 continues to be strong as evidenced by the relatively low percentage of the total loans, 1.28%, that are classified as "non-performing." This compares very

"In 2009, Isabella Bank Corporation's net income was \$7.80 million, an increase of \$3.70 million when compared to year-end 2008."

favorably to the average of all banks in the state of Michigan at 4.43%. While overall asset quality remains excellent in this difficult economy, net charged-off loans in 2009 were \$5.1 million, which while down slightly from 2008, were still above historical levels. The average of loans charged-off to total loans from 2000 to 2007 was 0.14% versus 0.79% in 2008 and 0.70% in 2009.

As a result of the increased number of bank failures during the past two years, the FDIC insurance premiums for banks have risen sharply. FDIC insurance and the associated regulatory costs are fully funded by industry premiums and are based upon a 1 to 4 tier risk based premium assessment. A bank rated with a 1 has the lowest risk and the lowest premium while a Tier 4 bank has the highest risk and the highest premium. Although Isabella Bank is currently assessed as a Tier 1 bank, our premiums increased \$1.42 million in 2009. The elevated cost associated with FDIC insurance is expected to continue into the foreseeable future.

The banking industry is one of the most heavily regulated industries in the United States. Isabella Bank complies with regulations imposed by the FDIC, Michigan's Office of Financial and Insurance Regulation, the Federal Reserve Board of Governors, and the Department of Housing and Urban Development, just to name a few. Once a year a team of about 15 to 20 Federal and State examiners spend approximately 3 weeks examining our loan quality, computer and backroom operations, and our compliance with regulations such as the Bank Secrecy Act. Then every 18 months, another team of 10 to 15 examiners will review our compliance with consumer compliance laws and ensure we are meeting the needs of our communities as required by the Community Reinvestment Act (CRA). Preparing monthly and quarterly reports, monitoring operations for compliance with the vast number of regulations, and preparing information for examinations are ongoing projects for our employees.

The reporting and monitoring requirements that a bank must have in place to remain in compliance with the different regulators is very complex. The Corporation is required to submit monthly financial reports to our primary regulator, the Federal Reserve.

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On a quarterly basis, we submit an extremely detailed report for the Bank and the parent company, Isabella Bank Corporation. In addition, there are accounting standards required under the Financial Accounting Standards Board and the Public Company Accounting Oversight Board which govern the content and disclosures of our financial statements and notes and the auditing of these public reports. The Corporation must also meet the requirements of the Securities Act of 1933 and the Securities Exchange Act of 1934.

Each year, we send out many communication pieces to our customers and shareholders to comply with these regulatory requirements. For example, we are required under the Bank Secrecy Act to send out a privacy policy annually to each of our customers. For banks like ours, who never have nor will ever share our customers' information with a third party, it is an expensive cost to incur to notify them that we do not share or sell information. Another example of a compliance driven communication piece is the Proxy Statement and Annual Report included in this mailing. We realize this information can be overwhelming so we spend a great deal of time and effort to ensure our communication pieces are user-friendly.

While the costs to keep the Corporation in compliance with these numerous and complex laws are staggering, the monetary costs of non-compliance and other non-financial penalties could be devastating. Our backroom staff of professionals does a tremendous job ensuring the Corporation's compliance with these complex and burdensome regulations. And as important, they do so while making sure that we still maintain our high level of customer service.

Peer Group Comparison

We subscribe to reports that compare the financial performance of Isabella Bank Corporation to other bank holding companies in the United States who are similar in size (\$1.0 billion-\$3.0 billion in assets). In all, there are 296 bank holding companies in our peer group. There are several key ratios that we use to monitor the strength and soundness of Isabella Bank: (1) Return on Assets; (2) Problem Loans; (3) Risked Based Capital to Risk Weighted Assets; and (4) Problem Loans to Allowance for Bad Debt. We exceeded the performance of our peer group in all four areas. (As of 12/31/09)

RETURN ON ASSETS (ROA)	Isabella	Peer Group
	0.69%	-0.25%

ROA measures net income by the average asset size of the bank holding company. Isabella Bank Corporation's ROA in 2009 exceeded the peer group by 0.94%. The peer group is still struggling with extensive loan losses with hopes of improvement in 2010.

PROBLEM LOANS	Isabella	Peer Group
	1.28%	3.49%

Problem Loans measures the percentage of loans that are over 90 days past due and placed in non-accrual because interest collection is doubtful. Isabella Bank Corporation's total problem loans as a percentage of loans were almost 2.73 times lower than our peer group.

RISK BASED CAPITAL TO RISK WEIGHTED ASSETS	Isabella	Peer Group
	14.06%	11.79%

Risk based capital to risk weighted assets measures the amount of capital held against risk based assets. The Corporation's ratio of 14.06% is exceptionally strong when compared to the required ratio of 10.0% necessary to be considered adequately capitalized under the Federal Reserve Board's risk based capital rules. The Corporation continues to be profitable, well capitalized and has funds available to meet its customers' borrowing needs.

PROBLEM LOANS TO ALLOWANCE FOR BAD DEBT	Isabella	Peer Group
	139.68%	79.92%

Problem loans to allowance for bad debt measures the amount of reserves needed for possible loan losses on non-performing loans. Isabella Bank Corporation has \$1.00 in reserves for every \$0.72 of non-performing loans, which means Isabella Bank Corporation has more in reserve than we have problem loans. This is considered a very safe and conservative practice. The peer group has \$1.00 in reserves for every \$1.25 of non-performing loans, which is substantially less in reserves to absorb future loan losses from their problem loans.

Bauer Financial, Inc. recognized Isabella Bank in November 2009 with the distinguished 4-Star Excellent rating. The 4-star rating is a symbol of excellence and signifies that we are recommended by Bauer Financial. The rating is based on the overall financial condition of Isabella Bank. Earning a 4-Star Excellent rating denotes we are among the strongest banks in the nation. We have proudly maintained a recommended rating for 80 consecutive quarters.



Invest Locally



Invest Locally. It is about about our customers, it is about our communities, and it is about you, our shareholders. Since 1903, invest locally has described how dollars deposited at Isabella Bank are used to help local growth.



Financial Data

\$7.80 million
net income

\$1.74 billion
assets under management

\$1,139,263	\$268,230	\$735,385	\$11,982	\$775,630	\$134,476	\$61,385	\$35,779	\$9,500	\$4,101	\$0.55	\$0.65	\$17.89	\$01	1.80%	2.85	\$957,282
\$238,191	\$612,687	\$7,301	\$733,473	\$123,080	\$53,972	\$28,013	\$7,211	\$7,930	\$1.14	\$0.62	\$17.58	\$40.00	12.86%	6.65%	54.27%	0.8%
\$5,127	\$213,450	\$591,042	\$7,605	\$725,840	\$115,749	\$44,709	\$24,977	\$682	\$7,001	\$1.12	\$0.58	\$16.61	\$40.00	12.72%	7.61%	53.89%
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\$0.70
2009 cash dividends

Say **YES** to a Better Life

Summary of Financial Data

Historical Comparison

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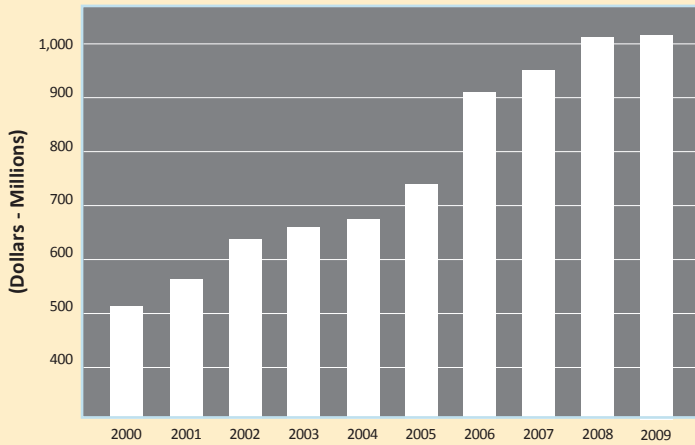
(Dollars in thousands except per share data)

	2009	2008	2007	2006	2005
Income Statement Data					
Total Interest Income	\$ 58,105	\$ 61,385	\$ 53,972	\$ 44,709	\$ 36,882
Net Interest Income	\$ 38,266	\$ 35,779	\$ 28,013	\$ 24,977	\$ 23,909
Provision for Loans Losses	\$ 6,093	\$ 9,500	\$ 1,211	\$ 682	\$ 777
Net Income	\$ 7,800	\$ 4,101	\$ 7,930	\$ 7,001	\$ 6,776
Balance Sheet Data					
End of Year Assets	\$ 1,143,944	\$ 1,139,263	\$ 957,282	\$ 910,127	\$ 741,654
Daily Average Assets	\$ 1,127,634	\$ 1,113,102	\$ 925,631	\$ 800,174	\$ 700,624
Daily Average Deposits	\$ 786,714	\$ 817,041	\$ 727,762	\$ 639,046	\$ 576,091
Daily Average Loans/Net	\$ 712,965	\$ 708,434	\$ 596,739	\$ 515,539	\$ 459,310
Daily Average Equity	\$ 139,810	\$ 143,626	\$ 119,246	\$ 91,964	\$ 74,682
*Per Share Data					
Earnings Per Share					
Basic	\$ 1.04	\$ 0.55	\$ 1.14	\$ 1.12	\$ 1.14
Diluted	\$ 1.01	\$ 0.53	\$ 1.11	\$ 1.09	\$ 1.14
Cash Dividends	\$ 0.70	\$ 0.65	\$ 0.62	\$ 0.58	\$ 0.55
Book Value (Year End)	\$ 18.69	\$ 17.89	\$ 17.58	\$ 16.61	\$ 13.44
Market Value (Year End)	\$ 18.95	\$ 25.50	\$ 40.00	\$ 40.00	\$ 36.36
Financial Ratios					
Shareholders' Equity to Assets (Year End)	12.31%	11.80%	12.86%	12.72%	10.91%
Return on Average Equity	5.58%	2.86%	6.65%	7.61%	9.07%
Return on Average Tangible Equity	8.54%	4.41%	8.54%	8.31%	9.12%
Cash Dividend Payout to Net Income	67.40%	118.82%	54.27%	53.92%	48.02%
Return on Average Assets	0.69%	0.37%	0.86%	0.87%	0.97%

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

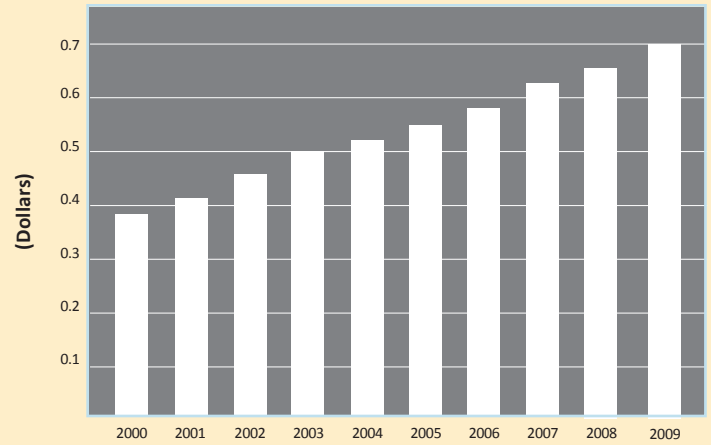
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Total Assets

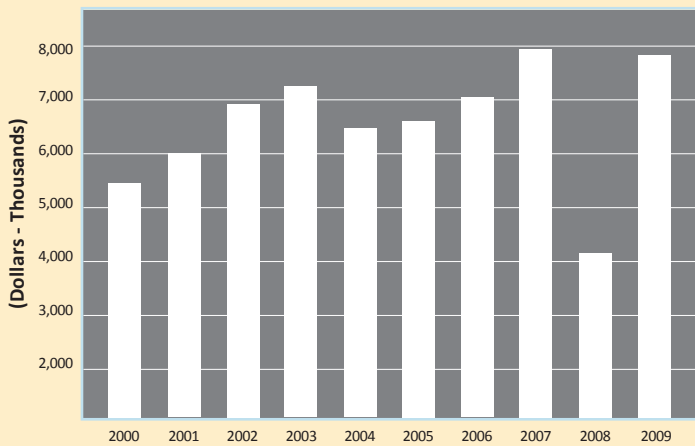


Dividends Per Share*

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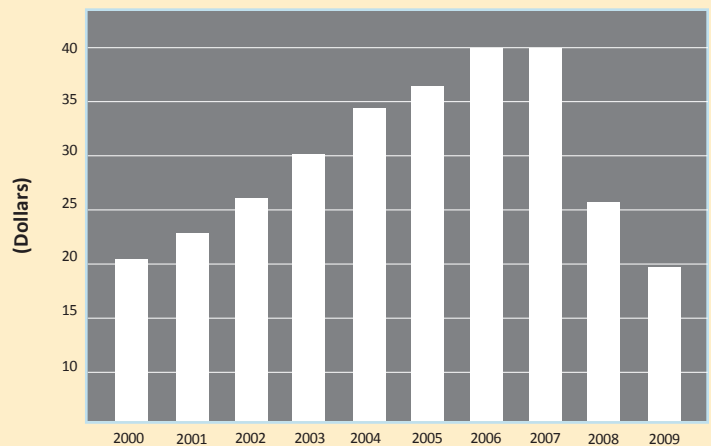


Net Income



Ending Stock Price*

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



Invest Locally



As a community bank, our customers' hard-earned dollars grow locally while helping others in the community buy a new home, purchase a car, or start a business. Invest Locally describes your commitment as shareholders to support a local company that is locally managed. And finally, Invest Locally speaks to our commitment to help our customers and communities grow and prosper.



growth & product
innovation
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\$134,476	\$61,385	\$35,779	\$9,500	\$4,101	\$0.55	\$0.65	\$17.89	11.80%	2.85%	735%	118.82%	0.37%	\$957,282	\$238,191	\$612,687	\$7,301
\$733,473	\$123,080	\$53,972	\$28,013	\$1,211	\$7,930	\$1.14	\$0.62	\$17.58	\$40.00	12.86%	6.65%	54.27%	0.8%	%10,127	\$3,450	\$591,042
\$725,840	\$115,749	\$44,709	\$24,977	\$682	\$7,001	\$1.12	\$0.58	\$16.61	\$40.00	12.72%	7.61%	53.89%	0.87%	\$741,654	\$183,406	\$483,2
\$6,899	\$592,478	\$80,902	\$36,882	\$23,909	\$777	\$6,77	\$1.14	\$0.55	\$13.44	\$36.36	10.91%	9.07%	48.02%	0.97%	\$678,034	\$162,553
\$452,895	\$6,444	\$563,876	\$72,594	\$33,821	\$23,364	\$735	\$6,645	\$1.13	\$0.52	\$12.25	\$34.71	10.71%	9.39%	46.20%	0.98%	\$213,450

employee
recognition

local
decision-making

Say **YES** to a Better Life

Community Banking at its Best

2009 Isabella Bank Headlines

In this electronic age, many businesses are looking for more convenient ways to accept payments. This year we introduced Quick and Simple Payments which gave our business owners the capability to accept payments online. This service provided a win-win for both our business customers and their clients. Businesses receive payments directly into their account.

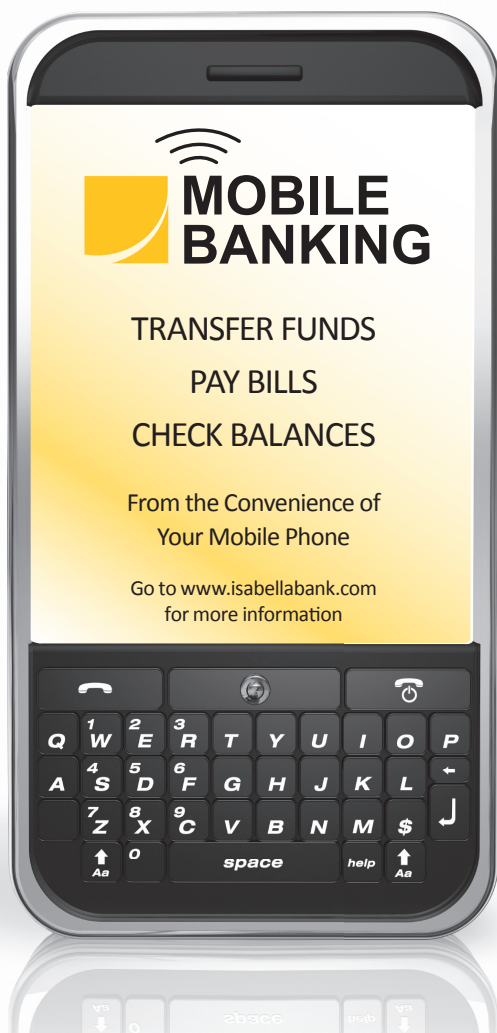
growth

Growth and Product Innovation

To remain competitive, it is essential that we offer innovative products and services that meet the ever-changing needs of our customers. In 2009, we completed several expansion projects to better serve the needs of our customers.

Expansion Projects

- East Pickard in Mt. Pleasant
- Drive-thru added at Lake Isabella
- Isabella Bank Corporate Offices
- Trust and Investment Services Center



Electronic Payment Services

In this electronic age, many businesses are looking for more convenient ways to accept payments. This year we introduced Quick and Simple Payments which gave our business owners the capability to accept payments online. This service provided a win-win for both our business customers and their clients. Businesses receive payments directly into their account and their clients have another convenient option to make a payment.

eFunds for Schools

Gone are the days of sending our kids to school with a check or cash and worrying about the money being lost. Great for parents and great for schools, eFunds allows parents to pay for their child's lunches or athletic fees electronically using an online service to deduct the payment directly from their bank account.

MOBILE BANKING

..... Many of our customers utilize their mobile device for much more than placing calls. Texts, online access, and organizational tools make mobile devices an essential tool for many of our customers. In 2009, mobile banking was added to our online banking suite of products. This service allows customers to check account balances, transfer funds, and pay bills using their mobile device.

commitment

Commitment to Our Shareholders

In 2009, the Investor Relations Link at www.isabellabank.com was updated with a goal of providing another way for shareholders, customers, and the local communities to access our corporate information. Visitors can view the Isabella Bank Corporation stock price, financial statements, press releases, SEC filings, annual reports, and learn more about the Isabella Bank Corporation Board of Directors. The new site also has an email notification feature that alerts subscribers when new information has been added.

2009 Dividend History

1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Special Year End	TOTAL
\$0.12	\$0.13	\$0.13	\$0.13	\$0.19	\$0.70

Closing Stock Price (December 31, 2009) : \$18.95

Dividend Yield (December 31, 2009): 3.69%

community

Giving Back to Our Community

Financial Literacy

Our financial literacy program reached over 2,700 students throughout Clare, Gratiot, Isabella, Mecosta, Montcalm, and Saginaw counties in 2009. The program focuses on teaching saving skills and credit awareness to students of all ages. Over 50 employees volunteered their time through events such as job shadow day, bank tours, and other school programs.

OUR PART

..... "Our Part" included a special interest rate on certificates of deposits and business loans. This demonstrated the positive momentum that dollars have when they are deposited locally and reinvested right back into our local communities. During a year when the media painted a negative stroke across all members of the banking industry, "Our Part" created a great way to prove that we remain devoted to our local communities, we continue to have money to lend, and we are dedicated to helping our customers earn more on their hard-earned dollars.



We believe in supporting local organizations to help strengthen our communities. This is a philosophy that we believe in as a company and it is a philosophy that our employees strongly believe in.

employees

2009 Isabella Bank Award Recipients



At the core of any successful business is a group of talented and engaged employees.

The Bank selected eight recipients of the prestigious "Izzy" award and two teams to receive the Team of the Year Award. Employees and teams were nominated by their peers for their outstanding teamwork, innovation, and customer service. The winners were then selected by a panel comprised of the local Presidents.

2009 "Izzy" winners:

- | | |
|-------------------|-----------------|
| Tama Acker | Accounting |
| Amy Andersen | Six Lakes |
| Linda Connell | Big Rapids |
| Paul Craddy | FGIS |
| Tammy Kenny | Mt. Pleasant |
| Karen Lewandowski | Farwell |
| Debbie Markley | Breckenridge |
| Sharon Parks | Human Resources |

2009 Team of the Year winners:

Collections Department

- Chuck Amble, Beth Beltinck, Kim Betts, Julie Bolt, Kathy Clouse, Don Forster, Liz Gregus, Dan Sanders

Greenville Teller Line

- Angie Antcliff, Lezlie Cushion, Elizabeth Guzman, Doris Rhines, Jodi Schofield, Mary Sepanik, Jillian Smith, Lois Solomon, Holly Vermeulen

359
bank employees
3,716
years of service
3,300
volunteer hours

Local Decision-Making

Board of Directors and Senior Officers

Although this letter focuses primarily on 2009, we would like to mention that in January 2010 the Corporation's Board of Directors approved the proposal to have identical board membership at the Corporation and Bank levels. As a result of these changes Isabella Bank Corporation and Isabella Bank now have common board membership. The



Isabella Bank Corporation and Isabella Bank Board of Directors

Back Row: W. Michael McGuire | G. Charles Hubscher | Joseph LaFramboise | Ted W. Kortés | Jeffrey J. Barnes
Richard J. Barz | Thomas L. Kleinhardt | W. Joseph Manifold **Middle:** Dianne C. Morey | Sandra L. Caul
Front Row: David J. Maness | James C. Fabiano | William J. Strickler | Dennis P. Angner | Dale D. Weburg

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

RICHARD J. BARZ
Chief Executive Officer - Isabella Bank Corporation

DENNIS P. ANGNER
President and Chief Financial Officer - Isabella Bank Corporation

JEFFREY J. BARNES, MD
Physician and Owner - Central Eye Consultants

SANDRA L. CAUL
State Representative (retired)

G. CHARLES HUBSCHER
President - Hubscher and Son, Inc.

JOSEPH LaFRAMBOISE
Sales and Marketing Executive - Ford Motor Company (retired)

THOMAS L. KLEINHARDT
President - McGuire Chevrolet

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 Corporation

W. MICHAEL MCGUIRE
Attorney - The Dow Chemical Company

DIANNE C. MOREY
Owner - Bandit Industries, Inc.

WILLIAM J. STRICKLER
President - Michiwest Energy, Inc.

DALE D. WEBURG
Partner - Weburg Farms, Inc.

In addition to the Isabella Bank Board of Directors and the Isabella Bank Corporation Board of Directors, we have local boards in our Breckenridge, Farwell, Greenville, and Mecosta communities. These boards are essential to us as a community bank. They ensure that customers in each of our locations are represented by members of their own

Isabella Bank Corporation Officers

- RICHARD J. BARZ
Chief Executive Officer
- DENNIS P. ANGNER
President and Chief Financial Officer
- PEGGY L. WHEELER
Senior Vice President
- GREGORY S. MAPES
Vice President
- DOUGLAS D. McFARLANE
Vice President
- BARBARA A. PLACE, CPA
Vice President
- PATRICIA A. PLAXTON
Vice President
- AMY C. VOGEL
Vice President

Isabella Bank Officers

- RICHARD J. BARZ
President and Chief Executive Officer
- STEVEN D. PUNG
Chief Operations Officer
- DAVID J. REETZ
Senior Vice President
- JAMES L. BINDER
Vice President
- RANDY J. DICKINSON, CPA
Vice President
- BARBARA B. DIEHM
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
- KIRK L. SMITH
- GREGORY V. VARNER

Breckenridge Division Officers

- TIMOTHY M. MILLER
President
- BRIAN K. GOWARD
Vice President
- KENNETH L. HOWELL
Vice President
- BARBARA K. MCKENZIE
Vice President
- JOHN D. RIVETT
Vice President

Farwell Division Board of Directors

- HERBERT R. MILLER - Chairman
- DENNIS P. ANGNER
- RICHARD J. BARZ
- THOMAS E. KEDROWSKI
- THOMAS L. KLEINHARDT
- W. MICHAEL MCGUIRE
- LARRY R. SCHOFIELD
- THOMAS J. WALLACE

Farwell Division Officers

- THOMAS J. WALLACE
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
- GREGORY D. MILLARD
- JAMES M. MULLENDORE, Jr.
- LEALAND T. WALLIN

Greenville Division Officers

- JAE A. EVANS
President
- KATHY J. KORSON
Vice President
- DAVID W. SEPPALA
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
- JAE A. EVANS
- 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.

Invest Locally . . .

Invest Locally. It is about our customers, it is about our communities, and it is about you, our shareholders. **Invest Locally** describes how dollars that are deposited at Isabella Bank are used to help local growth. As a community bank, our customers' hard-earned dollars grow locally while helping others in the community buy a new home, purchase a car, or start a business. **Invest Locally** describes your commitment as shareholders to support a local company that is locally managed. And finally, **Invest Locally** speaks to our commitment to help our customers and communities grow and prosper.