

The economic conditions and extraordinary loan losses created another difficult year for the banking industry in 2009. In comparison to the industry as a whole, Isabella Bank did not experience the same level of loan losses and we are on track to achieve a solid year end financially. I attribute this success to our conservative lending practices and community bank focus - *philosophies that have proven successful for 107 years.*



In 2009, the negative media coverage about the banking industry caused many of our customers to be concerned with the safety and soundness of our bank. And I expect that as long as the banking industry continues to make headlines, these same concerns will exist. As your community bank, we cannot spend enough dollars in the media to combat this negative perception but what we can do is tell you how Isabella Bank is performing and that your hard earned dollars are in a Bank that is **SAFE and SOUND.**

I feel strongly that it is important for us to tell "our story". In the next year, you will see us communicate this information more regularly and in a variety of ways. For those that are interested in industry statistics, we will be providing more information on how we stack up with our peers. In this newsletter, you will find a summary of how we compare to banks very similar in size across the United States. This should help confirm how well Isabella Bank is performing and that we ARE a very safe and sound bank, a place where you can invest your money and feel comfortable you made the right decision.

We are extremely pleased, that despite the economy, our financial performance in 2009 allowed us to increase the cash dividend for our current shareholders as well as establish a solid yield for prospective shareholders. In 2009, Isabella Bank Corporation paid a total cash dividend of \$0.70 per share representing a 7.69% increase over the \$0.65 in dividends paid in 2008. Based on the Corporation's average closing price of \$16.50 per share during November 2009, the Corporation's dividend yield is 4.24%.

As I share more information about the safety and soundness of our Bank, it is also important for you to hear how our examiners and rating agencies view our Bank. The Federal and State regulatory authorities have complimented us on our business practices and have rewarded us with a very high rating. Our solid financial position and positive regulatory examinations have also allowed us to earn the lowest risk category for FDIC premiums, saving us hundreds of thousands of dollars annually. In addition, Bauer Financial, an independent bank rating agency, has awarded us with a four star rating for the past 80 consecutive quarters. We are certainly proud of these accomplishments.

Looking ahead to 2010, the banking industry will face numerous challenges. Many of which will be lead by congress in an effort to respond to the greed and mismanagement of the Wall Street mega banks and large investment banks. Unfortunately, they have tarnished our entire industry and community banks like ours, that did not get involved in the complicated and risky financial products, will be paying for their misdeeds. The end result will be more paperwork to sign and possibly fewer product options to meet the needs of customers.

As the first newsletter of the new year, I want to thank you for banking with us. Thank you for investing with us. And most of all, thank you for believing in what we believe in - **COMMUNITY BANKING.** If you have questions, please stop by or give me a call. I look forward to hearing from you this year.



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Peer Report Comparison

We subscribe to reports that compare the financial performance of Isabella Bank to other banks in the United States who are similar in size (\$1.0 billion- \$3.0 billion in assets). In all, there are 325 banks in our peer group. Below are a few of the key ratios that we use to monitor the strength and soundness of Isabella Bank. This information is from peer reports filed as of September 30, 2009 and covers the first three quarters of 2009.

RETURN ON ASSETS (ROA) – measures net income by the average assets (size) of the bank.

Our ROA for this period is .88, which is 10 times higher than our peer group. The peer group is still struggling with extensive loan losses with hopes of improvement in 2010.

PROBLEM LOANS – measures the percent of loans that are over 90 days past due and placed in non-accrual because interest collection is doubtful.

Our total problem loans as a percentage of loans are 1.29% compared to 3.75% for our peer group, almost three times lower than our peer group.

PROBLEM LOANS TO ALLOWANCE FOR BAD DEBT - measures the amount of reserves needed for bad loans or losses available to cover non-performing loans.

We have \$1.00 in reserve for every \$.74 of non-performing loans, which means we have more in reserve than we have problem loans. This is considered a very safe and conservative practice.

Our peer group has \$1.00 in reserves for every \$1.79 of non-performing loans, which is substantially less in reserves to absorb future loan losses from their problem loans.

Despite the challenging economy, you can see that our conservative banking practices have positioned us well. If you have any questions, please feel free to contact your Isabella Bank officers.

ISBA Dividends at a glance

The Isabella Bank Corporation Board of Directors is pleased to announce that the Corporation's continued strong earnings and capital position have allowed it to increase its aggregate annual cash dividend for the 28th consecutive year.

2009 Dividends for ISBA

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

See the back page for full details.



Thomas Wallace
Farwell Division
President



Jae Evans
Greenville Division
President



Timothy Miller
Breckenridge Division
President



Jerome Schwind
Mecosta Division
President



..... Christmas Club Accounts Help Save Money

Saving for large expenses can be easier when you save a little at a time. Christmas Club accounts help you do exactly this. Traditionally opened shortly after the holidays, customers make deposits into the account each pay period or whenever is convenient. Individuals can also select to transfer money electronically from their checking account. Then in October, the money is deposited into an Isabella Bank checking account...just in time for holiday spending.

For example, saving \$500 could be:

- \$41.67 per month
- \$19.23 every other week
- \$ 9.62 each week

Christmas Club accounts also have no monthly service fees and can be opened with just \$1. For more information, visit your local office.

5 Online Safety Tips

- Change your password every 90 days.
- Use both letters (upper and lower case) and numbers to create a secure password.
- Never share your password or write it down.
- Keep your anti-virus software updated.
- Avoid using public computers to access your online banking. (These computers may be at a higher risk for viruses and fraudulent activity.)

A Access Your Accounts from Your Mobile Phone

Check account balances, transfer funds, and pay bills right from your mobile device. This is a new feature of our online banking that is available to anyone who has a web-enabled phone. This service is free to all of our customers. Please keep in mind that your phone carrier may charge a fee for accessing the internet if it is not currently part of your plan.

- If you currently have our online banking service-visit the Options tab within online banking to enroll.
- If you do not have online banking-visit the Online Banking box on our web site and click "Enroll Today".

Resources

Seminars in 2010

Education is the key to making the right financial decisions. We are planning a variety of seminars in 2010 and would love to have you join us. Upcoming seminars will be posted on our web site and in our lobbies.

IRA Deadline Approaching

Just a quick reminder that you have until April 15, 2010 to make your IRA contribution for 2009. If you would like to make a contribution or start a new IRA, please visit your local office.

Online at www.isabellabank.com

- Online Mortgage Center-apply for a mortgage, enroll for rate change email alerts, mortgage FAQs.
- Bank Owned Properties for Sale-properties for sale, descriptions, and contact information.
- Locations & Hours - find the offices closest to your home or work, office hours, and directions.
- Current news-press releases for the bank.

New at Isabella Bank

- Checking account statements will include a summary of any overdraft charges that are assessed during the month and also include year-to-date charges.
- Our expansion project at the Pickard Street office in Mt. Pleasant is now complete.
- The Lake Isabella office drive-thru is now open and has extended hours for your convenience.
- Isabella Bank earned a four-star rating from Bauer Financial for the 80th consecutive quarter.

Isabella Bank Fourth Quarter Dividend *(continued)*

At the Board's regular meeting held on December 17, 2009, it declared a regular quarterly cash dividend of \$0.13 per share and a special cash dividend of \$0.19 per share, for a total cash dividend for the fourth quarter of \$0.32 per share, payable December 31, 2009 with a record date of December 27th. Including the total fourth quarter dividend of \$0.32 per share the Corporation will have paid a total cash dividend of \$0.70 in 2009, representing a 7.69% increase over the \$0.65 paid in 2008. Based on the Corporation's average closing price during November 2009 of \$16.50, the Corporation's dividend yield is 4.24%.

Individuals who wish to purchase shares of Isabella Bank Corporation (ISBA) stock may contact the Raymond James office located at the Corporation's subsidiary, Isabella Bank at 989-773-3585, or their own stockbroker. For current stock information please visit the Investor Relations tab on the Isabella Bank web site or, alternatively, go to www.pinksheets.com and enter the Corporation's trading symbol ISBA.

Say **YES** to a Better Life



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