

ISABELLA BANK CORPORATION
ANNUAL REPORT
2015

WOODLAND CHURCH | ST JOSEPH CHURCH CHRISTIAN SERVICE COMMISSION | MT PLEASANT LITTLE LEAGUE | HABITAT FOR HUMANITY OF MONTCALM COUNTY | LUMBER JACK FESTIVAL | AMERICAN LEGION POST # 101 | FIRST BAPTIST CHURCH | SHEPHERD MAPLE SYRUP FESTIVAL | ST MICHAEL'S FINANCE COUNCIL | SAINT MICHAEL'S PARISH | GREENVILLE CHAMBER OF COMMERCE | MOUNT PLEASANT SPORTS BOOSTERS AUCTION | BALDWIN HEIGHTS ELEMENTARY PTO | GREENVILLE DOWNTOWN DEVELOPMENT AUTHORITY | MT. PLEASANT OPTIMIST CLUB | BRECKENRIDGE ELEMENTARY | OPTIMIST CLUB | REMEMBERENCE REFORMED CHURCH | DEPT OF HUMAN SERVICES | MONTCALM ECONOMIC ALLIANCE | SHEPHERD HIGH SCHOOL | MASONIC PATHWAYS | RIVERVIEW ELEMENTARY | AMERICAN CANCER SERVICES | EIGHTCAP | CENTRAL MICHIGAN ASSOCIATION OF REALTORS | RENAISSANCE PUBLIC SCHOOL ACADEMY | M-DOT ADOPT A HIGHWAY | ALZHEIMER'S WALK - MONTCALM COUNTY | LISTENING EAR | LIONS CLUB | HOME BUILDERS ASSOCIATION HOME SHOW | ART REACH OF MID MICHIGAN | FLAT RIVER COMMUNITY LIBRARY | CRA FORUM OF SAGINAW COUNTY | SHEPHERD CHAMBER OF COMMERCE | ISABELLA COUNTY FARM BUREAU | HONORS NIGHT - MONTABELLA COMMUNITY SCHOOLS | ITHACA PROMOTIONAL COMMITTEE | BIG BROTHERS BIG SISTERS | THE LAURELS | ITHACA CHURCH OF GOD | ANGELS OF ACTION | UNITED WAY OF GRATIOT COUNTY | SON LIFE CAMP AND RETREAT CENTER | FAITH BAPTIST CHURCH | ITHACA ROTARY CLUB | UNITED WAY | BRECKENRIDGE HIGH SCHOOL | SPECIAL OLYMPICS SUMMER GAMES | BIG RAPIDS PUBLIC SCHOOL | COLEMAN REALITY STORE | YORKSHIRE-STONEBRIDGE MANORS | MIDLAND'S OPEN DOOR | DICKENS CHRISTMAS | BIG RAPIDS MIDDLE SCHOOL | GREENVILLE PUBLIC SCHOOL | MT. PLEASANT COMMUNITY FOUNDATION -SCHOLARSHIP COMMITTEE | ELKS CLUB | CENTRAL MICHIGAN PREGNANCY SERVICES | GREENVILLE EDUCATION FOUNDATION | LAFAYETTE TOWNSHIP | GRATIOT COUNTY OPTIMIST CLUB | FUTURE FARMERS OF AMERICA | CHIPPEWA HILLS ORCHESTRAL SOCIETY | BRECKENRIDGE SCHOOLS SCHOLARSHIP COMMITTEE | SHEPHERD PUBLIC SCHOOL TRACK & FIELD MEET | BLANCHARD AREA PARKS AND REC | BRECKENRIDGE ROTARY CLUB | TEACH CHILDREN TO SAVE | YOUNG ENTREPRENEURS ACADEMY | BREAKFAST ON THE FARM | MONTABELLA COMMUNITY SCHOOL - REALITY STORE | HEMLOCK PUBLIC SCHOOLS | SIX LAKES TOWN | CLEAN UP | ADOPT A HIGHWAY | CHIPPEWA HILLS AREA ROCKET FOOTBALL | FARWELL LUMBERJACK FESTIVAL | MT. PLEASANT COMMUNITY CHURCH | MT PLEASANT PARKS & REC | DIOCESE OF SAGINAW CATHOLIC CEMETERIES | RENAISSANCE SPORTS | LAKEVIEW COMMUNITY SCHOOLS | ANNUAL MECOSTA COUNTY COMMUNITY & FAMILY EXPO | REECE ENDEAVOR OF MIDLAND | MORLEY STANWOOD ELEMENTARY | THE AMISH SCHOOL DISTRICT | ISABELLA COUNTY SOUP KITCHEN | MICHIGAN OFFICE OF CONSUMER SERVICES | MICHIGAN SUMMER SPECIAL OLYMPICS | MMDC | SAGINAW CRA BANKERS FORUM | MONTABELLA SCHOOLS | MT. PLEASANT JAYCEES | CHAMBER OF COMMERCE | UNITED BY FAITH CHRISTIAN CHURCH | CHURCH OF THE NAZARENE | ST JOSEPH THE WORKER CHURCH | HAVE MERCY | CHURCH OF JESUS CHRIST OF LATTER DAY SAINTS | 100 WOMEN WHO CARE | WAN (WOMENS ACTION NETWORK) | FARWELL AREA WOMANS CLUB | RIPON COLLEGE ALUMNI BOARD | GOD'S KITCHEN | HEMLOCK BUSINESS ASSOCIATION | BEAL CITY PUBLIC SCHOOLS | MIDLAND AREA HOMES | FARWELL CHAMBER OF COMMERCE | ATHLETIC BOOSTERS | FREELANDPALLOOZA | ST JOSEPH THE WORKER SCHOOL | MDN PAPERS FOR NEWSPAPER IN EDUCATION PROGRAM | CLARE SPORTS BOOSTERS | REED CITY CHAMBER COMMUNITY AND HEALTH EXPO | GREATER GRATIOT DEVELOPMENT | ADVANCE AUTO PARTS 5TH ANNUAL JDRF CAR SHOW | SAINT MICHAEL'S SCHOOL | JUNIOR ACHIEVEMENT OF CENTRAL MICHIGAN | GANIARD ELEMENTARY JUNIOR ACHIEVEMENT CLASS | ST MICHAEL'S SCHOOL BOARD | BIG RAPIDS JAYCEES | CHIPPEWA HILLS MIDDLE SCHOOL | BIG RAPIDS ROTARY CLUB | BARRYTON ELEMENTARY | MT PLEASANT INTERMEDIATE REALITY STORE | ALMA ACTION ASSOCIATION | MID MICHIGAN COMMUNITY ACTION | FREELAND ATHLETIC ASSOCIATION MILLIONAIRE'S PARTY | UNION TOWNSHIP

COMMUNITY

COM•MU•NI•TY

the areas surrounding Isabella Bank where we live, work, do business and invest our time and resources.
synonyms: region, neighborhood, group

We hope you enjoy reading the highlights of our employees' community commitment in this year's Annual Report.

Our Vision is to be recognized as a leading independent community bank.

Mission Statement

- To provide high quality, personalized service to our customers
- To enhance shareholder value through strategic growth and profitability
- To be the employer of choice by providing equitable compensation, a positive work environment, and opportunity for advancement
- To promote economic growth, business development, and community service

Core Values

- Demonstrate unwavering integrity
- Community bank focused
- Continued stability and independence
- Exceptional customer service delivered in a personal manner

EQUAL EMPLOYMENT OPPORTUNITY

The equal employment opportunity clauses in Section 202 of the Executive Order 11246, as amended; 38 USC 4212, 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.

2015 YEAR in REVIEW

Jae A. Evans, Chief Executive Officer and David J. Maness, Chairman



Thinking Big, Acting Small: Sustainability through Commitment

Isabella Bank Corporation remains committed to our shareholders, customers, communities, and employees. Through strategic planning, local decision making, and employee engagement, we have been able to demonstrate our level of commitment throughout our history.

Commitment

SHAREHOLDER COMMITMENT

Maximizing shareholder value is paramount to our sustainability. We are proud to report 2015 marked 34 consecutive years of growth in cash dividends which resulted in a 5.62% increase from 2014. Based on our average stock price of \$27.32 for December 2015, our shareholders received an annualized cash dividend yield of 3.44%.

It was in the fall of 2014 that we listed our stock on the OTCQX Banks tier of the OTC Markets Group, Inc. In addition to our partnership with the OTCQX, we selected Boenning & Scattergood, Inc. as our corporate broker. These partnerships, in addition to our internal communication strategies, have enhanced the visibility and liquidity of our stock. The daily average volume of the number of ISBA shares traded during 2015 was 1,699 compared to 1,251 in 2014, representing an increase of 35.81%.

We were also recently recognized as one of the OTCQX Best 50 for 2016. This ranking was calculated based on an equal weighting of the one-year total return and average daily dollar volume growth in 2015. We are honored to be recognized as one of the 2016 OTCQX Best 50 and are excited to strive toward continuing that achievement.

CUSTOMER COMMITMENT

Our commitment to our existing, as well as our future customers, was demonstrated with the addition of two new locations in 2015. In July, we completed the acquisition of a former Flagstar Bank branch at the intersection of Bay and Tittabawassee roads in Saginaw. This office is our third branch in Saginaw County joining our Hemlock and Freeland offices. In August, we added a second location in Midland with the acquisition of an Independent Bank branch. The addition of these two offices demonstrates our focus on expanding our presence in these two markets.

The Saginaw office extends our presence to the east and enhances our ability to provide products and services to all residents of the county. The diverse demographic of Saginaw includes consumer and business prospects, providing Isabella Bank an opportunity to improve our existing market share.

The remodel of our Mission Street office in Mt. Pleasant last fall is also a testament to our commitment of continuous improvement. We were able to revitalize the customer experience in that location to better align

with the experience we want our customers to have when banking with Isabella Bank. The new Midland East location will soon undergo a major renovation to reflect the same strategy and consistent brand.

Our commitment to our customers was further demonstrated through the release of several new products and services last year. The availability of online insurance products, Bank-to-Bank Transfers, and iVerify Fraud Alerts continues to enhance our overall customer experience.

COMMUNITY COMMITMENT

Our commitment is also recognized through our employees' community involvement. In addition to their high level of engagement at Isabella Bank, they are also committed to the communities where they live, work, and worship. In 2015, our employees logged over 5,000 hours of community service with more than 300 organizations which are featured on the inside covers of this report. We highlighted a few of these dedicated employees on the following pages.

In addition to the hard work and hours volunteered by our employees, the Bank also donated to over 500 organizations throughout the communities we serve. These organizations include local schools, fairs and festivals, service organizations, and other non-profits. Giving back to the organizations and communities we serve through our time and financial resources is at the heart of being a leading community bank.



Saginaw Office



Midland East Remodel Plans



Midland East Office

EMPLOYEE COMMITMENT

In 2015, Isabella Bank was named one of the Top Workplaces by the Detroit Free Press for the third consecutive year. This recognition further demonstrates our commitment to our employees. Based on a survey of our employees last year, the portion that reported being fully engaged in their job was double the national average.

Our employees are not only engaged, they are also loyal. Over 40% of our employees have been with us over 10 years. Of that 40%, 18% have been with us over 20 years. The longevity of our employees demonstrates their commitment to the Corporation, which directly impacts our success and the loyalty of our customers.



In 2015, our employees logged over 5,000 hours of community service with more than 300 organizations.

Through change comes opportunity. In 2015, we announced the retirement of sixteen individuals in the organization, many of them having been with the Bank for many years. Although we were sad to see these individuals retire, we are thankful for the years of dedicated service they provided to our shareholders, customers, and communities. As a result of the succession planning process we developed several years ago, we were able to provide other employees with new opportunities.

Employee commitment does not come without challenges. We are regularly looking for ways to raise employee engagement. Through constant training, communication, and recognition, we place a focus on our commitment to our employees. This commitment is further demonstrated by the recent promotion of several employees noted in this report. We believe in giving our employees opportunities for growth and development. Their success is our success.

LOOKING AHEAD

Isabella Bank Corporation strategically looks for additional growth opportunities. Whether the growth is through the development of our expansion strategies, enhancing our sales culture, or strengthening our teams, we are committed to providing value to all of our shareholders, customers, communities, and employees.

As we look to the future, the Midland and Saginaw markets are areas where we have a tremendous opportunity for growth. The extensive Midland East office remodel will enhance the banking experience and attract new customers. We are also looking at ways to increase our market presence and community service in Saginaw County through financial education and awareness.

As banking preferences change we are continuously looking for ways to enhance the customer experience, deepen customer relationships, and increase financial success. In 2016, we are planning to launch multiple product enhancements including a revised online banking system, bill pay service, a loan processing tool, and MasterCard® Debit Cards with EMV Chips, to name a few.

As we look forward to future growth, we have developed a 2016 Strategic Plan that further enhances our 113 year legacy. You are the heart and soul of our organization. On behalf of our Board of Directors, thank you for making an investment in your local community bank. We look forward to visiting with you at our annual shareholder meeting on May 3, 2016 at 5:00 p.m. at the Comfort Inn Conference Center in Mt. Pleasant.



Jae A. Evans, CEO



David J. Maness, Chairman

Marisa Bramer, Ag/Commercial Lender - Breckenridge Division

Marisa is an advocate for the farming industry. She is passionate about agriculture and you sense that in her day-to-day work ethic as well as her volunteerism within our community. Marisa is an active volunteer with the Gratiot and Isabella County Farm Bureaus, Future Farmers of America, Breckenridge Elementary School, and her local Chamber of Commerce.

“Marisa is an outstanding member of the Farm Bureau and especially her service on the board. She stepped in after the initial *Hoofing it for Ag 5k* and it has grown every single year. She now has it on the central MI *Calendar of Races* which brings visitors to our county and our county fair. In the last year, she has been working with others to have that race become part of an *Ag series of races* which will not only provide another outstanding race event but also serve to educate the non-ag community of the importance of ag.



Marisa leading the Hoofing it for Ag, Kids Run.

Through Marisa’s work and guidance our county Project-RED (rural education day) has grown tremendously! This is a day where elementary kids are brought out to a farm and learn first hand from industry experts where their food comes from along with all the aspects of agriculture. Under her leadership, it has grown to the point we are looking to expand next year to a two-day event from the current one day so we can reach schools on both sides of the county.”

-Dr. Kelvin Grant, Farm Bureau Board President

“Marisa is an amazing woman! She inspires me to share to our community and the world how important the Ag Industry is to our daily lives and survival. It’s a pleasure and honor to work with Marisa on the *Dashing for Ag Racing Series*. Her passion for both the Ag Industry and running is what brought to life the *Ag Racing Series*. She has spear-headed details for the event by setting up the meeting, finding sponsors, and writing up details for the event to put up on the websites. Marisa is a great role model to young girls as a woman leader in our community.”

-Eustaquia Lee, Member of the Dashing for Ag Team



**Terri Hadder,
Loan Clerk - Canadian Lakes Office**

Terri Hadder has been helping in elementary classrooms for over a decade. She volunteers her time each morning at Mecosta Elementary School before she arrives to work at our Canadian Lakes office. Terri enjoys her time each morning with the children.

“Terri has been a welcomed addition to the Mecosta family! Every day without fail, she works with our students. She is able to spend time one-on-one or in small group settings helping students learn to read. It is vital that 1st graders have an opportunity to read aloud to adults. Terri provides this with a smile and a passion for kids! She is a blessing to our kids, school, and the community of Mecosta.”

-Kyle Talicska, Mecosta Elementary Principal

“Terri has started her day with me for the past three years. She was previously with Mrs. Donley until Mrs. Donley took another position. I was very happy to steal her away! She spends the first hour with us every morning, even if her own two grandsons are not at school that day. She has in the past, and continues to be, a key asset with one-on-one reading with students in my room. It is people like Terri that bring the one-on-one reading opportunity to the classroom. It is a top priority in my 1st grade classroom to reach each child on a daily basis in reading. This is the year they learn to read and Terri has been a blessing to each and every one of our emerging readers who need a little bit more than classroom instruction.

In addition to helping with reading, Terri also helps with breakfast. She makes sure those who want to eat, get their breakfast and she helps them clean up. More importantly she makes connections with many students in the room. I love listening to the conversations that go on daily. Terri makes a conscious effort to ask about their lives, how they are doing, and they share many laughs together. There are some pretty special bonds made with Terri and a few of my kids. I am truly blessed to have this wonderful, loving, warm-hearted lady in my room. I could not get my morning started without her.”

-Deb Russell, Mecosta Elementary Teacher



EMPLOYEE RECOGNITION

In 2015, we celebrated alongside our employees as they met both professional and personal milestones. Please help us recognize the following employees on their recent officer promotions, banking school graduations, and retirements.

OFFICER PROMOTIONS

Jerome Schwind

President and Chief Operations Officer, Isabella Bank

Brian Goward

President, Breckenridge Division

David Seppala

President, Greenville Division

Peggy Wheeler

Senior Vice President, Operations

Joshua Eling

Vice President, Mecosta Business Development

Donald Forster

Vice President, Collections

Shelley Hobbs

Vice President, Midland Office

Michelle Mease

Vice President, Investment & Trust Services

Erika Ross

Vice President, Operations

Shana Anna

Assistant Vice President, Information Technology Services

Debbie Young

Assistant Vice President, Remus Office

Mary Welsh

Branch Officer, Pickard - Mt. Pleasant Office

Mary Olivieri

Community Relations Officer

RETIREMENTS

Chuck Amble, 8 years

Kathy Bonnell, 8 years

Gene Brownson, 12 years

Barb Fribley, 19 years

Karen Lewandowski, 23 years

Karen Marshall, 12 years

Tim Miller, 30 years

Pat Plaxton, 39 years

Steve Pung, 36 years

Doris Rhines, 14 years

Rich Russo, 4 years

Roberta Schultz, 16 years

Nancy Stabenow, 5 years

Dianne Taylor, 17 years

Linda Wilcox, 13 years

Nancy Wood, 4 years

MICHIGAN BANKERS ASSOCIATION PERRY SCHOOL OF BANKING GRADUATES

Deb Markley

Assistant Vice President, Breckenridge Office

Joy O'Neil

Business Development Associate

Sandy Yuncker

Vice President, Bookkeeping and Electronic Services

Jim Binder, Vice President
Commercial Lender - Central Division

Jim devotes his time to many organizations within the community. He is an active board member of the Mt. Pleasant Optimist Club and The Mt. Pleasant Chamber of Commerce. He also volunteers as a Mt. Pleasant Little League coach. He has used his connections in the community to raise funds for the Zipper Open, a charity golf outing that benefits heart & vascular services at McLaren Central Michigan. Most recently, Jim has played a pivotal role in raising funds for the Pillars of the Community, the Mt. Pleasant Community Memorial Stadium improvement project.

“Jim Binder has been an active, vital member, of the Mt. Pleasant Optimist Club since 1990! I could not even begin to contemplate the number of hours he works towards our mission. Jim has headed up and worked tirelessly on what has become our biggest fundraiser – the Optimist Dinner Raffle! He also heads up our Jr. Golf Qualifier event and helps with our other events and activities throughout the year. Jim is truly a cornerstone of our club here in Mt. Pleasant!”

-Heather Graham, Mt. Pleasant Optimist Club President

“The Union Township Kids’ Little League is a non-profit organization that survives solely on the support of volunteers from our community. We are proud of the relationship that we have developed with Isabella Bank over the years and appreciate their organizational support and the support of employee Jim Binder who has volunteered his time to coach. In coaching, Jim has an opportunity to share his love and passion for baseball while teaching life lessons to the youth of our community. Jim has been an outstanding member of our league. He teaches the players the game and is not concerned with wins and losses but how they improve and learn from their mistakes. Another important thing is that the kids like him and we have many families that request Jim to coach their kids at the beginning of each year. We look forward to his involvement over the next few more years.”

-Jim MacLean, Union Township Kids’ Little League President

Jim (far right) pictured below with his family and friends at the Zipper Open



FINANCIAL REPORT

Dennis P. Angner, President & Chief Financial Officer



In 2015, Isabella Bank Corporation earned a record \$15.13 million and earnings per share of \$1.95. When compared to 2014, net income increased \$1.41 million and earnings per share increased \$0.18. Our continued strong earnings were primarily a result of a recovery on loans previously charged off in 2015, good fundamentals and our extraordinary asset quality. As of December 31, 2015, loans past due 30 days or more and loans on nonaccrual status were at a historical low of 0.56% of total loans, which was a significant decrease compared to year end 2008, when that percentage was 3.72%. Our outstanding asset quality allowed the Corporation to record a reversal of \$2.77 million of the allowance for loan losses into earnings. At year end 2015, the allowance for loans losses to total loans was 0.87%, a decline of 0.34% from year end 2014.

Total assets ended the year at \$1.67 billion, a 7.65% increase over 2014. Total assets under management, which includes loans serviced and assets managed by the Investment and Trust Services Department, were \$2.36 billion. Total loans grew by 1.67%, with commercial and agricultural loans growing by 4.89%, partially offset by consumer loans declining 4.14%. The Corporation is in the process of enhancing our retail lending line of business to increase both our market presence and share. We anticipate seeing positive results from these efforts in the second half of 2016.

Our net interest income, similar to the entire industry, is under severe downward pressure due to the continuing historical low interest rates. The fully taxable equivalent interest yield on earning assets declined from 3.95% in 2014 to 3.80% in 2015, while the cost to fund those assets decreased from 0.85% in 2014 to 0.83% in 2015. The declining spread between what we earn on assets and what we pay to fund those assets resulted in our net interest income increasing only \$161,000 in 2015 despite average assets increasing by \$69.3 million.

In December 2015, the Federal Reserve Bank raised its discount rate by 25 basis points, the first increase since 2006. At year end 2015, there was widespread agreement that the Federal Reserve Bank would increase interest rates at least 100 basis points in 2016. As events unfolded in the first quarter of 2016, it became clear that the likelihood of further increases, if any, will be significantly less than what was originally anticipated. Without increases in interest rates, net interest income in 2016 will be driven by growth in our investment and loan portfolios. I encourage you to review the following pages which outline our key performance measures and ratios.


Dennis P. Angner, CFO

FINANCIAL HIGHLIGHTS

(Dollars in thousands except per share data)

	2015	2014	2013	2012	2011
Income Statement Data					
Interest Income	\$ 51,502	\$ 51,148	\$ 50,418	\$ 53,123	\$ 55,590
Interest Expense	\$ 10,163	\$ 9,970	\$ 11,021	\$ 13,423	\$ 16,203
Net Interest Income	\$ 41,339	\$ 41,178	\$ 39,397	\$ 39,700	\$ 39,387
Provision for Loan Losses	\$ (2,771)	\$ (668)	\$ 1,111	\$ 2,300	\$ 3,826
Noninterest Income	\$ 10,359	\$ 9,325	\$ 10,175	\$ 11,530	\$ 8,218
Noninterest Expenses	\$ 36,051	\$ 35,103	\$ 33,755	\$ 34,361	\$ 32,215
Federal Income Tax Expense	\$ 3,288	\$ 2,344	\$ 2,196	\$ 2,363	\$ 1,354
Net Income	\$ 15,130	\$ 13,724	\$ 12,510	\$ 12,206	\$ 10,210

	2015	2014	2013	2012	2011
Per Share Data					
Basic Earnings	\$ 1.95	\$ 1.77	\$ 1.63	\$ 1.61	\$ 1.35
Diluted Earnings	\$ 1.90	\$ 1.74	\$ 1.59	\$ 1.56	\$ 1.31
Dividends	\$ 0.94	\$ 0.89	\$ 0.84	\$ 0.80	\$ 0.76
Tangible Book Value*	\$ 17.30	\$ 16.59	\$ 15.62	\$ 14.72	\$ 13.90
Quoted Market Value					
High	\$ 29.90	\$ 24.00	\$ 26.00	\$ 24.98	\$ 24.45
Low	\$ 22.00	\$ 21.73	\$ 21.12	\$ 21.75	\$ 17.10
Close*	\$ 29.90	\$ 22.50	\$ 23.85	\$ 21.75	\$ 23.70
Common Shares Outstanding*	7,799,867	7,776,274	7,723,023	7,671,846	7,589,226

	2015	2014	2013	2012	2011
Performance Ratios					
Return on Average Total Assets	0.95%	0.90%	0.86%	0.88%	0.79%
Return on Average Shareholders' Equity	8.33%	8.06%	7.67%	7.60%	6.74%
Return on Average Tangible Shareholders' Equity	11.46%	10.80%	10.71%	11.41%	10.30%
Net Interest Margin Yield (Fully Taxable Equivalent)	3.10%	3.24%	3.22%	3.43%	3.67%

	2015	2014	2013	2012	2011
Balance Sheet Data*					
Gross Loans	\$ 850,492	\$ 836,550	\$ 810,777	\$ 774,627	\$ 751,610
Available-for-Sale Securities	\$ 660,136	\$ 567,534	\$ 512,062	\$ 504,010	\$ 425,120
Total Assets	\$ 1,668,112	\$ 1,549,543	\$ 1,493,137	\$ 1,430,639	\$ 1,337,925
Deposits	\$ 1,164,563	\$ 1,074,484	\$ 1,043,766	\$ 1,017,667	\$ 958,164
Borrowed Funds	\$ 309,732	\$ 289,709	\$ 279,326	\$ 241,001	\$ 216,136
Shareholders' Equity	\$ 183,971	\$ 174,594	\$ 160,609	\$ 164,489	\$ 154,783
Gross Loans to Deposits	73.03%	77.86%	77.68%	76.12%	78.44%

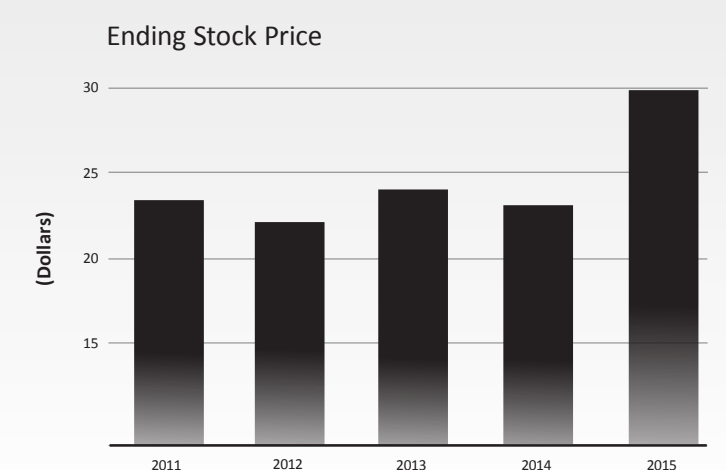
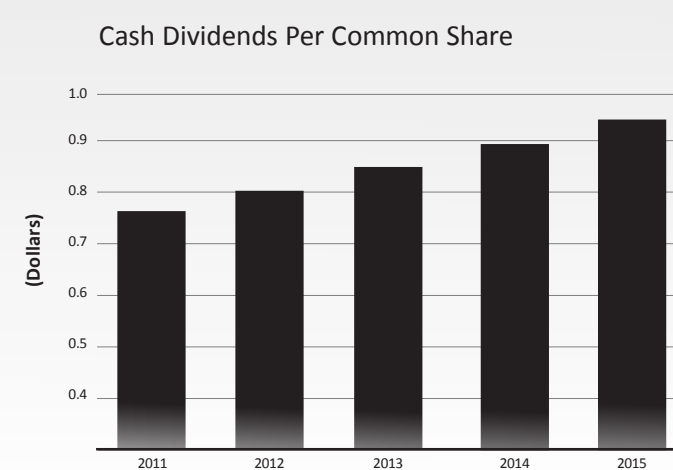
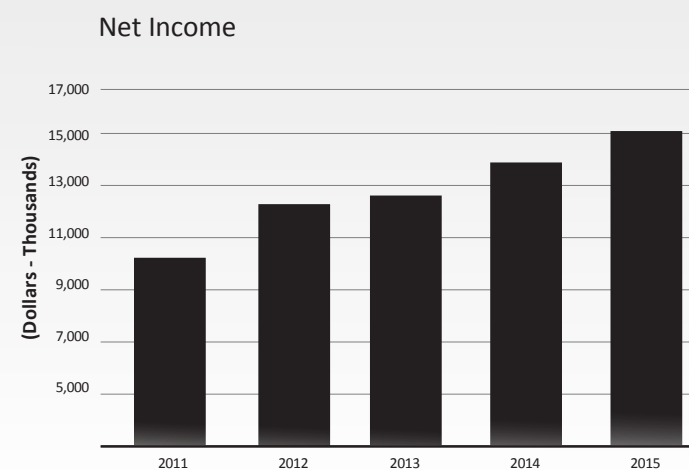
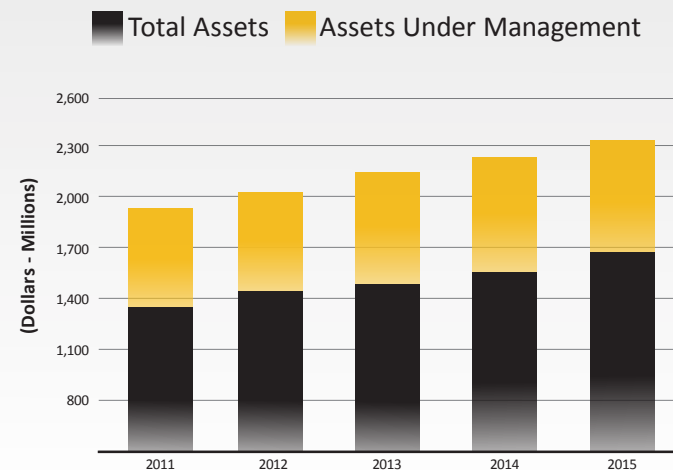
	2015	2014	2013	2012	2011
Assets Under Management*					
Loans Sold with Servicing Retained	\$ 287,029	\$ 288,639	\$ 293,665	\$ 303,425	\$ 302,636
Assets Managed by our Investment & Trust Services Department	\$ 405,109	\$ 383,878	\$ 351,420	\$ 319,301	\$ 297,393
Total Assets Under Management	\$ 2,360,250	\$ 2,222,060	\$ 2,138,222	\$ 2,053,365	\$ 1,937,954

	2015	2014	2013	2012	2011
Asset Quality*					
Nonperforming Loans to Gross Loans	0.09%	0.50%	0.42%	1.00%	0.95%
Nonperforming Assets to Total Assets	0.07%	0.33%	0.32%	0.68%	0.67%
Allowance for Loan and Lease Losses to Gross Loans	0.87%	1.21%	1.42%	1.54%	1.65%

	2015	2014	2013	2012	2011
Capital Ratios*					
Shareholders' Equity to Assets	11.03%	11.27%	10.76%	11.50%	11.57%
Tier 1 Leverage	8.52%	8.59%	8.46%	8.29%	8.18%
Common Equity Tier 1 Capital	13.24%	N/A	N/A	N/A	N/A
Tier 1 Risk-Based Capital	13.24%	14.08%	13.68%	13.24%	12.93%
Total Risk-Based Capital	13.96%	15.19%	14.93%	14.49%	14.18%

Certain amounts previously reported in the Financial Highlights portion of this Annual Report have been either reclassified or restated to conform with the 2015 presentation. Additional information concerning reclassifications and restatements are included in Isabella Bank Corporation's December 31, 2015 Annual Report on Form 10-K which is available from the Securities and Exchange Commission's Public Reference facilities and from its website at www.sec.gov.

* at end of year



BOARD OF DIRECTORS

Michelle Davis, Teller - Hemlock Office

Michelle is one of the smiling faces that greet you when visiting our Hemlock office. She is also an active volunteer in the Saginaw area. In 2015, Michelle volunteered for Adopt a Highway, Hemlock Business Association, and the Saginaw Shiawassee Habitat for Humanity.

“Michelle was a huge asset to Saginaw Shiawassee Habitat for Humanity between women’s build and our neighborhood revitalizations last year. Her personality and positive attitude were contagious on all of the job sites that she was on, and she willingly learned new tasks as well as perfecting other home maintenance skills. Michelle connected very well with the families that SSHFH was helping, listening to their stories as they built a shed or painted the house together. We are beyond thrilled that Michelle has chosen to volunteer with us again in 2016 on several projects throughout the summer. She truly is what our mission states: *Seeking to put God’s love into action, Saginaw Shiawassee Habitat for Humanity brings people together to build homes, communities and hope.*”

-Jessica Cappell,
Saginaw Shiawassee Habitat for Humanity



Pictured left to right: G. Charles Hubscher, W. Michael McGuire, Gregory V. Varner, David J. Maness, Dr. Jeffrey J. Barnes, Jae A. Evans, Joseph LaFramboise, Dennis P. Angner, Thomas L. Kleinhardt, W. Joseph Manifold, Sarah R. Opperman, and Richard J. Barz.

DAVID J. MANESS - Chairman
President,
Maness Petroleum Corporation

JAE A. EVANS
Chief Executive Officer,
Isabella Bank Corporation

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

DR. JEFFREY J. BARNES
Physician and Shareholder,
Lansing Ophthalmology, PC

RICHARD J. BARZ
Chief Executive Officer (retired),
Isabella Bank Corporation

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

THOMAS L. KLEINHARDT
President,
McGuire Chevrolet

JOSEPH LAFRAMBOISE
Sales and Marketing Executive (retired),
Ford Motor Company

W. JOSEPH MANIFOLD, CPA
Chief Financial Officer (retired),
Federal Broach & Machine Co.

W. MICHAEL MCGUIRE
Director of the Office of the Corporate Secretary (retired),
The Dow Chemical Company

SARAH R. OPPERMAN
Principal,
Opperman Consulting, LLC

GREGORY V. VARNER
Research Director,
Michigan Bean Commission

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Vice President,
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Vice President

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Senior Vice President

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KARLA A. WALKER
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LEO R. WICKERT, State Licensed Appraiser
Vice President

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GREENVILLE DIVISION OFFICERS

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KATHY J. KORSON
Vice President

MECOSTA DIVISION OFFICERS

KEITH E. KENNEY
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DR. RALPH P. CREW
KEVIN J. DEFEVER
LAWRENCE E. EMIG
KEITH E. KENNEY
JOSEPH LAFRAMBOISE
JEROME E. SCHWIND

Robert (Bob) Byram, Assistant Vice President Business Development - Greenville Division

Bob Byram is committed to his community through multiple organizations and volunteer efforts. In 2015, he volunteered at Baldwin Heights Elementary School, EightCAP, Flat River Community Library, Greenville Downtown Development, Have Mercy!, Junior Achievement, Montcalm Community College, Business Advisory, Montcalm Economic Alliance, Rotary, and Small Business Development.



Bob at the Turk Lake Polar Plunge to benefit Special Olympics Michigan.

“Bob is leading the team that is in charge of helping our playground to become more accessible for handicapped students who currently attend Baldwin Heights. He is working closely with families and the district facilities staff to problem solve and come up with some creative solutions.”

Another area Bob Byram has been pivotal is with his involvement in the Junior Achievement program. Bob’s expertise was put to good use this past year in our 5th grade classrooms as he delivered the hands-on activities and real-world curriculum associated with the Junior Achievement program. He was an instant hit with the students due to his enthusiasm and positivity. Our teaching staff was very impressed with his ability to effectively engage students in the lessons.

Bob provides the perfect balance between support and ambition to help our school improve learning for all students.”

-Michael Walsh, Baldwin Heights Elementary Principal

“Bob is a former student of mine, and currently teaches business, management, marketing, and our College Success course. Bob was a great student and has chosen to give back to the community as an instructor. Bob’s students love him, as does everyone else here. He is young, energetic, and has been in the students’ shoes, so they can relate to him.”

-Robert Spohr, Montcalm Community College, VP Academic Affairs

“Bob Byram is Greenville Rotary Club’s President Elect. He will be Rotary Club President from July 2016 to June 2017. He has helped Greenville Rotary Club in various ways. He is currently our liaison for our Texas Hold ‘Em Millionaire Parties, which raise as much as \$8000 annually to support our high school scholarship fund. Bob has also been involved in our Danish Festival activities—our mobile food booth and our annual Tivoli Gardens Danish Beer Dome. Bob has the attitude of ‘service above self’ that characterizes an active Rotarian. He is also a leader in his community, which also exemplifies the Rotary way.”

-Pastor Joel Heron, Greenville Rotary Club President

STOCK INFORMATION

Isabella Bank Corporation common stock is traded in the over the counter market. The common stock is quoted on the OTCQX tier of the OTC Markets Group, Inc.'s electronic quotation system (www.otcmarkets.com) under the symbol "ISBA." Other trades in the common stock occur in privately negotiated transactions from time to time of which the Corporation may have limited or no information. Current stock price and availability can be obtained by contacting a licensed broker, the Isabella Bank Investment and Trust Services Department, Boenning & Scattergood, Inc. or Shareholder Services.

SHAREHOLDER SERVICES

For more information, contact Debra Campbell
(989) 779-6237 | 401 North Main Street, Mt. Pleasant, MI 48858
or www.isabellabank.com ➔ Investors

TRANSFER AGENT

Isabella Bank Corporation
(989) 779-6237 | 401 North Main Street, Mt. Pleasant, MI 48858

CORPORATE BROKER

Boenning & Scattergood, Inc.
(866) 326-8113 | 9922 Brewster Lane, Powell, OH 43065
or www.boenninginc.com

LEGAL COUNSEL

Foster Swift Collins & Smith, PC
313 South Washington Square, Lansing, MI 48933
or www.fosterswift.com

INDEPENDENT CERTIFIED PUBLIC ACCOUNTING FIRM

Rehmann Robson, LLC
5800 Gratiot Rd. Suite 201, Saginaw, MI 48638
or www.rehmann.com

ANNUAL SHAREHOLDER MEETING

May 3, 2016 at 5:00 p.m.

Comfort Inn Conference Center | 2424 South Mission Street, Mt. Pleasant, MI 48858

This report includes forward-looking statements. To the extent that the foregoing information refers to matters that may occur in the future, please be aware that such forward-looking statements may differ materially from actual results. Additional information concerning some of the factors that could cause materially different results is included in the sections entitled "Risk Factors" and "Forward Looking Statements" set forth in Isabella Bank Corporation's filings with the Securities and Exchange Commission, which are available from the Securities and Exchange Commission's Public Reference facilities and from its website at www.sec.gov.

LITTLE LEAGUE | WHEATLAND TOWNSHIP LIBRARY | AG IN THE CLASSROOM | GREENVILLE EAGLES 4321
FOE | WOMEN FOR WOMEN | SHEPHERD PRINCESS PAGEANT | HABITAT FOR HUMANITY OF ISABELLA
COUNTY | MIDLAND AREA CHAMBER OF COMMERCE | AFFORDABLE HOUSING ALLIANCE OF MIDLAND
| BELVIDERETOWNSHIP MEETING | MT PLEASANT ROCKET FOOTBALL | 2015 HOME AND GARDEN SHOW
| CHIPPEWA HILLS HIGH SCHOOL PROJECT GRADUATION | EMERSON PRESBYTERIAN CHURCH
| VFW | OSCEOLA COUNTY COMMUNITY FOUNDATION | GHS ATHLETIC BOOSTERS INC | SHEPHERD
MIDDLE SCHOOL | HOMEBUILDERS ASSOCIATION OF MIDLAND | FREELAND CHAMBER OF COMMERCE
| JAYCEE'S - MOUNT PLEASANT CRAFT BEER FESTIVAL | ALMA PUBLIC SCHOOLS | BLANCHARD STEAM
SHOW | SAGINAW SHIAWASSEE HABITAT FOR HUMANITY | WOMAN'S AID SERVICE | MT. PLEASANT
AREA COMMUNITY FOUNDATION | GOODROW FOUNDATION | MONTABELLA COMMUNITY SCHOOLS
CARNIVAL | INTERNATIONAL RELATIONS COUNCIL | MONTABELLA ATHLETIC BOOSTERS | FREELAND
WALLEYE FESTIVAL | CHILD & FAMILY ENRICHMENT COUNCIL | YELLOW JACKET CHALLENGE | WHEELER
TWP BOARD/PLANNING COMMISSION | JOSHUAS HOUSE | HOME & GARDEN SHOW | MP PARKS &
REC COMMISSION | BULLDOG BONANZA | BRECKENRIDGE CHRISTMAS IN THE VILLAGE | TOP FLIGHT |
ALMA FIRE DISTRICT BOARD | MECOSTA VFW | GREENVILLE EXPO | RELAY FOR LIFE | MECOSTA COUNTY
MATCH DAY | MIDLAND KIWANIS BENEFIT DINNER | ELKS LODGE GOLF OUTING - FUNDRAISER
EVENT | MECOSTA SCHOOLS ATHLETIC DIRECTORS MEETING | JAYCEES | MOREY MONTESSORI
BENEFIT | BLANCHARD PARKS & RECREATION | MT PLEASANT OPTIMIST CLUB | MONTCALM
COUNTY HABITAT FOR HUMANITY | WALKER
FISHING DERBY | FARWELL DOWNTOWN DEVELOPMENT
AUTHORITY | ROYAL VIEW RETIREMENT COMMUNITY
| MT. PLEASANT WEST INTERMEDIATE REALITY STORE | BOY SCOUTS OF AMERICA |
CANADIAN LAKES PROPERTY OWNERS | SPECIAL OLYMPICS MECOSTA/OSCEOLA AREA 5
| ST. JOSEPH THE WORKER FINANCE COUNCIL | ZONTA | MECOSTA ELEMENTARY SCHOOL
| CLARE PUBLIC SCHOOLS | ST MICHAEL'S SCHOOL POLICIES & PLANNING COMMITTEE | DANISH
FESTIVAL OF GREENVILLE | UNITED WAY OF MONTCALM & IONIA COUNTIES | COMMUNITY COMPASSION
NETWORK | REMUS DDA | MAKING STRIDES AGAINST BREAST CANCER | VILLAGE OF LAKEVIEW |
SUSAN B KOMAN CANCER RUN FUNDRAISER | ISABELLA COUNTY RECYCLING | ISABELLA COUNTY
RESTORATION HOUSE | ST PATRICKS DAY PARADE | FINANCIAL LITERACY | MOREY RENAISSANCE
CHARTER SCHOOL | TOWN CLEAN UP - SIX LAKES | ISABELLA COUNTY MEDICAL CARE FACILITY | CENTRAL
MICHIGAN UNIVERSITY | SIX LAKES AREA CHAMBER OF COMMERCE | ST MICHAEL'S FOUNDATION
| MSU EXTENSION EQUESTRIAN | SACRED HEART PARISH | WOMEN'S ACTION NETWORK | GANIARD
ELEMENTARY PTO CARNIVAL COMMITTEE | MOUNT PLEASANT COMMUNITY FOUNDATION | MECOSTA
COUNTY COMMUNITY & FAMILY | MOUNT PLEASANT SPORTS BOOSTERS | RSVP | ROTARY CLUB OF
GREENVILLE | MECOSTA COUNTY POLAR PLUNGE | COMMUNITY CANCER SERVICES | CLARE CHAMBER
| AMERICAN RED CROSS | STANTON ROTARY | BRECKENRIDGE HUSKIE | HUSTLE 5K RACE | ST JOSEPH
CHURCH CCW | GRATIOT AREA CHAMBER OF COMMERCE | SMALL BUSINESS DEVELOPMENT CORP /
SBA | VFW WOMENS AUX | SPECIAL OLYMPICS OF MICHIGAN | LIPOA | NEW BEGINNINGS - JESUS PROM |
FREELAND HONOR'S BREAKFAST | WEIDMAN ELEMENTARY PARENTS GROUP | GRATIOT COUNTY FARM
BUREAU | ROTARY | ITHACA PUBLIC SCHOOLS | WISE (WOMEN'S SHELTER) | MT PLEASANT SCHOOLS
| MCC/MACC BUSINESS ADVISORY COMMITTEE | KNIGHTS OF COLUMBUS | LOCAL MUNICIPALITIES |
GREENVILLE COMMUNITY CHURCH | MECOSTA-OSCEOLA ISD | MONTCALM COMMUNITY COLLEGE
| HEADSTRONG SUPPORT GROUP | ASHLEY COUNTRY CHRISTMAS | SHEPHERD COMMUNITY
FOUNDATION | GRATIOT COUNTY AGRICULTURAL SOCIETY FAIR | MICHIGAN SPECIAL OLYMPICS
POLAR PLUNGE | LAURELS | ALMA ABSTRACT & TITLE | REALTORS BREAKFAST | VACATION BIBLE SCHOOL
| ARMS OF LOVE | LE TOUR DE MONT PLEASANT | SHELTERHOUSE DOMESTIC VIOLENCE SHELTER |
SALVATION ARMY RED KETTLE | FINANCIAL MANAGEMENT ASSOCIATION | ADOPT A FAMILY FROM WISE



401 NORTH MAIN STREET, MT. PLEASANT, MI 48858