IBT BANCORP INC /MI/
Form DEF 14A
April 21, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
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Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

IBT BANCORP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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IBT BANCORP, INC.
200 East Broadway
Mount Pleasant, Michigan 48858

NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 13, 2008

Notice is hereby given that the Annual Meeting of Shareholders of IBT Bancorp, Inc. will be held on Tuesday, May 13, 2008 at 5:00 p.m. Eastern Standard Time, at the Comfort Inn, 2424 S. Mission Street, Mount Pleasant, Michigan. The meeting is for the purpose of considering and acting upon the following:

1. The election of three directors.

2. Approval of an amendment to the Articles of Incorporation to increase the number of authorized shares of Common Stock from 10,000,000 to 15,000,000.

3. Approval of an amendment to the Articles of Incorporation to change the name of the Corporation from IBT Bancorp, Inc. to Isabella Bank Corporation.

4. Such other business as may properly come before the meeting, or any adjournment or adjournments thereof.

The Board of Directors has fixed April 1, 2008 as the record date for determination of shareholders entitled to notice of, and to vote at, the meeting or any adjournments thereof.

Your vote is important. Even if you plan to attend the meeting, please date and sign the enclosed proxy form, indicate your choice with respect to the matters to be voted upon, and return it promptly in the enclosed envelope. Note that if stock is held in more than one name, all parties should sign the proxy form.

By order of the Board of Directors

Debra Campbell, Secretary

Dated: April 25, 2008

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IBT BANCORP, INC.
200 East Broadway
Mount Pleasant, Michigan 48858

PROXY STATEMENT

General Information

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of IBT Bancorp, Inc. (the Corporation) a Michigan financial holding company, to be voted at the Annual Meeting of Shareholders of the Corporation to be held on Tuesday, May 13, 2008 at 5:00 p.m. at the Comfort Inn, 2424 S. Mission Street, Mount Pleasant, Michigan, or at any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders and in this Proxy Statement.

This Proxy Statement has been mailed on April 25, 2008 to all holders of record of common stock as of the record date. If a shareholder s shares are held in the name of a broker, bank or other nominee, then that party should give the shareholder instructions for voting the shareholder s shares.

Voting at the Meeting

The Board of Directors of the Corporation has fixed the close of business on April 1, 2008 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting of Shareholders and any adjournment thereof. The Corporation has only one class of common stock and no preferred stock. As of April 1, 2008, there were 7,522,718 shares of common stock of the Corporation outstanding. Each outstanding share entitles the holder thereof to one vote on each separate matter presented for vote at the meeting. Shareholders may vote on matters that are properly presented at the meeting by either attending the meeting and casting a vote or by signing and returning the enclosed proxy. If the enclosed proxy is executed and returned, it may be revoked at any time before it is exercised at the meeting. All shareholders are encouraged to date and sign the enclosed proxy, indicate their choice with respect to the matters to be voted upon, and return it to the Corporation.

The Corporation will hold the Annual Meeting of Shareholders if holders of a majority of the Corporation s shares of common stock entitled to vote are represented in person or by proxy at the meeting. If a shareholder signs and returns the proxy, those shares will be counted to determine whether the Corporation has a quorum, even if the shareholder abstains or fails to vote on any of the proposals listed on the proxy.

If a shareholder s shares are held in the name of a nominee, and the shareholder does not tell the nominee how to vote the shares (referred to as broker non-votes), then the nominee can vote them as they see fit only on matters that are determined to be routine and not on any other proposal. Broker non-votes will be counted as present to determine if a quorum exists but will not be counted as present and entitled to vote on any nonroutine proposals.

In the election of directors, director nominees receiving a plurality of votes cast at the meeting will be elected directors of the Corporation. Shares not voted, including broker non-votes, have no effect on the election of directors. In connection with the approval of the two proposals to amend the Corporation s Articles of Incorporation, the affirmative vote of two-thirds of the outstanding shares of common stock is required to approve each amendment. In determining whether a proposal has received the requisite number of affirmative votes, abstentions and broker non-votes will have the same effect as a vote against the amendment.

Proposal # 1:
Election of Directors

The Board of Directors is divided into three classes, with the directors in each class being elected for a term of three years. At the Annual Meeting of Shareholders, three directors will be elected for terms ending with the annual meeting of shareholders in 2011.

Except as otherwise specified in the proxy, proxies will be voted for election of the three nominees named below. If a nominee becomes unable or unwilling to serve, proxies will be voted for such other person, if any, as shall

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be designated by the Board of Directors. However, the Corporation s management now knows of no reason to anticipate that this will occur. The three nominees for election as directors who receive the greatest number of votes cast will be elected directors. Each of the nominees has agreed to serve as a director if elected.

Nominees for election and current directors are listed below. Also shown for each nominee and each current director is his or her principal occupation for the last five or more years, age and length of service as a director of the Corporation.

David W. Hole and Ronald E. Schumacher retired as members of the Corporation s Board of Directors on December 31, 2007. Effective January 1, 2008, Mr. Theodore W.(Ted) Kortes was appointed to the Board as part of the Greenville Financial Corporation Merger agreement which occurred effective January 1, 2008. Mr. Kortes will serve on the Board until the earlier of his attainment of age 70 or the date of the 2010 annual shareholders meeting of the Corporation.

The Board of Directors recommends that shareholders vote FOR the election of each of the three director nominees nominated by the Board of Directors.

Director Nominees for Terms Ending in 2011

Richard J. Barz (age 59) has been a director of the Corporation since 2002. He has been a director of Isabella Bank since 2000. Mr. Barz also serves on the Board of Financial Group Information Services and is a member of the Finance and Planning Committee. Mr. Barz has been President and CEO of Isabella Bank since December 30, 2001. Prior to his appointment as President and CEO he served as Executive Vice President of Isabella Bank. Mr. Barz was Chairman of the Central Michigan Community Hospital in 2007 and was the recipient of the 2007 Mount Pleasant Area Chamber of Commerce Citizen of the year award.

Sandra L. Caul (age 64) has been a director of the Corporation since 2005. She currently serves as director of Isabella Bank, and serves on the Audit Committee, and the Compensation and Human Resource Committee. Ms. Caul is Vice Chair of Central Michigan Community Hospital Board of Directors and is Chair of the Central Michigan American Red Cross. Ms. Caul retired in January 2005 as a state representative of the Michigan State House of Representatives. Ms. Caul is a registered nurse.

W. Michael McGuire (age 58) was appointed director of the Corporation on March 22, 2007, and serves on the Audit Committee, Finance and Planning Committee, and the Compensation and Human Resource Committee. He is a director of the Farwell division of Isabella Bank. Mr. McGuire is currently an attorney and Director of the Office of the Corporate Secretary and Assistant Secretary of The Dow Chemical Company, a manufacturer of chemicals, plastics and agricultural products.

Current Directors with Terms Ending in 2010

James C. Fabiano (age 64) has been a director of Isabella Bank since 1979 and of the Corporation since 1988, of which he is currently serving as Chairperson and is an ex-officio member of all committees. He also serves as an ex-officio member of the entire Corporation s subsidiary Boards of Directors. Mr. Fabiano is Chairman of Fabiano Brothers, Inc., a wholesale distributor of beer, wine and certain specialty beverages. Mr. Fabiano is a past recipient of the Mount Pleasant Area Chamber of Commerce Citizen of the year award, he was also the past chairman of Central Michigan University board of trustees.

Dale D. Weburg (age 64) has served on the Board of the Corporation since 2000 and is a member of the Financial Group Information Services Board of Directors. He also serves on the Nominating and Corporate Governance

Committee, Audit Committee, and the Compensation and Human Resource Committee. He has been a director of the Farmers division of Isabella Bank since 1987, of which he is currently serving as Chairperson. Mr. Weburg is President of Weburg Farms, a cash crop farm operation. Mr. Weburg also serves as a board of trustee for Gratiot Health System.

Theodore W. Kortes (age 67) was appointed director of the Corporation on January 1, 2008, and serves on the Finance and Planning Committee and the Compensation and Human Resource Committee. He is a director and

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Chairman of the Greenville division of Isabella Bank. Mr. Kortes was President and CEO of Greenville Community Bank and Greenville Community Financial Corporation since its founding in 1998, until his retirement in 2007.

Current Directors with Terms Ending in 2009

Dennis P. Angner (age 52) has been a director of the Corporation since 2000. He also serves as an ex-officio member of all of the Corporation s subsidiary Boards of Directors, the Nominating and Corporate Governance Committee, and the Finance and Planning Committee. Mr. Angner has been President and CEO of the Corporation since December 30, 2001. Prior to his appointment as President and CEO, he served as Executive Vice President of the Corporation. Mr. Angner is the Chair of the Michigan Bankers Association and has served on the Central Michigan American Red Cross board for over 20 years.

David J. Maness (age 54) has been a director of the Corporation since 2004, and serves on the Audit Committee, the Compensation and Human Resource Committee, and is currently chairperson on the Finance and Planning Committee. He also serves on the Board of Directors of Isabella Bank and is chairperson of Financial Group Information Services. He is President of Maness Petroleum, a geological and geophysical consulting service. Mr. Maness served as a school board member of the Mount Pleasant School board.

W. Joseph Manifold (age 56) has been a director of the Corporation since 2003, and serves on the Nominating and Corporate Governance Committee, the Compensation and Human Resource Committee, and serves as chairperson of the Audit Committee. Mr. Manifold is a Certified Public Accountant and President of Federal Broach & Machine Company, a manufacturing company. In the past he was a senior auditor with Ernst & Young Certified Public Accounting firm working principally on external bank audits, and was CFO of the Delfield Corporation. Prior to joining IBT Bancorp Mr. Manifold also served on the Isabella Community Credit Union Board and was Chair of the Mount Pleasant School Board.

William J. Strickler (age 67) has been a director of the Corporation since 2002, and serves on the Nominating and Corporate Governance Committee, the Finance and Planning Committee, and the Compensation and Human Resource Committee. He has been a director of Isabella Bank since 1995 and is currently serving as Chairperson. Mr. Strickler is President of Michiwest Energy, an oil and gas producer. Prior to joining the Corporation and Bank Board he served as a director of the National City Community Bank Board.

Each of the directors has been engaged in their stated professions for more than five years. The principal occupation of Dennis P. Angner is with the Corporation, and he has been employed by Isabella Bank and/or the Corporation since 1984. Other executive officers of the Corporation include: Richard J. Barz, President of Isabella Bank, an employee of Isabella Bank and/or the Corporation since 1972; Timothy M. Miller (age 56), President of the Farmers division of Isabella Bank, an employee of Farmers State Bank and/or the Corporation since 1985; Peggy L. Wheeler (age 48), Senior Vice President and Controller of the Corporation, employed by Isabella Bank and/or the Corporation since 1977; Steven D. Pung (age 58), Senior Vice President of Isabella Bank, employed by Isabella Bank and/or the Corporation since 1978. All officers of the Corporation serve at the pleasure of the Board of Directors.

Proposal # 2: Amendment of The Articles of Incorporation to Increase the Number of Authorized Shares of Common Stock From 10,000,000 to 15,000,000

Introduction

The Corporation s Articles of Incorporation provide that the authorized number of shares of common stock is 10,000,000 (Common Stock). As of April 1, 2008 there were 7,522,718 shares of Common Stock outstanding and

5,782 shares reserved for issuance under the Isabella Bank and Trust Employee Stock Ownership Plan (ESOP) and 33,068 shares reserved for issuance under the IBT Bancorp, Inc. Stockholder Dividend Reinvestment and Employee Stock Purchase Plan (Dividend Reinvestment Plan). There were 198,939 authorized but unissued shares under the Directors Nonqualified Deferred Compensation Director plan (Directors Plan).

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The Board of Directors on February 28, 2008, unanimously approved an amendment to the Corporation s Articles of Incorporation to increase the number of authorized shares of Common Stock from 10,000,000 shares to 15,000,000 shares and unanimously recommends to the shareholders that they approve such amendment. The additional shares of Common Stock for which authorization is sought would be a part of the existing class of shares of Common Stock and, if and when issued, would have the same rights and privileges as the shares of Common Stock presently outstanding.

Purposes and Effects of Proposed Amendment

The Board of Directors considers it advisable to increase the authorized number of shares of Common Stock to 15,000,000. The additional authorized common shares will be available for any purpose for which shares of common stock may be issued under the Michigan Business Corporation Act. For example, this could include, among other things, possible issuance from time to time pursuant to the ESOP or other employee benefit plans, the Directors Nonqualified Deferred Compensation Plan, the Employee and director Stock Purchase program, the Dividend Reinvestment Plan, acquisitions, private placements, public offerings for cash and stock splits or stock dividends. The Corporation currently has no plans, arrangements, understandings or commitments for the issuance of the additional Common Stock. It is considered advisable, however, to have the authorization to issue such shares in order to enable the Corporation, as the need may arise, to move promptly to take advantage of market conditions and the availability of other opportunities without the delay and expense involved in calling a shareholders meeting for such purpose. The cost, prior notice requirements and delay involved in obtaining shareholder approval at the time that corporate action may become necessary, could eliminate the opportunity to effect the action or reduce the expected benefits.

There are no preemptive rights with respect to the authorization or issuance of the additional authorized Common Stock and those shares may be issued without further action by shareholders. Any issuance of Common Stock must be for proper business purposes and for proper consideration from the recipient. Issuance of additional Common Stock could, under some circumstances, dilute the voting rights, equity and earnings per share of existing common shareholders. Nevertheless, the Corporation anticipates that it would receive value for any additional Common Stock issued, thereby reducing or eliminating the economic effect of such dilution to shareholders.

Although the decision of the Board of Directors to propose an increase in the number of shares of Common Stock authorized for issuance did not result from any effort, known to the Corporation, by any person to accumulate Common Stock or to affect a change in control of the Corporation, one effect of an increase in authorized Common Stock may be to make more difficult certain types of attempts to obtain control of the Corporation not approved by the Board of Directors. However, the Board of Directors does not intend or view the proposed increase in authorized Common Stock as an anti-takeover measure and is not proposing the increase in response to any attempt or plan to obtain control of the Corporation.

Vote Required

The affirmative vote of two-thirds of the outstanding shares of Common Stock is required to approve the amendment. If the amendment is approved by the shareholders, the amendment will become effective upon the filing of a certificate of amendment with the Michigan Department of Labor and Economic Growth, which filing is expected to occur promptly after the Annual Meeting.

Your Board of Directors Recommends a Vote <u>For</u> the Proposal to Amend the Corporation s Articles of Incorporation to Increase the Number of Authorized Shares of Common Stock

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**Proposal #3: Amendment of
The Articles of Incorporation to Change the Corporation s
Name From IBT Bancorp, Inc. to Isabella Bank Corporation**

Introduction

The Board of Directors on February 28, 2008 unanimously approved an amendment to the Corporation s Articles of Incorporation to change the Corporation s name from IBT Bancorp, Inc. to Isabella Bank Corporation and unanimously recommends to the shareholders that they approve such amendment.

Purposes and Effects of Proposed Amendment

The Board of Directors has determined that it is in the best interests of the Corporation to change its name to Isabella Bank Corporation. Over the past two years an ad-hoc committee of IBT Bancorp reviewed the branding of its subsidiary banks. The committee consisted of representation from each subsidiary and the Corporation. The committee assignment was to determine if its banking subsidiary should continue to operate with independent brands with unifying signage, lettering, and logo or as a branded house. The committee utilized the service of a professional marketing firm, conducted market surveys and reviewed other financial institutions branding models. After extensive discussion the committee unanimously recommended that IBT Bancorp and its subsidiaries operate under a single brand: Isabella Bank for the banking division and Isabella Bank Corporation for the Corporation, with both adopting a new logo. The Board of Directors of both IBT Bancorp and Isabella Bank and Trust voted to approve the committee s recommendation at its November 2007 meeting.

The Board of Directors believes its rebranding will enhance our position in the market, provide enhanced customer access to our 24 hour banking locations, simplify the marketing of our products and services, and eliminate confusion with similarly named public companies.

The change of the Corporation s name will not affect, in any way, the validity or transferability of currently outstanding stock certificates, nor will the Corporation s shareholders be required to surrender or exchange any stock certificates that they currently hold as a result of the name change. If the Corporation s name change is approved at the Annual Meeting, the Corporation expects to thereafter change its trading symbol on the OTC Pink Sheets Electronic Quotation Service. The Corporation s new OTC Pink Sheets Electronic Quotation Service trading symbol will be determined at the time the name change becomes effective.

Vote Required

The affirmative vote of two thirds of the outstanding shares of Common Stock is required to approve the amendment. If the amendment is approved by the shareholders, the amendment will become effective upon the filing of a certificate of amendment with the Michigan Department of Labor and Economic Growth, which filing is expected to occur promptly after the Annual Meeting.

Your Board of Directors Recommends a Vote <u>For</u> the Proposal to Amend the Corporation s Articles of Incorporation to Change the Corporation s Name from IBT Bancorp, Inc. to Isabella Bank Corporation

Corporate Governance

Director Independence

The Corporation has adopted the director independence standards as defined in NASDAQ Marketplace Rule 4200(a)(15). The Board has determined that James C. Fabiano, Dale D. Weburg, David J. Maness, W. Joseph Manifold, William J. Strickler, Sandra L. Caul, W. Michael McGuire, and Ted W. Kortes are independent directors. David W. Hole and Ronald E. Schumacher, who both retired as members of the Corporation s Board of Directors on December 31, 2007 were also determined to be independent directors. Dennis P. Angner is not independent as he is employed as President and Chief Executive Officer of the Corporation. Richard J. Barz is not independent as he is employed as President and Chief Executive Officer of Isabella Bank.

Committees of the Board of Directors and Meeting Attendance

The Board of Directors of the Corporation met 14 times during 2007. All incumbent directors attended 75% or more of the meetings held in 2007. The Board of Directors has an Audit Committee, a Nominating and Corporate Governance Committee, a Compensation and Human Resource Committee, and a Finance and Planning Committee.

Audit Committee

The Audit Committee is composed of independent directors who meet the requirements for independence as defined in NASDAQ Marketplace Rule 4200(a) (15). Information regarding the functions performed by the Committee, its membership, and the number of meetings held during the year, is set forth in the Report of the Audit Committee included elsewhere in this annual proxy statement. The Audit Committee is governed by a written charter approved by the Board of Directors and is included as Appendix A to this proxy statement. In accordance with the provisions of the Sarbanes-Oxley Act of 2002, Director Manifold meets the requirements of Audit Committee Financial Expert and has been so designated by the Board of Directors. The committee also consists of directors Caul, Fabiano, Maness, McGuire and Weburg.

Nominating and Corporate Governance Committee

The Corporation has a standing Nominating and Corporate Governance Committee consisting of independent directors who meet the requirements for independence as defined in NASDAQ Marketplace Rule 4200(a) (15). The Committee consists of directors Manifold, Strickler and Weburg. The Nominating and Corporate Governance Committee held three meetings in 2007, and all directors attended 75% or more of the meetings in 2007. (The Board of Directors has approved a Nominating and Corporate Governance Committee Charter and it is included as Appendix B in this proxy statement.) The Nominating and Corporate Governance Committee is responsible for evaluating and recommending individuals for nomination to the Board of Directors for approval. In making its selections and recommendations, the Nominating and Corporate Governance Committee considers a variety of factors, which generally include the candidate s personal and professional integrity, independence, business judgment, and communication skills.

The Nominating and Corporate Governance Committee will consider as potential nominees, persons recommended by shareholders. Recommendations should be submitted in writing to the Secretary of the Corporation, 200 East Broadway, Mount Pleasant, Michigan 48858 and include the shareholder s name, address and number of shares of the Corporation owned by the shareholder. The recommendation should also include the name, age, address and qualifications of the recommended candidate for nomination. Recommendations for the 2009 Annual Meeting of Shareholders should be delivered no later than December 27, 2008. The Nominating and Corporate Governance Committee does not evaluate potential nominees for director differently based on whether they are recommended to the Nominating and Corporate Governance Committee by a shareholder.

Compensation and Human Resource Committee

The Compensation and Human Resource Committee of the Corporation is responsible for reviewing and recommending to the Corporation s Board of Directors the compensation of the President and executive officers of the Corporation, benefit plans and the overall percentage increase in salaries. The committee consists of all independent directors, Fabiano, Caul, Kortes, McGuire, Maness, Manifold, Strickler, and Weburg. This committee is governed by a written charter approved by the Board of Directors that was attached as Appendix A to the Corporation s proxy statement for the 2007 Annual Shareholder s Meeting.

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Finance and Planning Committee

The Finance and Planning Committee evaluates new business opportunities and business acquisitions, assists management in establishing financial goals, reviews all strategic plans of subsidiaries to assure consistency with overall corporate goals, and reviews interest rate risks, credit risks and insurance coverage. The committee consists of directors Maness, Barz, Kortes, McGuire, and Strickler.

Communications with the Board

Shareholders may communicate with the Corporation s Board of Directors by sending written communications to the Corporation s Secretary, IBT Bancorp, Inc., 200 East Broadway, Mount Pleasant, Michigan 48858. Communications will be forwarded to the Board of Directors or the appropriate committee, as soon as practicable.

Code of Ethics

The Corporation has adopted a Code of Business Conduct and Ethics that is applicable to the Corporation s principal executive officer, the principal financial officer and controller. The Corporation s Code of Business Conduct and Ethics may be obtained free of charge by sending a request to Debra Campbell, Secretary, IBT Bancorp, Inc., 200 East Broadway, Mount Pleasant, Michigan 48858.

Report of the Audit Committee

The Audit Committee oversees the Corporation s financial reporting process on behalf of the Board of Directors. The Committee consists of directors Fabiano, Caul, Maness, Manifold, McGuire, and Weburg.

The Audit Committee is responsible for pre-approving all auditing services and permitted non-audit services over $5,000 for the Corporation by its independent auditors or any other auditing or accounting firm, except as noted below. The Audit Committee has established general guidelines for the permissible scope and nature of any permitted non-audit services in connection with its annual review of the audit plan and reviews the guidelines with the Board of Directors.

Management has the primary responsibility for the consolidated financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited consolidated financial statements in the Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the consolidated financial statements. The Committee also reviewed with management and the independent auditors, management s assertion on the design and effectiveness of the Corporation s internal control over financial reporting as of December 31, 2007.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited consolidated financial statements with accounting principles generally accepted in the United States of America, their judgments as to the quality, not just the acceptability, of the Corporation s accounting principles and such other matters as are required to be discussed with the Committee by the standards of the Public Company Accounting Oversight Board (United States), including those described in SAS 61, as may be modified or supplemented. In addition, the Committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 as may be modified or supplemented, and has discussed with the independent accountant the independent accountant s independence.

The Committee discussed with the Corporation s internal and independent auditors the overall scope and plans for their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Corporation s internal controls and the overall quality of the Corporation s financial reporting process. The Committee held six meetings during 2007, and all directors attended 75% or more of the meetings held in 2007.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited consolidated financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the Securities and Exchange Commission. The Committee has appointed Rehmann Robson as the independent auditors for the 2008 audit.

Respectfully submitted,

W. Joseph Manifold, Audit Committee Chairperson
James C. Fabiano
David J. Maness
Sandra L. Caul
W. Michael McGuire
Dale D. Weburg

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Compensation Discussion and Analysis

The Compensation and Human Resource Committee (the Committee) is responsible for the compensation and benefits for the President and executive officers of the Corporation. The Committee evaluates and approves the executive officer and senior management compensation plans, policies and programs of the Corporation and its affiliates. The Committee also evaluates and establishes the compensation of the President and Chief Executive Officer of the Corporation. The President and Chief Executive Officer, Dennis P. Angner conducts annual performance reviews for all Named Executive Officers, excluding himself. Mr. Angner recommends an appropriate salary increase to the Committee based on the performance review and years of service along with competitive market data.

Compensation Objectives

The Committee considers asset growth and earnings per share to be the primary ratios in measuring financial performance. The Corporation s philosophy is to maximize long-term return to shareholders consistent with safe and sound banking practices while maintaining our commitment to superior customer and community service. We believe that the performance of our executive officers in managing our business should be the basis for determining overall compensation. Consideration is also given to overall economic conditions and current competitive forces in the market place. The objectives of the Committee are to effectively balance salaries with potential compensation to an officer s individual management responsibilities and to realize their potential for future contribution to the Corporation. We strive to attract and retain high performing executive officers who will lead the Corporation while attaining the Corporation s earnings and performance goals.

What the Compensation Programs are Designed to Reward

The compensation programs are designed to reward dedicated and conscientious employment with the Corporation, loyalty in terms of continued employment, attainment of job related goals and overall profitability of the Corporation. In measuring an executive officer s contributions to the Corporation, the Committee considers numerous factors including, among other things, the Corporation s growth in terms of asset size, and increase in earnings per share. In rewarding loyalty and long-term service, the Corporation provides attractive retirement benefits.

Elements of Compensation

The Corporation s executive compensation program has consisted primarily of base salary and benefits, annual cash bonus incentives, stock awards, and participation in the Corporation s retirement plans.

Why Each of the Elements of Compensation is Chosen

Base Salary and Benefits are set to provide competitive levels of compensation to attract and retain officers with strong motivated leadership. Each officer s performance, current compensation and responsibilities within the Corporation are considered by the Committee when establishing base salaries. The Corporation also believes it is best to pay sufficient base salary because it believes an over-reliance on equity incentive compensation could potentially skew incentives toward short-term maximization of shareholder value as opposed to building long-term shareholder value. Base salary encourages management to operate the Corporation in a safe and sound manner even when incentive goals may prove unattainable.

Annual Cash Bonus Incentives are used to reward executive officers for the Corporation s overall financial performance. This element of the Corporation s compensation programs is included in the overall compensation in order to reward employees above and beyond their base salaries when the Corporation s performance and profitability exceed established annual targets. The inclusion of incentive compensation encourages management to be more creative, diligent and exhaustive in managing the Corporation to achieve specified financial goals.

Stock Awards are also provided as stock awards are the element of compensation that is most effective in aligning the financial interests of management with those of shareholders and because stock awards are a traditional and well-proven element of compensation among community banks and bank holding companies. These stock awards take the form of director fees that eligible executive officers elect to defer under the Directors Nonqualified Deferred Compensation Plan (Directors Plan). These deferred fees are converted on a quarterly basis into stock units of the Corporations common stock. The directors of the Corporation and its subsidiaries are required to defer at least 25% of their earned board fees into the Director s Plan.

Retirement Plans. The Corporation s retirement plans are designed to assist executives in providing themselves with a financially secure retirement. Our retirement plans include: a frozen defined benefit pension plan, a 401(k) plan, and a non-leveraged employee stock ownership plan (ESOP), and a retirement bonus plan.

How the Corporation Chose Amounts for Each Element

The Committee s approach to determining the annual base salary of executive officers is to offer competitive salaries in comparison with other comparable financial institutions. The Committee utilizes regional compensation surveys which provide salary ranges for financial institutions and periodically collects information from other bank holding companies within its peer group for comparison. Specific factors used to decide where an executive officer salary should be within the established range include the historical financial performance, financial performance outlook, years of service, and job performance.

The annual cash bonus incentive is based on goals set on individual performance and recognition of individual performance. A subjective analysis is conducted by the Chief Executive Officer. The Chief Executive Officer makes a recommendation to the Committee for the appropriate amount for each individual executive officer. The Committee reviews, modifies and approves the recommendations of the Chief Executive Officer. The Committee reviews the performance of the Chief Executive Officer. The Committee uses the following factors as quantitative measures of corporate performance in determining annual cash bonus amounts to be paid.

- peer group financial performance compensation;
- 1 and 5 year shareholder returns;
- earnings per share and earnings per share growth;
- budgeted as compared to actual annual operating performance;
- community and industry involvement;
- results of audit and regulatory exams; and
- other strategic goals as established by the board of directors

While no particular weight is given to any specific factor, the Committee gives at least equal weight to the subjective analyses as described above.

Stock awards take the form of deferred director fees which are converted on a quarterly basis into stock units of the Corporation s common stock under the Directors Plan. The deferred fees are converted on a quarterly basis into stock units based on the purchase price for a share of common stock under the Corporation s Dividend Reinvestment Plan. Stock units credited to a participant s account under the Directors Plan are eligible for stock and cash dividends as declared.

Retirement plans. The Corporation has a frozen defined benefit pension plan covering substantially all of its employees. The benefits were based on years of service and the employee s five highest consecutive years of compensation out of the last ten years of service. The funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to services to date but also for those expected to be earned in the future.

In December 2006, the Board of Directors voted to curtail the defined benefit plan effective March 1, 2007. The effect of the curtailment was recognized in the first quarter of 2007, the current participant s accrued benefits were frozen as of March 1, 2007. The participation in the plan was limited to eligible employees as of December 31, 2006.

The Corporation has a 401(k) plan in which substantially all employees are eligible to participate. Employees may contribute up to 100% of their compensation subject to certain limits based on federal tax laws. As a result of the curtailment of the defined benefit plan noted above, the Corporation decided to increase the contributions to the Corporation s 401(k) plan effective January 1, 2007. The enhancement includes an automatic 3.0% contribution for all eligible employees and matching contributions equal to 50% of the first 4.0% of an employee s compensation contributed to the Plan during the year. Employees are 0% vested through their first three years of employment and are 100% vested after 6 years of service.

The Corporation maintains a non-leveraged employee stock ownership plan (ESOP) which covers substantially all of its employees. Contributions to the plan is discretionary and approved by the Board of Directors.

The Corporation maintains a plan for officers to provide death benefits to each participant. Insurance policies, designed primarily to fund death benefits, have been purchased on the life of each participant with the Corporation as the sole owner and beneficiary of the policies.

The retirement bonus plan is a nonqualified plan of deferred compensation benefits for eligible employees effective January 1, 2007. An initial amount has been credited for each eligible employee as of January 1, 2007. Subsequent amounts shall be credited on each allocation date thereafter as defined in the plan. The amount of the initial allocation and the annual allocation shall be determined pursuant the payment schedule adopted by the sole and exclusive discretion of the Board of Directors, as set forth in the plan.

How Elements Fit into Overall Compensation Objectives

The elements of the Corporation s compensation are structured to reward past and current performance, continued service and motivate its leaders to excel in the future. The Corporation s salary compensation has generally been used to retain and attract motivated leadership. The Corporation intends to continually ensure its salaries are sufficient to attract and retain exceptional officers. The Corporation s cash bonus incentive rewards current performance based upon personal and corporate, goals and targets. The Corporation makes stock awards to motivate its officers to enhance value for its shareholders by aligning the interests of management with those of its shareholders.

As part of its goal of attracting and retaining quality team members, the Corporation has developed employee benefit plans that make it stand out from the rest of the competition. Management feels that the combination of all of the plans listed above makes the Corporation s total compensation packages attractive.

Compensation and Human Resource Committee Report

The following Report of the Compensation and Human Resource Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Corporation filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, expect to the extent the Corporation specifically incorporates this Report by reference therein.

The Compensation and Human Resource Committee, which includes the independent directors of the board, has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of SEC Regulation S-K with management, and based on such review and discussion, the Compensation and Human Resource Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and Annual Report on Form 10-K.

Submitted by the Compensation and Human Resource Committee of IBT Bancorp s Board of Directors:

James C. Fabiano, Chairperson
Sandra L. Caul

Ted W. Kortes
David J. Maness
W. Joseph Manifold
W. Michael McGuire
William J. Strickler
Dale D. Weburg

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Executive Officers

Executive Officers of the Corporation are compensated in accordance with their employment with the applicable entity. The following table shows information on compensation earned from the Corporation or its subsidiaries during the year ended December 31, 2007, by the President and Chief Executive Officer, the Principal Financial Officer, and the corporation s three most highly compensated executive officers.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(1)	Stock Awards ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)(2)	All Other Compensation ($)(3)	Total ($)
Dennis P. Angner	2007	$ 288,101	$ 8,225	$ 26,280	$ (7,000)	$ 18,715	$ 334,321
President and CEO of IBT Bancorp, Inc.	2006	255,237	10,000	16,228	70,646	8,233	360,344
Peggy L. Wheeler	2007	100,000	3,000		(3,000)	2,023	102,023
Principal Financial Officer, Sr. Vice President and Controller of IBT Bancorp, Inc.	2006	88,500			14,339	685	103,524
Richard J. Barz	2007	274,706	7,875	18,125		23,226	323,932
Executive Vice President of IBT Bancorp, Inc. and President & CEO of Isabella Bank	2006	237,175	14,400	15,100	134,235	10,948	411,858
Timothy M. Miller	2007	155,171		7,880	(1,000)	14,167	176,218
Vice President of IBT Bancorp, Inc. and President of the Farmers State Bank division of Isabella Bank	2006	149,117	3,567	7,223	17,030	5,778	182,715
Steven D. Pung(4) Sr. Vice President of Isabella Bank	2007	108,100	3,625	1,800		14,194	127,719

(1) Includes compensation voluntarily deferred under the Corporation s 401(k). Directors fees paid in cash are also included, for calendar years 2007 and 2006 respectively as follows: Dennis P. Angner $23,870 and $20,237; Richard J. Barz $20,475 and $12,175; and Timothy M. Miller $20,940 and $18,117.

(2) For 2006 approximately 75% of the change in the present value of the defined benefit is related to prior service, a decrease in the assumed discount rate, and a change in the actuarial mortality table. Amounts were determined using assumptions consistent with those used in the Corporation s financial statements. The Board of Directors approved a curtailment of this plan in December 2006 effective March 1, 2007. Assumptions were consistent to those that were presented in the consolidated financial statements.

(3) For all noted executives all other Compensation includes 401(k) matching contributions. For Richard J. Barz and Steven D. Pung this also includes club dues and auto allowance. For Dennis P. Angner and Timothy M. Miller, this also includes auto allowance.

(4) Not a named executive officer prior to 2007.

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2007 Pension Benefits

The following table indicates the present value of accumulated benefits as of December 31, 2007 for each named executive in the summary compensation table.

Name	Plan name	Number of Years of Credited Service as of 01/01/08 (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year
Dennis P. Angner	IBT Bancorp Pension Plan	23	$ 242,000	$
	IBT Bancorp Retirement Bonus Plan	23	132,979	
Peggy L. Wheeler	IBT Bancorp Pension Plan	30	66,000	
	IBT Bancorp Retirement Bonus Plan	30	35,981	
Richard J. Barz	IBT Bancorp Pension Plan	35	531,000	
	IBT Bancorp Retirement Bonus Plan	35	168,591	
Timothy M. Miller	IBT Bancorp Pension Plan	8	53,000	
Steven D. Pung	IBT Bancorp Pension Plan	28	265,000	
	IBT Bancorp Retirement Bonus Plan	28	87,197	

Defined benefit pension plan. The Corporation sponsors a frozen defined benefit pension plan. In December 2006, the Board of Directors voted to curtail the defined benefit plan effective March 1, 2007. The effect of the curtailment, which was recognized in the first quarter of 2007, froze the current participant s accrued benefits as of March 1, 2007 and limited participation in the plan to eligible employees as of December 31, 2006.

Annual contributions are made to the plan as required by accepted actuarial principles, applicable federal tax law, and expenses of operating and maintaining the plan. The amount of contributions on behalf of any one participant cannot be separately or individually computed.

Pension plan benefits are based on years of service and the employees five highest consecutive years of compensation out of the last ten years of service, effective through December 31, 2006.

A participant may earn a benefit for up to 35 years of accredited service. Earned benefits are 100 percent vested after five years of service. Benefit payments normally start when a participant reaches age 65. A participant with more than five years of service may elect to take early retirement benefits anytime after reaching age 55. Benefits payable under early retirement are reduced actuarially for each month prior to age 65 in which benefits begin.

Richard J. Barz, Timothy M. Miller, and Steven D. Pung are eligible for early retirement under the IBT Bancorp Pension Plan. Under the provisions of the Plan, participants are eligible for early retirement after reaching the age of 55 with at least 5 years of service. The early retirement benefit amount is the accrued benefit payable at normal retirement date reduced by 5/9% for each of the first 60 months and 5/18% for each of the next 60 months that the benefit commencement date precedes the normal retirement date.

Retirement bonus plan. The retirement bonus plan is a nonqualified plan of deferred compensation benefits for eligible employees effective January 1, 2007. This plan is intended to provide eligible employees with additional retirement benefits. To be eligible the employee needed to be employed by the Corporation on January 1, 2007, and be a participant in the Corporation s frozen Executive Supplemental Income Agreement. They also must be an officer of the Corporation with at least 10 years of service as of December 31, 2006. The Corporation has sole and exclusive discretion to add new participants to the plan by authorizing such participation pursuant to action of the Corporation s Board of Directors.

An initial amount has been credited for each eligible employee as of January 1, 2007. Subsequent amounts shall be credited on each allocation date thereafter as defined in the plan. The amount of the initial allocation and the annual allocation shall be determined pursuant the payment schedule adopted by the sole and exclusive discretion of the Board of Directors, as set forth in the plan.

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Richard J. Barz, Timothy M. Miller, and Steven D. Pung are eligible for early retirement under the IBT Bancorp Retirement Bonus Plan. Under the provisions of the Plan, participants are eligible for early retirement upon attaining 55 years of age. There is no difference between the calculation of benefits payable upon early retirement and normal retirement.

2007 Nonqualified Deferred Compensation

Name	Executive Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Balance at Last FYE ($)
Dennis P. Angner	$ 26,280	$ 728	$ 43,236
Peggy L. Wheeler			
Richard J. Barz	18,125	604	33,829
Timothy M. Miller	7,880	295	15,398
Steven D. Pung	1,800	94	4,819

The directors of the Corporation and its subsidiaries are required to defer at least 25% of their earned board fees into the Directors Plan. These amounts are reflected in the 2007 nonqualified deferred compensation table above. These deferred fees are converted on a quarterly basis into stock units of the Corporation s common stock under the Directors Plan. The deferred fees are converted to stock units based on the purchase price for a share of common stock under the Corporation s Dividend Reinvestment Plan. Stock units credited to a participant s account are eligible for stock and cash dividends as declared.

Distribution from the Directors Plan occurs when the participant terminates service with the Corporation and/or attains age 65. Distributions must take the form of shares of Corporation common stock equal to the number of stock units credited to the participant s account. Any Corporation common stock issued under the Directors Plan will be considered restricted stock under the Securities Act of 1933, as amended.

Potential Payments Upon Termination or Change in Control

The estimated pay outs payable to each named executive officer upon severance from employment, retirement, termination upon death or disability or termination following a change in control of the Corporation are described below. For all termination scenarios, the figures assume such termination took place as of December 31, 2007.

Any Severance of Employment

Regardless of the manner in which a named executive officer s employment terminates, he or she is entitled to receive amounts earned during his or her term of employment. Such amounts include:

Amounts accrued and vested through the Defined benefit pension plan.

Amounts accrued and vested through the Retirement Bonus plan.

Amounts deferred in the Directors Plan.

Unused vacation pay.

Retirement

In the event of the retirement of an executive officer the officer would receive the items identified above. As of December 31, 2007, the named executive officers listed had no unused vacation days.

Death or Disability

In the event of death or disability of an executive officer, in addition to the benefits listed above, the executive officer will also receive payments under the Corporation s life insurance plan or benefits under the Corporation s disability plan as appropriate.

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In addition to potential payments upon termination available to all employees, the estates for the executive officers listed below would receive the following payments upon death:

Name	Bank Owned Life Insurance Policies
Dennis P. Angner	$ 792,000
Peggy L. Wheeler	300,000
Richard J. Barz	762,000
Timothy M. Miller	402,000
Steven D. Pung	324,000

Change in Control

The Corporation currently does not have a change in control agreement with any of the executive officers, provided however pursuant to the Retirement Bonus Plan each participant would become 100% vested in their benefit under the plan if, following a change in control, they voluntarily terminate employment or are terminated without just cause.

Director Compensation

The following table summarizes the Compensation of each non-employee director who served on the Board of Directors during 2007.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	Total ($)
Sandra Caul	$	$ 38,075	$ 7,011	$ 45,086
James Fabiano		49,925	20,308	70,233
David Maness		42,700	2,812	45,512
W. Joseph Manifold		27,425	1,904	29,329
W. Michael McGuire		23,125	1,027	24,152
William Strickler		36,000	8,650	44,650
Dale Weburg		35,145	4,322	39,467

The Corporation paid a $4,000 retainer and $950 per board meeting to its directors during 2007 and $225 per committee meeting attended.

The Corporation sponsors a nonqualified deferred compensation plan for directors (the Directors Plan). Under the Directors Plan, deferred directors fees are converted on a quarterly basis into stock units of the Corporation s common stock. The fees are converted based on the purchase price for a share of the Corporation s common stock under the Corporation s Dividend Reinvestment Plan. Pursuant to the terms of the Directors Plan, directors of the Corporation and its subsidiaries are required to defer at least 25% of their earned board fees. The amount deferred under the terms of the Directors Plan in 2007 was $468,748, resulting in 18,085 stock units being credited to participants accounts. As of December 31, 2007, there were 198,939 stock units credited to participants accounts, as adjusted for the 10% stock dividend paid on February 29, 2008. Stock units credited to a participant s account are eligible for cash and stock dividends as payable. All amounts deferred are unsecured claims against the Corporation s general assets. The plan does not allow for cash settlement. The net cost of this benefit to the Corporation was $120,789 in 2007.

Distribution from the Directors Plan occurs when the participant terminates service with the Corporation and/or attains age 65. Distributions must take the form of shares of Corporation common stock equal to the number of stock units credited to the participant s account. Any Corporation common stock issued under the Directors Plan will be considered restricted stock under the Securities Act of 1933, as amended.

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Compensation and Human Resource Committee Interlocks and Insider Participation

The Compensation and Human Resource Committee of the Corporation is responsible for reviewing and recommending to the Corporation s Board of Directors the compensation of the President and executive officers of the Corporation, benefit plans and the overall percentage increase in salaries. The committee consists of directors Fabiano, Caul, Kortes, McGuire, Maness, Manifold, Strickler, and Weburg.

Certain Relationships and Related Transactions with Management

Certain directors and officers of the Corporation and members of their families were loan customers of Isabella Bank, or have been directors or officers of corporations, or partners of partnerships which have had transactions with the subsidiary Bank. In management s opinion, all such transactions are made in the ordinary course of business and are substantially on the same terms, including collateral and interest rates, as those prevailing at the same time for comparable transactions with customers not related to the Bank. These transactions do not involve more than normal risk of collectability or present other unfavorable features. Total loans to these customers were approximately $10,461,000 as of December 31, 2007. The Corporation addresses transactions with related parties in its *Code of Business Conduct and Ethics* policy**.** Conflicts of interest are prohibited as a matter of Corporation policy, except under guidelines approved by the Board of Directors or committees of the Board.

Security Ownership of Certain Beneficial Owners and Management

As of April 1, 2008 the Corporation does not have any person who is known to the Corporation to be the beneficial owner of more than 5% of the common stock of the Corporation.

The following table sets forth certain information as of April 1, 2008 as to the common stock of the Corporation owned beneficially by each director and director nominee, by each named executive officer, and by all directors, director nominees and executive officers of the Corporation as a group.

	Amount and Nature of Beneficial Ownership			
Name of Owner	**Sole Voting and Investment Powers**	**Shared Voting and Investment Powers**	**Total Beneficial Ownership**	**Percentage of Common Stock Outstanding**
Dennis P. Angner*	16,485		16,485	0.22%
Richard J Barz*	18,732		18,732	0.25%
Sandra L. Caul		10,000	10,000	0.13%
James C. Fabiano	251,997	5,916	257,913	3.43%
Theodore W. Kortes		16,626	16,626	0.22%
W. Joseph Manifold	530		530	0.01%
W. Michael McGuire	6,032		6,032	0.08%
David J. Maness	419	929	1,348	0.02%
William J. Strickler	73,283	12,722	86,005	1.14%
Dale D. Weburg	25,842	30,267	56,109	0.75%
Timothy M. Miller	52	3,441	3,493	0.05%
Steven D. Pung	8,763	6,705	15,468	0.21%
Peggy L. Wheeler	3,937	2,330	6,267	0.08%

All Directors, nominees and Executive Officers as a Group (13 persons)	406,072	88,936	495,008	6.59%

* Trustees of the ESOP who vote ESOP stock.

Independent Registered Public Accounting Firm

The Audit Committee has appointed Rehmann Robson as the independent auditors of the Corporation for the year ending December 31, 2008.

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A representative of Rehmann Robson is expected to be present at the Annual Meeting of Shareholders to respond to appropriate questions from shareholders and to make any comments they believe appropriate.

Fees for Professional Services Provided by Rehmann Robson P.C.

The following table shows the aggregate fees billed by Rehmann Robson for the audit and other services provided to the Corporation for 2007 and 2006.

	2007	2006
Audit Fee	$ 371,860	$ 464,172
Audit Related Fees	31,365	18,785
Tax Fees	28,750	31,085
Other Professional Services Fees	16,450	33,292
Total	$ 448,425	$ 547,334

The audit fees were for performing the audit of the Corporation s consolidated annual financial statements, audit of internal controls over financial reporting, review of interim quarterly financial statements included in the Corporation s Forms 10-Q, and services that are normally provided by Rehmann Robson in connection with statutory and regulatory filings or engagements.

The audit related fees for 2007 were for regulatory filings related to the acquisition of Greenville Financial Corporation and for discussions related to the adoption and interpretation of new Accounting pronouncements.

The audit related fees for 2006 were for regulatory filings related to the acquisition of Farwell State Savings Bank and for discussion of technical accounting issues.

The tax fees were for the preparation of the Corporation and its subsidiaries state and federal tax returns and for consultation with the Corporation on various tax matters.

Other professional service fees for 2006 were for Federal Home Loan Bank required procedures and out of pocket costs.

The Audit Committee has considered whether the services provided by Rehmann Robson other than the audit fees, are compatible with maintaining Rehmann Robson independence and believes that the other services provided are compatible.

Pre-approval Policies and Procedures

All audit and non-audit services to be performed by Rehmann Robson must be approved in advance by the Audit Committee. As permitted by the SEC s rules, the Audit Committee has authorized its Chairperson to pre-approve audit, audit-related, tax and non-audit services, provided that such approved service is reported to the full Audit Committee at its next meeting.

As early as practicable in each calendar year, the independent auditor provides to the Audit Committee a schedule of the audit and other services that the independent auditor expects to provide or may provide during the next twelve months. The schedule will be specific as to the nature of the proposed services, the proposed fees, and other details that the Audit Committee may request. The Audit Committee will by resolution authorize or decline the proposed services. Upon approval, this schedule will serve as the budget for fees by specific activity or service for the next twelve months.

A schedule of additional services proposed to be provided by the independent auditor, or proposed revisions to services already approved, along with associated proposed fees, may be presented to the Audit Committee for their consideration and approval at any time. The schedule will be specific as to the nature of the proposed service, the proposed fee, and other details that the Audit Committee may request. The Audit Committee will by resolution authorize or decline authorization for each proposed new service.

Applicable SEC rules and regulations permit waiver of the pre-approval requirements for services other than audit, review or attest services if certain conditions are met. Out of the services characterized above as Audit-

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Related, Tax and Professional Services, none were billed pursuant to these provisions in 2007 and 2006 without pre-approval.

Shareholder Proposals

Any proposals which shareholders of the Corporation intend to present at the next annual meeting of the Corporation must be received before December 27, 2008 to be considered for inclusion in the Corporation s proxy statement and proxy for that meeting. Proposals should be made in accordance with Securities and Exchange Commission Rule 14a-8.

Directors Attendance at the Annual Meeting of Shareholders

The Corporation s directors are encouraged to attend the annual meeting of shareholders. At the 2007 annual meeting, all directors were in attendance, with the exception of Mr. McGuire.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Corporation s directors and certain officers and persons who own more than ten percent of the Corporation s common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of the Corporation s common stock. These officers, directors, and greater than ten percent shareholders are required by SEC regulation to furnish the Corporation with copies of these reports.

To the Corporation s knowledge, based solely on review of the copies of such reports furnished to the Corporation, during the year ended December 31, 2007 all Section 16(a) filing requirements were satisfied, with respect to the applicable officers, directors, and greater than 10 percent beneficial owners.

Other Matters

The cost of soliciting proxies will be borne by the Corporation. In addition to solicitation by mail, officers and other employees of the Corporation may solicit proxies by telephone or in person, without compensation other than their regular compensation.

As to Other Business Which May Come Before the Meeting

Management of the Corporation does not intend to bring any other business before the meeting for action. However, if any other business should be presented for action, it is the intention of the persons named in the enclosed form of proxy to vote in accordance with their judgment on such business.

By order of the Board of Directors

Debra Campbell, Secretary

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IBT Bancorp, Inc.

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SUMMARY OF SELECTED FINANCIAL DATA

	2007	2006	2005	2004	2003
	(Dollars in thousands except per share data)				
INCOME STATEMENT DATA					
Total interest income	$ 53,972	$ 44,709	$ 36,882	$ 33,821	$ 35,978
Net interest income	28,013	24,977	23,909	23,364	23,528
Provision for loan losses	1,211	682	777	735	1,455
Net income	7,930	7,001	6,776	6,645	7,205
BALANCE SHEET DATA					
End of year assets	$ 957,282	$ 910,127	$ 741,654	$ 678,034	$ 664,079
Daily average assets	925,631	800,174	700,624	675,157	659,323
Daily average deposits	727,762	639,046	576,091	567,145	563,600
Daily average loans/net	596,739	515,539	459,310	430,854	399,008
Daily average equity	119,246	91,964	74,682	70,787	65,770
PER SHARE DATA(1)					
Earnings per share					
Basic	$ 1.14	$ 1.12	$ 1.14	$ 1.13	$ 1.24
Diluted	1.11	1.08	1.14	1.13	1.24
Cash dividends	0.62	0.58	0.55	0.52	0.50
Book value (at year end)	17.58	16.61	13.44	12.25	11.76
FINANCIAL RATIOS					
Shareholders equity to assets (at year end)	12.86%	12.72%	10.91%	10.71%	10.38%
Return on average equity	6.65	7.61	9.07	9.39	10.95
Return on average tangible equity	8.54%	8.31%	9.12%	10.01%	11.99%
Cash dividend payout to net income	54.27	53.89	48.02	46.20	39.99
Return on average assets	0.86	0.87	0.97	0.98	1.09