IBT BANCORP INC /MI/
Form DEF 14A
April 26, 2007

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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
Filed by a Party other than the Registrant o
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)

Payment of Filing Fee (Check the appropriate box):

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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 15, 2007

Notice is hereby given that the Annual Meeting of Shareholders of IBT Bancorp, Inc. will be held on Tuesday, May 15, 2007 at 5:00 p.m. Eastern Standard Time, at the Holiday Inn, 5665 E. Pickard Street, Mount Pleasant, Michigan. The meeting is for the purpose of considering and acting upon the following:

1. The election of three directors.

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

The Board of Directors has fixed April 1, 2007 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 23, 2007

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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 15, 2007 at 5:00 p.m. at the Holiday Inn, 5665 E. Pickard 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 23, 2007 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, 2007 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, 2007, there were 6,336,340 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.

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 2010.

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 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.

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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. James C Fabiano, David W. Hole, Dale Weburg, David J. Maness, W. Joseph Manifold, William J. Strickler, Sandra L. Caul, W. Michael McGuire, and Ronald E. Schumacher, are directors who are independent directors as defined by Section 10A of the Securities Exchange Act of 1934, as amended and Rule 4200(a)(15) of the National Association of Securities Dealers (NASD) listing standards, including such definitions applicable to each committee of the board of directors upon which he or she serves or served.

Timothy M. Miller resigned as a member of the Corporation s Board of Directors on March 16, 2007. Mr. Miller s resignation was related to the consolidation of FSB Bank and Isabella Bank & Trust. He has been appointed to the board of directors for Isabella Bank & Trust. Effective March 22, 2007, Mr. Warren Michael McGuire was appointed to fill the vacancy created by Mr. Miller s resignation and to serve out Mr. Miller s unexpired term.

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 2010

James C. Fabiano (age 63) has been a director of Isabella Bank and Trust 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 all the Corporation s subsidiary Boards of Directors. Mr. Fabiano is President and CEO of Fabiano Brothers, Inc., a wholesale distributor of beer, wine and certain specialty beverages.

David W. Hole (age 69) has been a director of Isabella Bank and Trust since 1982. He has served on the Board of the Corporation since 1988 and serves on the Compensation and Human Resource Committee and the Finance and Planning Committee. He currently is a director of Financial Group Information Services. He retired as President and CEO of Isabella Bank and Trust and the Corporation on December 30, 2001.

Dale Weburg (age 63) 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 is chairperson of the Finance and Planning Committee. He has been a director of the Farmers State Bank division of Isabella Bank & Trust since 1987, of which he is currently serving as Chairperson. Mr. Weburg is President of Weburg Farms, a cash crop farm operation.

Current Directors with Terms Ending in 2009

Dennis P. Angner (age 51) 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 and committees. 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.

David J. Maness (age 53) has been a director of the Corporation since 2004, and serves on the Finance and Planning Committee and the Audit Committee. He also serves on the Board of Directors of Isabella Bank and Trust and is chairperson of Financial Group Information Services. Mr. Maness is President of Maness Petroleum, a geological and geophysical consulting service.

W. Joseph Manifold (age 55) has been a director of the Corporation since 2003, and serves as chairperson of the Audit Committee. Mr. Manifold also serves as a director of IBT Title and Insurance Agency, Inc. Mr. Manifold is a

Certified Public Accountant and President of Federal Broach & Machine Company, a manufacturing company.

William J. Strickler (age 66) has been a director of the Corporation since 2002, and serves as chairperson of the Compensation and Human Resource Committee, and also serves on the Nominating and Corporate Governance Committee. He has been a director of Isabella Bank and Trust since 1995. Mr. Strickler is President of Michiwest Energy, an oil and gas producer.

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Current Directors with Terms Ending in 2008

Richard J. Barz (age 58) has been a director of the Corporation since 2002. He has been a director of Isabella Bank and Trust since 2000. Mr. Barz also serves on the Board of IBT Title and Insurance Agency, Inc., and Financial Group Information Services and is a member of the Finance and Planning Committee. Mr. Barz has been President and CEO of Isabella Bank and Trust since December 30, 2001. Prior to his appointment as President and CEO he served as Executive Vice President of Isabella Bank and Trust.

Sandra L. Caul (age 63) has been a director of the Corporation since 2005. She currently serves as director of Isabella Bank and Trust and chairperson of IBT Title and Insurance Agency, Inc. She also serves on the Compensation and Human Resource Committee. 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 57) was appointed director of the Corporation on March 22, 2007, and will serve on the Audit Committee. He is a director of the Farwell State Savings Bank division of Isabella Bank & Trust. 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.

Ronald E. Schumacher (age 70) has been a director of the Corporation since 1988 and of Isabella Bank & Trust since 1984, of which he is currently serving as Chairperson. He also serves on the Compensation and Human Resource Committee, Audit Committee and serves as chairperson of the Nominating and Corporate Governance Committee. Mr. Schumacher is the President of A. Schumacher Sons, a grain and beef farm operation.

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 Trust and/or the Corporation since 1984. Other executive officers of the Corporation include: Richard J. Barz, President of Isabella Bank and Trust, an employee of Isabella Bank & Trust and/or the Corporation since 1972; Timothy M. Miller, President of the Farmers State Bank division of Isabella Bank & Trust, an employee of Farmers State Bank and/or the Corporation since 1985; Peggy L. Wheeler (age 47), Senior Vice President and Controller of the Corporation, employed by Isabella Bank and Trust and/or the Corporation since 1977. All officers of the Corporation serve at the pleasure of the Board of Directors.

Committees of the Board of Directors and Meeting Attendance

The Board of Directors of the Corporation met 13 times during 2006. All incumbent directors attended 75% or more of the meetings held in 2006. The Board of Directors has an Audit Committee, a Nominating and Corporate Governance Committee, a Compensation and Human Resource, and a Finance and Planning Committee.

The Audit Committee is composed of independent directors who meet the requirements for independence as defined in Rule 4200(a)(15) of the National Association of Securities Dealers listing standards. 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 that was attached as Appendix A to the Corporation s proxy statement for the 2005 Annual Shareholders Meeting. In accordance with the provisions of the Sarbanes-Oxley Act of 2002, Director Manifold meets the requirement of Audit Committee Financial Expert and has been so designated by the Board of Directors.

The Corporation has a standing Nominating and Corporate Governance Committee consisting of independent directors who meet the requirements for independence as defined in Rule 4200(a)(15) of the National Association of Securities Dealers listing standards. The Committee consists of directors Schumacher, Strickler and Weburg. The Nominating and Corporate Governance Committee held one meeting in 2006, and all directors attended 75% or more of the meetings in 2006. The Board of Directors has approved a Nominating and Corporate Governance Committee Charter that was attached as Appendix B to the Corporation s proxy statement for the 2005 Annual Shareholders Meeting. 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

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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 2008 Annual Meeting of Shareholders should be delivered no later than December 24, 2007. 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.

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 Corporation s President and its subsidiaries, benefit plans and the overall percentage increase in salaries. The committee consists of directors, Hole, Schumacher, Strickler, and Caul. This committee is governed by a written charter approved by the Board of Directors and is attached as Appendix A to this proxy statement.

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 Weburg, Maness, Hole, and Barz.

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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, Maness, Manifold, Schumacher, and Weburg.

The Audit Committee is responsible for pre-approving all auditing services and permitted non-audit services to be performed for 2006 or thereafter 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, 2006.

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 four meetings during 2006, and all directors attended 75% or more of the meetings held in 2006.

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 and reports on management s assertion on the design and effectiveness of internal control over financial reporting be included in the Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the Securities and Exchange Commission. The Committee has appointed Rehmann Robson as the independent auditors for the 2007 audit.

Respectfully submitted,

/s/ W. Joseph Manifold
W. Joseph Manifold, Audit Committee Chairperson

James C. Fabiano
David J. Maness
Ronald E. Schumacher
Dale D. Weburg

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Compensation Discussion and Analysis

The Compensation and Benefits Committee (the Committee) assists the board of directors in determining and implementing compensation and benefits for executive officers and other employees 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 makes recommendations to the Board regarding the compensation of the 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 Compensation 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. 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 are director fees that eligible executive officers elect to defer. The directors of the Corporation and its subsidiaries are required to defer at least 25% of their earned board fees.

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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 defined benefit pension plan, a 401(k) plan, and a non-leveraged employee stock ownership plan (ESOP), a nonqualified supplementary plan, 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.

- earnings per share and earnings per share growth;
- budgeted as compared to actual annual operating performance; 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 which are deferred director fees are converted on a quarterly basis into stock units of the Corporation s common stock. The 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.

Retirement plans. The Corporation has a defined benefit pension plan covering substantially all of its employees. The benefits are 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, which will be recognized in the first quarter of 2007, is to freeze the current participant s accrued benefits as of March 1, 2007 and to limit participation in the plan to eligible employees as of December 31, 2006. Subsequent to the decision to curtail the defined benefit plan, the Corporation decided to increase the contributions to the Corporation s 401(k) plan effective January 1, 2007.

The Corporation has a 401(k) plan in which substantially all employees are eligible to participate. Employees may contribute up to 15% of their compensation subject to certain limits based on federal tax laws. The Corporation began making matching contributions equal to 25% of the first 3% of an employee s compensation contributed to the plan in 2005. Employees are 0% vested through their first three years of employment and are 100% vested after 3 years of service.

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

The Corporation maintains a nonqualified supplementary retirement plan for officers to provide supplemental retirement benefits and death benefits to each participant. Insurance policies, designed primarily to fund death

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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 Benefits Committee Report

The following Report of the Compensation and Benefits 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 Benefits Committee 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 Benefits 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 Benefits Committee of IBT Bancorp s Board of Directors:

William J. Strickler, Chairperson
Sandra L. Caul
James C. Fabiano
David W. Hole
Ronald E. Schumacher

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, 2006, by the Chief Executive Officer, the Principal Financial Officer and the corporation s three most highly compensated executive officers.

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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 President and CEO of IBT Bancorp, Inc.	2006	$ 255,237	$ 10,000	$ 16,228	$ 70,646	$ 8,233	$ 360,344
Peggy L. Wheeler Principal Financial Officer, Sr. Vice President and Controller of IBT Bancorp, Inc. Principal Financial Officer	2006	88,500			14,339	685	103,524
Richard J. Barz Executive Vice President of IBT Bancorp, Inc. and President & CEO of Isabella Bank and Trust	2006	237,175	14,400	15,100	134,235	10,948	411,858
Timothy M. Miller Vice President of IBT Bancorp, Inc. and President & CEO of the Farmers State Bank division of Isabella Bank & Trust	2006	149,117	3,567	7,223	17,030	5,778	182,715
Douglas D. McFarlane President, IBT Title and Insurance Agency, Inc.	2006	109,000	563	1,575	21,176	2,620	134,934

(1) Includes compensation voluntarily deferred under the Corporation s 401(k). Directors fees paid in cash are also included, which are as follows: Dennis P. Angner $20,237, Richard J. Barz $12,175, and Timothy M. Miller $18,117.

(2) 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 financials.

(3) For Dennis P. Angner and Richard J. Barz this includes club dues, auto allowance, and 401(k) matching contributions. For Timothy M. Miller this includes auto allowance and 401(k) matching contributions. For Douglas D. McFarlane this represents an auto allowance. For Peggy L. Wheeler this represents 401(k) matching contributions.

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2006 Pension Benefits

The following table indicates the present value of accumulated benefits as of December 31, 2006 for each named executive in the summary compensation table.

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated benefit ($)	Payments During Last Fiscal Year
Dennis P. Angner	IBT Bancorp Pension Plan	22	$ 207,046	$
	IBT Bancorp Retirement Bonus Plan	22	102,549	
Peggy L. Wheeler	IBT Bancorp Pension Plan	29	50,472	
	IBT Bancorp Retirement Bonus Plan	29	26,674	
Richard J. Barz	IBT Bancorp Pension Plan	34	465,192	
	IBT Bancorp Retirement Bonus Plan	34	153,464	
Timothy M. Miller	IBT Bancorp Pension Plan	7	39,968	
Douglas D. McFarlane	IBT Bancorp Pension Plan	18	163,078	

Defined benefit pension plan. The Corporation sponsors a defined benefit pension plan. This plan was originally adopted in 1973 and was substantially revised in 1989. Only employees, including leased employees, who have attained the age of 21 and who have worked more than 1,000 hours in the current plan year are eligible to participate.

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.

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 Douglas D. McFarlane 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 compensation. 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 Douglas D. McFarlane 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.

2006 Nonqualified Deferred Compensation

Name	Executive Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Balance at Last FYE ($)
Dennis P. Angner	$ 16,228	$ 174	$ 16,402
Peggy L. Wheeler			
Richard J. Barz	15,100	164	15,264
Timothy M. Miller	7,223	81	7,304
Douglas D. McFarlane	1,575	15	1,590

The directors of the Corporation and its subsidiaries are required to defer at least 25% of their earned board fees and are reflected in the 2006 nonqualified deferred compensation table above. These stock awards are converted on a quarterly basis into stock units of the Corporation s common stock. The 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.

Potential Payments Upon Termination or Change in Control

The estimated pay outs payable to each named executive officer upon severance from employment, early retirement, termination upon disability or death 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, 2006.

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.

Unused vacation pay.

In the event of the retirement of an executive officer the officer would receive the items identified above.

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

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

Name	Bank Owned Life Insurance Policies
Dennis P. Angner	$ 690,000
Peggy L. Wheeler	265,500
Richard J. Barz	675,000
Timothy M. Miller	423,000
Douglas D. McFarlane	218,000

The Corporation currently does not have a change in control agreement with the executive officers, provided however pursuant to the Retirement Bonus Plan that they 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.

Remuneration of Directors

The following table summarizes the Compensation of each non-employee director who served on the Board of Directors during 2006.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	Total ($)
Sandra Caul	$	$ 31,500	$	$ 31,500
James Fabiano		43,825		43,825
David Hole	23,663	10,238	25,856	59,757
Dave Maness		36,950		36,950
Joe Manifold		21,625		21,625
Ronald Schumacher	27,992	16,700		44,692
William Strickler		27,650		27,650
Dale Weburg		32,445		32,445

The Corporation paid a $4,000 retainer, and $750 per board meeting to its directors during 2006 and $225 per committee meeting attended.

The Corporation sponsors a deferred compensation plan for directors (the Directors Plan). The Directors Plan was adopted in 1984 and was substantially revised in 1989 and 1996 and was amended and frozen as of December 31, 2005. 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. The board of directors adopted the new Plan on January 1, 2006 to comply with the American Jobs Creation Act of 2004.

Pursuant to the terms of the Directors Plan, directors of the Corporation and its subsidiaries were required to defer at least 25% of their earned board fees. The amount deferred under the terms of the Directors Plan in 2006 was $467,849, resulting in 26,005 stock units being credited to participants accounts. As of December 31, 2006, there were 171,014 stock units credited to participants accounts. 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 net cost of this benefit to the Corporation was $106,708 in 2006.

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.

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 Corporation s President and its subsidiaries, benefit plans and the overall percentage increase in salaries. The committee consists of directors Strickler, Caul, Fabiano, Hole, and Schumacher. David Hole retired as President and CEO of Isabella Bank & Trust and the Corporation on December 30, 2001.

Certain Relationships and Related Transactions with Management

Certain directors and officers of the Corporation and members of their families were loan customers of the subsidiary Banks, or have been directors or officers of corporations, or partners of partnerships which have had transactions with the subsidiary Banks. 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 Banks. These transactions do not involve more than normal risk of collectibility or present other unfavorable features. Total loans to these customers were approximately $10,749,000 as of December 31, 2006. 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

The following table sets forth certain information as of April 1, 2007 as to the common stock of the Corporation owned of record or beneficially by any person who is known to the Corporation to be the beneficial owner of more than 5% of the common stock of the Corporation.

	Amount and Nature of Beneficial Ownership		
Name and Address of Owner	**Sole Voting and Investment Powers**	**Shared Voting and Investment Powers**	**Percentage of Common Stock Outstanding**
James J. McGuirk P.O. Box 222 Mt. Pleasant, MI	409,370		6.46%

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The following table sets forth certain information as of April 1, 2007 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*	13,981		13,981	0.22%
Richard J. Barz*	16,696		16,696	0.26%
Sandra L. Caul		8,945	8,945	0.14%
James C. Fabiano	233,848		233,848	3.69%
David W. Hole		20,990	20,990	0.33%
W. Joseph Manifold	351		351	0.01%
W. Michael McGuire	5,273		5,273	0.08%
Ronald E. Schumacher		13,642	13,642	0.22%
William J. Strickler	68,237	4,900	73,137	1.15%
Dale D. Weburg	49,145	827	49,972	0.79%
David J. Maness	252	831	1,083	0.02%
Timothy M. Miller	3,121		3,121	0.05%
Peggy L. Wheeler	5,082		5,082	0.08%
Douglas D. McFarlane	426		426	0.01%
All Directors, nominees and Executive Officers as a Group (14 persons)	396,412	50,135	446,547	7.05%

* Trustees of the ESOP who vote ESOP stock.

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.

Relationship with 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, 2007.

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

The following table shows the aggregate fees billed by Rehmann Robson for audit and other services provided to the Corporation for 2006 and 2005.

	2006	2005
Audit Fee	$ 464,172	$ 544,648
Audit Related Fees	18,785	3,600
Tax Fees	31,085	31,224
Other Professional Services Fees	33,292	21,184
Total	$ 547,334	$ 600,656

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The audit fees were for performing the audit of the Corporation s consolidated annual financial statements, audit of managements assessment 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 2006 were for regulatory filings related to the acquisition of Farwell State Savings Bank and for consultation of technical 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 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, is 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-Related, Tax and Professional Services, none were billed pursuant to these provisions in 2006 and 2005 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 24, 2007 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.

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.

Directors Attendance at the Annual Meeting of Shareholders

The Corporation s directors are encouraged to attend the annual meeting of shareholders. At the 2006 annual meeting, all directors were in attendance.

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, 2006 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.

By order of the Board of Directors

Debra Campbell, Secretary

IBT Bancorp, Inc.

Financial Information Index

SUMMARY OF SELECTED FINANCIAL DATA

	2006	2005	2004	2003	2002
	(Dollars in thousands except per share data)				
INCOME STATEMENT DATA					
Total interest income	$ 44,709	$ 36,882	$ 33,821	$ 35,978	$ 38,161
Net interest income	24,977	23,909	23,364	23,528	22,905
Provision for loan losses	682	777	735	1,455	1,025
Net income	7,001	6,776	6,645	7,205	6,925
BALANCE SHEET DATA					
End of year assets	$ 910,127	$ 741,654	$ 678,034	$ 664,079	$ 652,717
Daily average assets	800,174	700,624	675,157	659,323	623,507
Daily average deposits	639,046	576,091	567,145	563,600	549,970
Daily average loans/net	515,539	459,310	430,854	399,008	390,613
Daily average equity	91,964	74,682	70,787	65,770	59,540
PER SHARE DATA(1)					
Earnings per share					
Basic	$ 1.23	$ 1.25	$ 1.24	$ 1.36	$ 1.33
Diluted	1.19	1.25	1.24	1.36	1.33
Cash dividends	0.64	0.60	0.57	0.55	0.50
Book value (at year end)	18.27	14.78	13.48	12.94	12.09
FINANCIAL RATIOS					
Shareholders equity to assets (at year end)	12.72%	10.91%	10.71%	10.38%	9.71%
Return on average equity	7.61	9.07	9.39	10.95	11.63
Cash dividend payout to net income	53.89	48.02	46.20	39.99	37.33
Return on average assets	0.87	0.97	0.98	1.09	1.11

	2006				2005			
	4th	3rd	2nd	1st	4th	3rd	2nd	1st
Quarterly Operating Results:								
Total interest income	$ 12,754	$ 11,312	$ 10,675	$ 9,968	$ 9,832	$ 9,439	$ 8,983	$ 8,628
Interest expense	5,980	5,164	4,526	4,062	3,719	3,425	3,064	2,765
Net interest income	6,774	6,148	6,149	5,906	6,113	6,014	5,919	5,863
Provision for loan losses	54	245	216	167	262	196	109	210
Noninterest income	2,354	2,405	2,336	2,001	2,192	2,328	2,099	1,857
Noninterest expenses	6,537	5,659	5,969	6,308	5,514	5,891	5,622	5,857
Net income	1,962	2,031	1,794	1,214	1,924	1,744	1,765	1,343
Per Share of Common Stock:(1)								

Earnings per share																
Net income	$	0.31	$	0.37	$	0.33	$	0.22	$	0.35	$	0.32	$	0.33	$	0.25
Diluted		0.30		0.36		0.32		0.21		0.35		0.32		0.33		0.25
Cash dividends		0.31		0.11		0.11		0.11		0.30		0.10		0.10		0.10
Book value (at quarter end)		18.27		15.69		15.14		14.92		14.78		14.02		13.85		13.42

(1) Retroactively restated for the 10% stock dividend paid February 15, 2006.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
IBT Bancorp, Inc.
Mt. Pleasant, Michigan

We have audited the accompanying consolidated balance sheets of ***IBT Bancorp, Inc.*** as of December 31, 2006 and 2005, and the related consolidated statements of changes in shareholders equity, income, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2006. We also have audited management s assessment, included in the accompanying Management s Report on Internal Control over Financial Reporting, that ***IBT Bancorp, Inc.*** maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). ***IBT Bancorp, Inc. s*** management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these consolidated financial statements, an opinion on management s assessment, and an opinion on the effectiveness of the ***IBT Bancorp, Inc. s*** internal control over financial reporting, based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A corporation s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A corporation s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the corporation; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the corporation are being made only in accordance with authorizations of management and directors of the corporation; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the corporation s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management s Report on Internal Control Over Financial Reporting, management s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of The Farwell State Savings Bank, which is included in the 2006 consolidated financial statements of IBT Bancorp, Inc. and constituted approximately $91.3 million and $14.4 million of total and net assets, respectively, as of December 31, 2006 and approximately $1.3 million and $400,000 of interest income and net income, respectively, for the period October 3, 2006 through December 31, 2006. Management did not assess the effectiveness of internal control over financial reporting at this acquired entity because of the timing

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of this purchase, which was completed on October 3, 2006. Our audit of internal control over financial reporting of IBT Bancorp, Inc. also did not include an evaluation of the internal control over financial reporting of The Farwell State Savings Bank.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ***IBT Bancorp, Inc.*** as of December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, management s assessment that ***IBT Bancorp, Inc.*** maintained effective internal control over financial reporting as of December 31, 2006 is fairly stated, in all material respects, based on criteria established in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Furthermore, in our opinion, ***IBT Bancorp, Inc.*** maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Rehmann Robson P.C.

Saginaw, Michigan
March 02, 2007

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CONSOLIDATED BALANCE SHEETS

	December 31 2006	December 31 2005
	(Dollars in thousands)	
ASSETS		
Cash and demand deposits due from banks	$ 31,359	$ 30,825
Investment securities available for sale (amortized cost of $214,600 in 2006 and $185,688 in 2005)	213,450	183,406
Mortgage loans available for sale	2,734	744
Net Loans		
Loans	591,042	483,242
Less allowance for loan losses	7,605	6,899
Total net loans	**583,437**	**476,343**
Premises and equipment	20,754	19,172
Corporate-owned life insurance policies	12,763	10,533
Accrued interest receivable	5,765	4,786
Acquisition intangibles and goodwill, net	27,288	3,253
Other assets	12,577	12,592
Total Assets	**$ 910,127**	**$ 741,654**
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits		
Noninterest bearing	$ 83,902	$ 73,839
NOW accounts	111,406	104,251
Certificates of deposit and other savings	388,176	328,780
Certificates of deposit over $100,000	142,356	85,608
Total deposits	**725,840**	**592,478**
Other borrowed funds	58,303	52,165
Escrow funds payable	2,416	9,823
Accrued interest and other liabilities	7,819	6,286
Total liabilities	**794,378**	**660,752**
Shareholders Equity		
Common stock no par value 10,000,000 shares authorized; outstanding 6,335,861 in 2006 (4,974,715 in 2005)	114,785	72,296
Retained earnings	4,451	10,112
Accumulated other comprehensive loss	(3,487)	(1,506)
Total shareholders equity	**115,749**	**80,902**
Total liabilities and shareholders equity	**$ 910,127**	**$ 741,654**

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

	Year Ended December 31		
	2006	2005	2004
	(Dollars in thousands)		
Number of shares of common stock outstanding			
Balance at beginning of year	4,974,715	4,896,412	4,403,404
Common stock dividends	497,299		440,191
Issuance of common stock	66,372	78,303	57,388
Shares issued during bank acquisition	797,475		
Common stock repurchased			(4,571)
Balance end of year	**6,335,861**	**4,974,715**	**4,896,412**
Common stock			
Balance at beginning of year	$ 72,296	$ 66,908	$ 47,491
Common stock dividends	20,887		17,608
Transfer	(12,000)		
Issuance of common stock	33,132	2,684	2,001
Share-based payment awards under equity compensation plan	470	2,704	
Common stock repurchased			(192)
Balance end of year	**114,785**	**72,296**	**66,908**
Retained earnings			
Balance at beginning of year	10,112	6,590	20,623
Net income	7,001	6,776	6,645
Common stock dividends	(20,887)		(17,608)
Transfer	12,000		
Cash dividends ($0.64 per share in 2006, $0.60 per share in 2005, $0.57 per share in 2004)	(3,775)	(3,254)	(3,070)
Balance end of year	**4,451**	**10,112**	**6,590**
Accumulated other comprehensive loss			
Balance at beginning of year	(1,506)	(904)	822
Adjustment to initially apply FASB Statement No 158, net of tax	(2,728)		
Other comprehensive income (loss)	747	(602)	(1,726)
Balance end of year	**(3,487)**	**(1,506)**	**(904)**
Total shareholders equity end of year	**$ 115,749**	**$ 80,902**	**$ 72,594**

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31		
	2006	2005	2004
	(Dollars in thousands except per share data)		
Interest income			
Loans, including fees	$ 36,575	$ 30,682	$ 27,801
Investment securities			
Taxable	4,948	3,487	3,696
Nontaxable	2,797	2,398	2,116
Federal funds sold and other	389	315	208
Total interest income	**44,709**	**36,882**	**33,821**
Interest expense			
Deposits	17,164	11,374	9,391
Borrowings	2,568	1,599	1,066
Total interest expense	**19,732**	**12,973**	**10,457**
Net interest income	**24,977**	**23,909**	**23,364**
Provision for loan losses	682	777	735
Net interest income after provision for loan losses	**24,295**	**23,132**	**22,629**
Noninterest income			
Service charges and fees	5,490	4,928	4,735
Title insurance revenue	2,389	2,351	1,957
Gain on sale of mortgage loans	207	270	477
Other	1,012	927	996
Total noninterest income	**9,098**	**8,476**	**8,165**
Noninterest expenses			
Compensation and benefits	13,869	13,548	12,685
Occupancy	1,730	1,553	1,504
Furniture and equipment	2,868	2,657	2,484
Other	6,006	5,126	5,598
Total noninterest expenses	**24,473**	**22,884**	**22,271**
Income before federal income taxes	**8,920**	**8,724**	**8,523**
Federal income taxes	1,919	1,948	1,878
Net income	**$ 7,001**	**$ 6,776**	**$ 6,645**
Earnings per share			
Basic	**$ 1.23**	**$ 1.25**	**$ 1.24**
Diluted	**$ 1.19**	**$ 1.25**	**$ 1.24**

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ending December 31		
	2006	**2005**	**2004**
	(Dollars in thousands)		
Net income	**$ 7,001**	**$ 6,776**	**$ 6,645**
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during period	1,020	(2,749)	(2,527)
Reclassification adjustment for net realized losses (gains) included in net income	112	(2)	(106)
Net realized unrealized gains (losses)	1,132	(2,751)	(2,633)
Tax effect	(385)	935	895
Unrealized gains (losses), net of tax	747	(1,816)	(1,738)
Reversal of minimum pension liability adjustment		1,839	18
Tax effect		(625)	(6)
Minimum pension liability adjustment, net of tax		1,214	12
Adjustment to initially apply FASB Statement No. 158	(4,134)		
Tax effect	1,406		
FASB Statement No. 158 adjustment, net of tax	(2,728)		
Other comprehensive loss, net of tax	**(1,981)**	**(602)**	**(1,726)**