

ISABELLA BANK CORPORATION
ANNUAL REPORT
2020

EQUAL EMPLOYMENT OPPORTUNITY

The equal employment opportunity clauses in Section 202 of the Executive Order 11246, as amended; 38 USC 4212, Vietnam Era Veterans Readjustment Act of 1974; Section 503 of the Rehabilitation Act of 1973, as amended; relative to equal employment opportunity and implementing rules and regulations of the Secretary of Labor are adhered to and supported by Isabella Bank Corporation and its subsidiaries.

Customer focus, strategic plan position Isabella Bank to serve



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

Isabella Bank entered 2020 focused on our five-year strategic plan, with a dedication to the customer experience at the core of who we are and what we do.

Then COVID-19 arrived and stress-tested companies' missions and core values around the world. For Isabella Bank, state-directed shutdowns resulted in closed lobbies at our branches, a rapid move to working from home for a portion of our staff and virtual presentations to investors.

Through it all, we stayed true to our commitment to the customer experience. Our move in previous years to give customers more options to "Bank Local; Bank Anywhere" allowed people to do much of their banking remotely. We saw tremendous growth in mobile deposits, electronic payments and new online accounts.

"Our value as a full-service, *Independent Community* bank has never been more evident than it was during 2020, as businesses and residents reeled from the pandemic."

-David J. Maness

Importantly, we recognized the hurdles faced by our business customers and loan officers reached out to help them secure PPP loans. We also deferred payment schedules for both businesses and consumers, and we are pleased to say the majority were back on track by year's end.

Already in 2021, we see signs and indications that conditions are improving, which have allowed us to reopen select branches. Our employees talk about missing face-to-face interactions with customers and co-workers. Ultimately, serving customers is at the heart of our business as a full-service, community institution. On the following pages, we'll highlight ways we kept that focus in 2020 across the seven counties we call home.

"These are our **Customers** and our **Communities.** We need to do whatever we can to help them through this challenging time."

-Jae A. Evans



Individualized loan support helps customers through pandemic

from our loan customers

"Our PPP application and loan was completed by phone and online. Excellent service!!!"

"Approval was incredibly fast. A team member met me in the parking lot and explained everything as I signed. Great experience!"

"My experience was pleasant and instilled confidence that Isabella Bank has my interests and privacy in mind."

by the numbers

**\$51.7
Million**
Loan growth
for the year

94.2%
Decrease in
COVID-19-related
loan payment
deferrals in the
fourth quarter

958
Loan customers
supported by
Isabella Bank
in securing
government-
approved
financing



"Entering 2020, most indicators pointed to a nearly flat year in home prices, higher *Mortgage Rates* and fewer sales. Instead, interest rates fell and we experienced **Record Volume.**"

-David J. Maness

Low interest rates spur record mortgage growth

from our staff

"I love helping borrowers achieve home ownership."

-Laura, Mortgage Loan Originator

"I enjoy explaining the purchasing process to people, and then watching their sense of accomplishment."

- Carrie, Mortgage Loan Originator

"I feel satisfied when a mortgage I worked on closes with a new home or the funds needed to accomplish a customer's dreams."

-Trinna, Loan Processor



\$87.6
MILLION
Growth in
new mortgages
in 2020

A black and white photograph of a lighthouse perched on a dark, rocky cliff. A powerful beam of light emanates from the lighthouse, shining horizontally across the dark, choppy sea towards the horizon. The sky is filled with heavy, dramatic clouds. The overall mood is one of guidance and resilience.

Customers value the wide range of Isabella Wealth options

“We planned to launch Isabella Wealth early in 2020. Once concerns of COVID-19 dominated daily life, we paused our marketing until mid-year. When we did launch, people were ready for something **New** and we saw a surge of interest in a *Community-based* full-service answer to managing personal finances.”

-Jae A. Evans

6,975

**Additional visits to
isabellawealth.com
during our marketing
campaign**

Five ways ISABELLA WEALTH delivers full service

- **Financial planning:** Isabella Wealth advisors share strategies, help customers set goals, and create a plan.
- **Estate planning:** The right trust, will or power of attorney ensures peace of mind for customers. Advisors can create individual plans for each person.
- **Personal or business insurance:** Online options put customers in control 24/7. They also can talk to a licensed advisor.
- **Life insurance or long-term care insurance:** The right insurance offers protection for individuals and families.
- **Tax planning:** By reviewing tax returns, our advisors assist customers in identifying strategies to reduce taxes.

“Our focus is to build strong relationships with our clients while coordinating their financial and estate planning needs.”

-JoAnna Keenan, Isabella Wealth Trust Officer



Bank local. bank anywhere. fit 2020 perfectly

"We added **Electronic Signatures** early in the year, and the service was immediately popular as it eased loans, home closings and more in a time of physical distancing. And our **Mobile** offerings made sense for so many customers."

-Jae A. Evans

A product for those starting out: The **STUDENT¹ Checking Account**

- ✓ No monthly service fee
- ✓ No minimum balance required
- ✓ A 0.25% rate discount on new loans with automatic payments
- ✓ Free debit card
- ✓ Unlimited monthly transactions
- ✓ Free Mastercard® debit card with Isabella Bank Rewards
- ✓ Free digital banking²
- ✓ Free mobile services²
- ✓ Free telephone banking

A product for our times: The **ANYWHERE Checking Account**

- ✓ No minimum balance required
- ✓ Free digital banking²
- ✓ A 0.25% rate discount on new loans with automatic payments
- ✓ No monthly service fee with at least one direct deposit per month
- ✓ Unlimited monthly transactions
- ✓ Free Mastercard® debit card with Isabella Bank Rewards
- ✓ Free mobile pay services available²
- ✓ Free telephone banking available

¹This account is intended for active students, and as such is limited to one account per individual who is 24 years of age or less. At age 25 the account will be converted to our Anywhere Checking Account and be subject to the terms and agreements of that account, including possible monthly fees.

²Third party data and text messaging charges and/or internet services may apply. Please contact your provider for details.



by the numbers

12% Increase
in Electronic
Payment Users

134%
Increase in
**MOBILE
DEPOSITS**

63%
Increase
in **NEW
ONLINE
ACCOUNTS**

Flood, COVID-19 increase need to support communities



Turning
Compassion
in
to **ACTION!**
changes lives

“Employee **Volunteerism** and investing in our communities is what we do every year. With COVID-19 and the sudden flooding in Midland, Sanford, and other areas, we had more reasons than ever to get **Involved.**”

-David J. Maness

**by the
numbers**

\$20,000

**Committed to relief efforts
in the Great Lakes Bay Region
following flooding from
multiple dam failures
in May 2020.**

7

**Recipients selected from
community nominations
to help people financially
during the holidays.**

500

**Prepaid debit cards provided
to the Midland Area Community Foundation
for Midland County flood response efforts.**

620

**Community organizations supported
over the past three years by employee
volunteers and/or financial contributions.**

In Addition

Isabella Bank is a sponsor for the Max & Emily's Summer Concert series, which was live-streamed in 2020; an active participant at the Mt. Pleasant Farmers' Market and Midland Area Farmers Market; a supporter of the Temple Theatre in Saginaw and the Greenville Area Community Foundation; donor to School Section Lake Veteran's Park in Mecosta County; a supporter of 4H through the purchase of farm animals at the Gratiot County Fair for Youth.

2021 initiatives continue evolution in customer service



Shareholders and customers alike can expect continued pursuit of actions that align with Isabella Bank Corporation's five-year strategic plan. We will remain focused on shareholder value, financial success, growth and brand enhancement.

Here's a preview of initiatives we are pursuing in 2021 on the customer service front:

- Expansion of a surcharge-free ATM network to include 55,000 locations worldwide
- An enhanced online banking experience, with a more intuitive, easy-to-use format and a chat feature
- More insurance selections through Isabella Wealth, including life, accidental death and senior insurance products

"Being a **Local**, independent community bank means we get to know our customers and their needs. We listen and **Support** our customers. We're involved in our **Communities** because the people who live here are our family, friends and neighbors."

-Jae A. Evans

Our Vision

is to be recognized as the leading independent community bank.

Mission Statement

To be the preeminent financial services provider benefiting our customers, shareholders, and employees.

Core Values

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



Neil M. McDonnell, Chief Financial Officer

“This was a year of **Unique Service** to customers and shareholders. We’re proud of our customers’ stamina and proud to be their partner. We’re also pleased to have made smart, **Strategic Moves** that put us on a strong path for shareholders.”

-Neil M. McDonnell

BEHIND THE NUMBERS - STRATEGIC ACTIONS DESIGNED TO FUEL LONG-TERM RESULTS

Important rationale lies behind quarterly and annual numbers. At least that is the case at Isabella Bank Corporation, where we consciously pursue select actions that align with our five-year strategic plan. As we push to improve overall financial performance, we make decisions with a long-term view — even if it means a short-term drop in the numbers we report.

Consider:

- 2020 brought an influx of mortgages, PPP loans, and government stimulus checks. Combine that with a slowdown in consumer spending due to the pandemic, and Isabella Bank deposits and liquidity were up dramatically.

At the same time, interest rates were low. Against that backdrop, we chose to extinguish \$100 million in higher-cost Federal Home Loan Bank debt. The result was a one-time, \$7.6 million noninterest expense that brought 2020 net income down \$6.0 million.

So, why did we do it?

Putting our liquidity to work by erasing \$100 million in debt lowers our future interest expenses by \$2.8 million

a year. Expense control is a key area of focus ultimately designed to improve performance metrics and enhance shareholder value.

Consider:

- A review of the Bank’s wealth management offerings showed opportunities to improve the team structure and inform customers about the services. As a result, we combined our investment and trust management teams into one group: Isabella Wealth.

We launched knowing the world was distracted by the pandemic and not always thinking about wealth management.

So, why did we do it?

Isabella Wealth is a core-business growth opportunity. It produces revenue through its managed assets and fees — thus diversifying the corporation’s sources of income. While we lost a few clients in the transition, we gained twice as many and ended the year managing \$444 million in assets, slightly ahead of 2019. The restructuring enabled us to attract additional talent to the team and enhanced our capabilities as a trusted advisor. Along with our rebranding and marketing efforts, the experienced professionals of Isabella Wealth will continue their outreach to prospective clients.

COVID BRINGS ECONOMIC RISK FACTORS

At Isabella Bank, our management team met frequently to assess the marketplace and the needs of our customers. Commercial and residential loan applications were coming in as swiftly as we could process them, while businesses were closing temporarily and people were being laid off.

That meant we had to reserve more funds for the potential increase in loan defaults. While the government stimulus payments and PPP loans helped consumers and small businesses through the pandemic, the risk was still there. As a result, Isabella Bank's provision for loan losses increased \$1.6 million in 2020.

AND YET, A STRONG YEAR

So much in our communities, indeed across the world, was thrown off course by COVID-19. By being nimble, enhancing our products and caring for customers as family, Isabella Bank's 2020 financial results were strong.

- Isabella Bank loans totaled \$1.24 billion in 2020 — \$51.7 million more than in 2019.
- New home mortgage and refinancing volume more than doubled over 2019.
- Gains on the sale of mortgages increased \$2.1 million year-over-year — a 318% increase over 2019.
- Deposits reached a record \$1.6 billion in 2020 — an increase of \$252.5 million from 2019, a result of PPP loans, CARES Act stimulus checks and reduced customer spending.

ISABELLA BANK'S COVID-19 TEAM RESPONDED TO ADDRESS CUSTOMER NEEDS

Announcement of Paycheck Protection Program loans propelled the entire Isabella Bank loan team into unprecedented action.

The PPP program was a regular topic during COVID-19 meetings, as federal rules changed and customer needs evolved to reach nearly \$100 million.

"We reached out, knowing there were deadlines and the funding may disappear quickly. Many customers simply didn't know how to proceed," CFO Neil McDonnell said.

"Managing our liquidity took on a different approach, because of the delay in federal funding. This was new territory for all of us. It's a time we'll never forget."

"Customers needed us like never before," McDonnell said. "At Isabella Bank, decisions impacting our customers and communities are made locally, as compared to financial institutions with headquarters outside Michigan."

deposits

34.5%
5-YEAR
GROWTH
in deposits

2015
1.16 billion

2016
1.20 billion
increase of 2.62%

2017
1.27 billion
increase of 5.88%

2018
1.29 billion
increase of 2.17%

2019
1.31 billion
increase of 1.64%

2020
1.57 billion
increase of 19.22%

ISABELLA BANK CORPORATION
SELECTED FINANCIAL DATA
(Dollars in thousands except per share amounts)

For the years ended	2020	2019	2018
INCOME STATEMENT DATA			
Interest income	\$ 64,172	\$ 67,306	\$ 63,864
Interest expense	13,825	17,861	15,631
Net interest income	50,347	49,445	48,233
Provision for loan losses	1,665	30	978
Noninterest income	14,423	8,039	10,981
Noninterest expenses	51,233	43,050	42,852
Federal income tax expense	987	1,380	1,363
Net income	\$ 10,885	\$ 13,024	\$ 14,021
PER SHARE			
Basic earnings	\$ 1.37	\$ 1.65	\$ 1.78
Diluted earnings	\$ 1.34	\$ 1.61	\$ 1.74
Dividends	\$ 1.08	\$ 1.05	\$ 1.04
Tangible book value	\$ 21.29	\$ 20.45	\$ 18.68
Quoted market value			
High	\$ 24.50	\$ 24.80	\$ 28.25
Low	\$ 15.60	\$ 22.01	\$ 22.50
Close ⁽¹⁾	\$ 19.57	\$ 24.31	\$ 22.56
Common shares outstanding ⁽¹⁾	7,997,247	7,910,804	7,870,969
PERFORMANCE RATIOS			
Return on average total assets	0.57 %	0.72 %	0.77 %
Return on average shareholders' equity	4.93 %	6.25 %	7.26 %
Return on average tangible shareholders' equity	6.34 %	8.17 %	9.74 %
Net interest margin yield (fully taxable equivalent)	2.96 %	3.07 %	2.98 %
BALANCE SHEET DATA ⁽¹⁾			
Gross loans	\$ 1,238,311	\$ 1,186,570	\$ 1,128,707
Available-for-sale securities	\$ 339,228	\$ 429,839	\$ 494,834
Total assets	\$ 1,957,378	\$ 1,814,198	\$ 1,842,502
Deposits	\$ 1,566,317	\$ 1,313,851	\$ 1,292,693
Borrowed funds	\$ 158,747	\$ 275,999	\$ 340,299
Shareholders' equity	\$ 218,588	\$ 210,182	\$ 195,519
Gross loans to deposits	79.06 %	90.31 %	87.31 %
ASSETS UNDER MANAGEMENT ⁽¹⁾			
Loans sold with servicing retained	\$ 301,377	\$ 259,375	\$ 259,481
Assets managed by Isabella Wealth	\$ 443,967	\$ 436,181	\$ 447,487
Total assets under management	\$ 2,702,722	\$ 2,509,754	\$ 2,549,470
ASSET QUALITY ⁽¹⁾			
Nonperforming loans to gross loans	0.43 %	0.55 %	0.65 %
Nonperforming assets to total assets	0.31 %	0.40 %	0.42 %
Allowance for loan and lease losses to gross loans	0.79 %	0.67 %	0.74 %
CAPITAL RATIOS ⁽¹⁾			
Shareholders' equity to assets	11.17 %	11.59 %	10.64 %
Tier 1 leverage	8.37 %	9.01 %	8.72 %
Common equity tier 1 capital	12.97 %	12.56 %	12.58 %
Tier 1 risk-based capital	12.97 %	12.56 %	12.58 %
Total risk-based capital	13.75 %	13.18 %	13.26 %

⁽¹⁾ At end of year

ISABELLA BANK CORPORATION
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands except per share amounts)

	December 31		Change	
	2020	2019	\$	%
ASSETS				
Cash and cash equivalents				
Cash and demand deposits due from banks	\$ 31,296	\$ 20,311	\$ 10,985	54.08 %
Interest bearing balances due from banks	215,344	40,261	175,083	434.87 %
Total cash and cash equivalents	246,640	60,572	186,068	307.18 %
Available-for-sale securities, at fair value	339,228	429,839	(90,611)	(21.08)%
Mortgage loans available-for-sale	2,741	904	1,837	203.21 %
Loans				
Commercial	756,686	700,941	55,745	7.95 %
Agricultural	100,461	116,920	(16,459)	(14.08)%
Residential real estate	307,543	298,569	8,974	3.01 %
Consumer	73,621	70,140	3,481	4.96 %
Gross loans	1,238,311	1,186,570	51,741	4.36 %
Less allowance for loan and lease losses	9,744	7,939	1,805	22.74 %
Net loans	1,228,567	1,178,631	49,936	4.24 %
Premises and equipment	25,140	26,242	(1,102)	(4.20)%
Corporate owned life insurance policies	28,292	28,455	(163)	(0.57)%
Accrued interest receivable	6,882	6,501	381	5.86 %
Equity securities without readily determinable fair values	17,383	21,629	(4,246)	(19.63)%
Goodwill and other intangible assets	48,331	48,379	(48)	(0.10)%
Other assets	14,174	11,491	2,683	23.35 %
TOTAL ASSETS	\$ 1,957,378	\$ 1,812,643	\$ 144,735	7.98 %
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Noninterest bearing	\$ 375,395	\$ 249,152	\$ 126,243	50.67 %
Interest bearing demand deposits	302,444	229,865	72,579	31.57 %
Certificates of deposit under \$250 and other savings	781,286	739,023	42,263	5.72 %
Certificates of deposit over \$250	107,192	95,811	11,381	11.88 %
Total deposits	1,566,317	1,313,851	252,466	19.22 %
Borrowed funds	158,747	275,999	(117,252)	(42.48)%
Accrued interest payable and other liabilities	13,726	12,611	1,115	8.84 %
Total liabilities	1,738,790	1,602,461	136,329	8.51 %
Shareholders' equity				
Common stock — no par value 15,000,000 shares authorized; issued and outstanding 7,997,247 shares (including 59,162 shares held in the Rabbi Trust) in 2020 and 7,910,804 shares (including 27,069 shares held in the Rabbi Trust) in 2019	142,247	141,069	1,178	0.84 %
Shares to be issued for deferred compensation obligations	4,183	5,043	(860)	(17.05)%
Retained earnings	64,460	62,099	2,361	3.80 %
Accumulated other comprehensive income (loss)	7,698	1,971	5,727	290.56 %
Total shareholders' equity	218,588	210,182	8,406	4.00 %
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,957,378	\$ 1,812,643	\$ 144,735	7.98 %

ISABELLA BANK CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands except per share amounts)

	Year Ended December 31		Change	
	2020	2019	\$	%
Interest income				
Loans, including fees	\$ 54,102	\$ 54,192	\$ (90)	(0.17)%
Available-for-sale securities				
Taxable	5,214	7,185	(1,971)	(27.43)%
Nontaxable	3,830	4,728	(898)	(18.99)%
Federal funds sold and other	1,026	1,201	(175)	(14.57)%
Total interest income	64,172	67,306	(3,134)	(4.66)%
Interest expense				
Deposits	8,884	11,608	(2,724)	(23.47)%
Borrowings	4,941	6,253	(1,312)	(20.98)%
Total interest expense	13,825	17,861	(4,036)	(22.60)%
Net interest income	50,347	49,445	902	1.82 %
Provision for loan losses	1,665	30	1,635	5,450.00 %
Net interest income after provision for loan losses	48,682	49,415	(733)	(1.48)%
Noninterest income				
Service charges and fees	6,544	6,347	197	3.10 %
Net gain on sale of mortgage loans	2,716	650	2,066	317.85 %
Wealth management fees	2,578	2,792	(214)	(7.66)%
Gains from redemption of corporate owned life insurance policies	891	—	891	100.00 %
Earnings on corporate owned life insurance policies	755	764	(9)	(1.18)%
Net income (loss) on joint venture investment	577	(3,108)	3,685	(118.56)%
Other	362	594	(232)	(39.06)%
Total noninterest income	14,423	8,039	6,384	79.41 %
Noninterest expenses				
Compensation and benefits	23,772	23,205	567	2.44 %
Loss on extinguishment of debt	7,643	—	7,643	100.00 %
Furniture and equipment	5,787	5,866	(79)	(1.35)%
Occupancy	3,557	3,418	139	4.07 %
Other	10,474	10,561	(87)	(0.82)%
Total noninterest expenses	51,233	43,050	8,183	19.01 %
Income before federal income tax expense	11,872	14,404	(2,532)	(17.58)%
Federal income tax expense	987	1,380	(393)	(28.48)%
NET INCOME	\$ 10,885	\$ 13,024	\$ (2,139)	(16.42)%
Earnings per common share				
Basic	\$ 1.37	\$ 1.65	\$ (0.28)	(16.97)%
Diluted	\$ 1.34	\$ 1.61	\$ (0.27)	(16.77)%
Cash dividends per common share	\$ 1.08	\$ 1.05	\$ 0.03	2.86 %

ISABELLA BANK CORPORATION
AVERAGE BALANCES, INTEREST RATE, AND NET INTEREST INCOME

(Dollars in thousands except per share amounts)

The following schedules present the daily average amount outstanding for each major category of interest earning assets, non-earning assets, interest bearing liabilities, and noninterest bearing liabilities for the last two years. These schedules also present an analysis of interest income and interest expense for the periods indicated. All interest income is reported on a fully taxable equivalent (FTE) basis using a federal income tax rate of 21%. Loans in nonaccrual status, for the purpose of the following computations, are included in the average loan balances. Federal Reserve Bank and Federal Home Loan Bank restricted equity holdings are included in other interest earning assets.

	Year Ended December 31					
	2020			2019		
	Average Balance	Tax Equivalent Interest	Average Yield / Rate	Average Balance	Tax Equivalent Interest	Average Yield / Rate
INTEREST EARNING ASSETS						
Loans	\$ 1,236,169	\$ 54,102	4.38 %	\$ 1,162,210	\$ 54,192	4.66 %
Taxable investment securities	229,468	5,214	2.27 %	296,758	7,185	2.42 %
Nontaxable investment securities	140,665	5,189	3.69 %	169,049	6,380	3.77 %
Fed funds sold	4	—	0.06 %	64	2	2.48 %
Other	142,717	1,026	0.72 %	38,549	1,199	3.11 %
Total earning assets	1,749,023	65,531	3.75 %	1,666,630	68,958	4.14 %
NONEARNING ASSETS						
Allowance for loan losses	(8,837)			(8,256)		
Cash and demand deposits due from banks	24,987			20,057		
Premises and equipment	25,846			27,035		
Accrued income and other assets	118,195			108,073		
Total assets	\$ 1,909,214			\$ 1,813,539		
INTEREST BEARING LIABILITIES						
Interest bearing demand deposits	\$ 262,188	\$ 357	0.14 %	\$ 230,570	\$ 305	0.13 %
Savings deposits	456,088	1,212	0.27 %	388,821	2,572	0.66 %
Time deposits	387,881	7,315	1.89 %	429,745	8,731	2.03 %
Borrowed funds	245,969	4,941	2.01 %	304,888	6,253	2.05 %
Total interest bearing liabilities	1,352,126	13,825	1.02 %	1,354,024	17,861	1.32 %
NONINTEREST BEARING LIABILITIES						
Demand deposits	320,820			237,675		
Other	15,613			13,337		
Shareholders' equity	220,655			208,503		
Total liabilities and shareholders' equity	\$ 1,909,214			\$ 1,813,539		
Net interest income (FTE)		\$ 51,706			\$ 51,097	
Net yield on interest earning assets (FTE)			2.96 %			3.07 %

Board of Directors



DAVID J. MANESS - Chairman
President,
Maness Petroleum



THOMAS L. KLEINHARDT
President,
McGuire Chevrolet



JAE A. EVANS
President & Chief Executive Officer,
Isabella Bank Corporation
Chief Executive Officer,
Isabella Bank



RICHARD L. MCGUIRK
Operations Manager/President,
Central Management, INC.



JEROME E. SCHWIND
President,
Isabella Bank



SARAH R. OPPERMAN
Vice President (retired),
The Dow Chemical Company



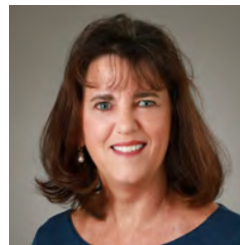
DR. JEFFREY J. BARNES
Physician and Shareholder,
L.O. Eye Care



CHAD R. PAYTON, CPA
Officer and Managing Partner,
Roslund, Prestage & Company, CPA's, PC



JILL BOURLAND, CPA, HCCP
Chief Executive Officer & Partner,
Blystone & Bailey, CPAs, PC



VICKI L. RUPP
Corporate Director (retired),
The Dow Chemical Company



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



GREGORY V. VARNER
Research Director (retired),
Michigan Bean Commission

Senior Officers and Regional Boards

Isabella Bank Corporation Officers

JAE A. EVANS
President & Chief Executive Officer

JEROME E. SCHWIND
Vice President

NEIL M. McDONNELL
Chief Financial Officer

DEBRA A. CAMPBELL
Secretary

MICHAEL P. PRISBY
Treasurer

Isabella Bank Officers

JAE A. EVANS
Chief Executive Officer

JEROME E. SCHWIND
President

NEIL M. McDONNELL
Chief Financial Officer

DAVID J. REETZ
Chief Lending Officer

PEGGY L. WHEELER
Chief Operations Officer

GREGORY S. MATTHEWS
Chief Credit Officer

JENNIFER L. GILL
Controller

MICHAEL R. COLBY
President, East Region

BRIAN K. GOWARD
President, South Region

DAVID W. SEPPALA
President, West Region

PATRICK J. MEASE, SPHR, SHRM-SCP
Senior Vice President, Human Resources

BARBARA A. PLACE, CPA, CBA, CRCM
Senior Vice President, Internal Audit

THOMAS J. WALLACE
Senior Vice President, Retail Credit

JOSHUA A. ELING
Market President, Mecosta

MICHAEL D. WILLIAMS
Market President, Midland

JULIE A. SMITH, CGEIT, CRISC
Vice President, Chief Technology Officer

AMY C. VOGEL
Vice President, Chief Risk Officer

KIMBERLY K. BETTS
Vice President, Collections

Isabella Bank Officers Continued

JAMES L. BINDER
Vice President, Commercial Loans

JENN A. BRICK
Vice President, Marketing

DAVID E. BROWN
Vice President, Commercial Loans

DEBRA A. CAMPBELL
Vice President, Shareholder Relations

MARK K. DENOYELLES
Vice President, Isabella Wealth

RANDY J. DICKINSON, CPA, CTFA
Vice President, Isabella Wealth

DONALD F. FORSTER
Vice President, Collections

THOMAS N. GROSS
Vice President, Commercial Loans

CYNDIA S. HEAP, CRCM, CAMS
Vice President, Compliance

MICHAEL K. HUENEMANN
Vice President, Commercial Loans

JOANNA L. KEENAN
Vice President, Isabella Wealth

KATHY J. KORSON
Vice President, Mortgage Loans

ROBERT Z. MACLEOD
Vice President, Branch Operations

GREGORY S. MAPES
Vice President, Financial Services

MICHELLE L. MEASE
Vice President, Isabella Wealth

MICHAEL P. PRISBY
Vice President, Treasurer

ERIKA M. ROSS
Vice President, Operations

CARRIE S. SMITH
Vice President, Mortgage Loans

JEFFREY W. SMITH
Vice President, Commercial Loans

LESLIE J. THIELEN
Vice President, Consumer Loans

KARLA A. WALKER
Vice President, Mortgage Loans

TIM M. WILSON
Vice President, Regional Branch Manager

SANDY M. YUNCKER
Vice President, Customer Service Operations

TRACY A. ZAYLER
Vice President, Regional Branch Manager

Regional Boards of Directors

East Region

MICHAEL R. COLBY
MARY F. DRAVES
SMALLWOOD HOLOMAN JR.
SARAH R. OPPERMAN
CHRISTOPHER J. RADKE
CLARENCE M. RIVETTE
JEROME E. SCHWIND

South Region

CINDY M. BOSLEY
BRIAN K. GOWARD
TIMOTHY M. MILLER
CHAD R. PAYTON
JEROME E. SCHWIND
JEFFREY E. SHERWOOD
GREGORY V. VARNER

West Region

DR. RALPH P. CREW
MATTHEW L. CURRIE
KEVIN J. DEFEVER
BLAKE R. HOLLENBECK
ALEXANDER R. KEMP
GREGORY D. MILLARD
BRIAN R. SACKETT
JEROME E. SCHWIND
DAVID W. SEPPALA
KATHY J. VANDERLAAN

Northern Advisory

SHARI R. BUCCILLI
MICHAEL L. JENKINS
THOMAS L. KLEINHARDT
JEROME E. SCHWIND
STEVEN L. STARK

Employee and Director Recognition

In 2020, we celebrated alongside our employees as they achieved both professional and personal milestones. We recognize the following individuals on their recent promotions, appointments, and retirements.

Officer Promotions

Kohl Bechtel

Treasury Analyst Officer

Beth Cook

Commercial Processing Manager Officer

Mike Williams

Market President, Midland

Retirements

Barb Diehm, 47 years

Joann Sanders, 31 years

Wayne Shoen, 28 years

Kim Andrews, 21 years

Lezlie Cushion, 15 years

Deb Warner, 15 years

Shelley Hobbs, 10 years

Dave Ebbinghaus, 9 years

Welcome

In February 2021, the Isabella Bank Corporation Board appointed two new directors, Mr. Richard McGuirk and Mr. Chad Payton.

Mr. McGuirk is President and Operations Manager of United Apartments and a Management Consultant for McGuirk Sand and Gravel. Mr. McGuirk brings a wealth of operational and executive management expertise to the Board.

"Rick's entrepreneurial experience and leadership, combined with his commitment to the community makes him a great addition to both of our boards. We are excited to have Mr. McGuirk join our leadership team."
-Jae Evans

Mr. Payton, CPA is an Officer and Managing Partner with Roslund, Prestage & Company, CPA's, PC. As a certified public accountant, Mr. Payton brings a vast knowledge of small business accounting and financial consulting to the Board.

"Chad's extensive knowledge and understanding in the areas of audit, tax, and financial planning has been a great asset to our South Region Board. We look forward to having him serve on our Corporate and Bank Boards."
-David Maness

In Appreciation

Thank you to Mr. Joseph Manifold for his years of service on the Isabella Bank Corporation Board of Directors. We are grateful for his continued dedication and pursuit of excellence for our Board, customers, and shareholders.

Mr. Manifold served as a loyal board member of Isabella Bank since 2010, and member of the corporate board since 2003. He also served as chair of the Audit Committee, member of the Nominating and Corporate Governance Committee, the Compensation and Human Resource Committee, and the Information Technology Committee.

Annual Shareholder Meeting

May 4, 2021
at 5:00 p.m.

Please plan to attend our Virtual Annual Meeting as well as vote and submit your questions during the live webcast of the meeting. Visit virtualshareholdermeeting.com/ISBA2021 and enter the 16-digit control code number included on your enclosed proxy card.





ISABELLA BANK CORPORATION

401 N. Main St.
Mt. Pleasant, Michigan 48858

NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS To Be Held May 4, 2021

Notice is hereby given that the Annual Meeting of Shareholders of Isabella Bank Corporation will be held virtually, in lieu of an in-person meeting, on Tuesday, May 4, 2021 at 5:00 p.m. Eastern Daylight Time. The meeting is for the purpose of considering and acting upon the following items of business:

1. The election of four directors.
2. To transact such other business as may properly come before the meeting, or any adjournment or adjournments thereof.

The Board of Directors has fixed March 12, 2021 as the record date for determination of shareholders entitled to notice of, and to vote at, the meeting or any adjournments thereof.

Shareholders can attend, vote, and submit questions at the virtual Annual Meeting via the internet at www.virtualshareholdermeeting.com/ISBA2021 and entering their 16-digit control number included on their proxy card.

By order of the Board of Directors

A handwritten signature in cursive script that reads "Debra Campbell".

Debra Campbell, Secretary

Dated: March 26, 2021

YOUR VOTE IS IMPORTANT! Please vote even if you plan to attend the meeting.

VOTE BY PHONE

Call 800.690.6903 (toll-free), have your proxy form in hand, follow the instructions to vote.

VOTE BY MAIL

Indicate your choice with respect to the matters to be voted upon, sign, date, and return your proxy form in the enclosed envelope.

Please Note: If stock is held in more than one name, all parties should sign the proxy form.

VOTE ONLINE

Visit proxyvote.com, have your proxy form in hand when you access the website and follow the instructions to obtain your records and create an electronic voting instruction form.

ISABELLA BANK CORPORATION

401 N. Main St.
Mt. Pleasant, Michigan 48858

PROXY STATEMENT

General Information

This Proxy Statement is furnished in connection with the solicitation of proxies, to be voted at our Annual Meeting of Shareholders (the “Annual Meeting”) which is to be held virtually, in lieu of an in-person meeting, on Tuesday, May 4, 2021 at 5:00 p.m., or at any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of the Annual Meeting of Shareholders and in this Proxy Statement.

Shareholders can attend, vote, and submit questions at the virtual Annual Meeting via the internet at www.virtualshareholdermeeting.com/ISBA2021 and entering their 16-digit control number included on their proxy card.

This Proxy Statement has been mailed on March 26, 2021 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

We have fixed the close of business on March 12, 2021 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof. We have only one class of common stock and no preferred stock. As of March 12, 2021, there were 7,955,498 shares of stock outstanding. Each outstanding share entitles the holder thereof to one vote on each separate matter presented for vote at the meeting. You may vote on matters that are properly presented at the Annual Meeting by attending the meeting and casting a vote, signing and returning the enclosed proxy, voting on the internet, or voting by phone. You may change your vote or revoke your proxy at any time before it is voted at the Annual Meeting by filing with the Corporation an instrument revoking it, filing a duly executed proxy bearing a later date (including a proxy given over the internet or by phone) or by attending the meeting and electing to vote in person. You are encouraged to vote by mail, internet, or phone.

A quorum must be present in order to hold the Annual Meeting. A quorum is present if a majority of the shares of common stock entitled to vote are represented in person or by proxy. If you execute and return a proxy, those shares will be counted to determine if there is a quorum, even if you abstain or fail to vote on any of the proposals.

Your broker *may not* vote on Proposal 1 if you do not furnish instructions for such proposal. You should use the voting instruction card provided by us to instruct the broker to vote the shares, or else your shares will be considered “broker non-votes.” Broker non-votes are shares held by brokers or nominees as to which voting instructions have not been received from the shares’ beneficial owner or the individual entitled to vote those shares and the broker or nominee does not have discretionary voting power under rules applicable to broker-dealers. Under these rules, Proposal 1 is not an item on which brokerage firms may vote in their discretion on your behalf unless you have furnished voting instructions.

At this year’s Annual Meeting, you will elect four directors to serve for a term of three years. You may vote in favor or against, or abstain from voting with respect to any or all nominees. Directors are elected by a plurality of the votes cast at the Annual Meeting. Abstentions and shares not voted, including broker non-votes, have no effect on the elections.

Proposal 1 - Election of Directors

The Board of Directors (the “Board”) currently consists of ten (10) members divided into three classes, with the directors in each class being elected for a term of three years. The Board decreased from 11 members to 10 with the retirement of W. Joseph Manifold, effective May 5, 2020. The Board will increase from 10 members to 12 with the appointments of Richard L. McGuirk and Chad R. Payton, effective March 31, 2021. At the Annual Meeting, Jill Bourland, Jae A. Evans, Richard L. McGuirk, and Jerome E. Schwind, whose terms expire at the Annual Meeting, have been nominated for election to serve through the 2024 Annual Meeting.

Except as otherwise specified, proxies will be voted for the election of the four nominees. If a nominee becomes unable or unwilling to serve, proxies will be voted for such other person, if any, as shall be designated. However, we know of no reason to anticipate that this will occur. The four nominees 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 and current directors, including their principal occupation for the last five or more years, age, and length of service as a director, are listed below.

We recommend that you vote FOR the election of each of the nominees.

Director Qualifications

Board members are highly qualified and represent your best interests. We select nominees who:

- Have extensive business leadership.
- Bring a diverse perspective and experience.
- Are objective and collegial.
- Have high ethical standards and have demonstrated sound business judgment.
- Are willing and able to commit the significant time and effort to effectively fulfill their responsibilities.
- Are active in and knowledgeable of their respective communities.

Each nominee and current director possesses these qualities and provides a diverse complement of specific business skills and experience. In addition to the general qualifications described above, qualifications are included in the biographical summaries provided below.

The following table identifies individual Board members serving on each of our standing committees:

<u>Director</u>	<u>Audit</u>	<u>Nominating and Corporate Governance</u>	<u>Compensation and Human Resource</u>
David J. Maness	X ^o	X ^o	X ^o
Dr. Jeffrey J. Barnes		X	
Jill Bourland	X ^c		X ^c
Jae A. Evans			
G. Charles Hubscher		X ^c	
Thomas L. Kleinhardt	X		X
Richard L. McGuirk			
Sarah R. Opperman	X	X	
Chad R. Payton	X ⁽¹⁾		
Vicki L. Rupp			
Jerome E. Schwind			
Gregory V. Varner			X
C — Chairperson			
O — Ex-Officio			

⁽¹⁾ Effective March 31, 2021.

Director Nominees for Terms Ending in 2024

Jill Bourland (age 50) has been a director of Isabella Bank Corporation and of the Bank since 2017. Ms. Bourland is CEO and Partner of Blystone & Bailey, CPAs, P.C. Ms. Bourland is a graduate of Central Michigan University, a Certified Public Accountant, and a Housing Credit Certified Professional. She has over 25 years of audit, tax and accounting experience with a concentration in small business and affordable housing sectors. She currently serves as Treasurer of the William and Janet Strickler Nonprofit Center. She formerly served as President of the Mt. Pleasant Area Community Foundation and also as Treasurer and Chair of its Finance Committee. She is involved with the Gratiot-Isabella Technical Education Center Accounting/Business Advisory Committee. She is also a member of the American Institute of Certified Public Accountants, Michigan Association of Certified Public Accountants and Home Builders Association. Ms. Bourland has expertise in accounting, business experience and a strong commitment to community involvement. As such, Ms. Bourland should continue serving on the Board.

Jae A. Evans (age 64) has been a director of Isabella Bank Corporation and of the Bank since 2014. He has been President and Chief Executive Officer of the Corporation since 2014 and Chief Executive Officer of the Bank since 2018. Mr. Evans has been employed by the Corporation since 2008 and served as Chief Operations Officer of the Bank from 2011 to 2013 and President of the Greenville Division of the Bank from 2008 to 2011. He is a graduate of Central Michigan University and has over 44 years of banking experience. Mr. Evans currently serves as a board member for The Community Bankers of Michigan, McLaren Central Michigan Hospital, United Bankers Bank, and the Central Michigan University Advancement Board. Mr. Evans is also past Chair of the Eightcap, Inc. Governing Board, past Vice Chair of the Carson City Hospital, was president of the Greenville Rotary Club, and past Chair of The Community Bankers of Michigan. Mr. Evans provides the Board with executive leadership, knowledge of commercial banking, and strong community involvement. As such, Mr. Evans should continue serving on the Board.

Richard L. McGuirk (age 49) was appointed a director of Isabella Bank Corporation and of the Bank at the February 24, 2021 Board meeting, effective March 31, 2021. Mr. McGuirk is the President and Operations Manager of Central Management, Inc. and a management consultant for McGuirk Sand-Gravel, Inc. Mr. McGuirk is a graduate of Central Michigan University and is a licensed real estate broker and builder. He currently serves as a board member for the Mt. Pleasant Area Community Foundation and the Central Michigan University Advancement Board. It is because of Mr. McGuirk's business experience and his strong commitment to community involvement that Mr. McGuirk should serve on the Board.

Jerome E. Schwind (age 54) has been a director of Isabella Bank Corporation and of the Bank since 2017. Mr. Schwind is President of the Bank and Vice President of the Corporation. He has been employed by the Bank since 1999 and has served in various roles at the Bank including Executive Vice President and Chief Operations Officer. Mr. Schwind received his undergraduate degree from Ferris State University and his MBA from Lake Superior State University. He is also a graduate of the Dale Carnegie Executive Development program, the Graduate School of Banking at the University of Wisconsin-Madison, and the Rollie Denison Leadership Institute. He currently serves as the Chair for the Middle Michigan Development Corporation, is a member of the Finance Advisory Board for the Ferris State University College of Business, the Michigan Bankers Association Grassroots Advocacy Committee, the Perry School of Banking Board, the Michigan Bankers Association Board, and also the Great Lakes Bay Alliance Board. Mr. Schwind brings his experience in banking and his many years at Isabella Bank to the Board in addition to his knowledge of the markets we serve; therefore, Mr. Schwind should continue serving on the Board.

Current Directors with Terms Ending in 2022

Thomas L. Kleinhardt (age 66) has been a director of the Bank since 1998 and of Isabella Bank Corporation since 2010. Mr. Kleinhardt is President of McGuire Chevrolet, active in the Clare Kiwanis Club, and the former coach of the girls Varsity Basketball team for both Farwell High School and Clare High School. Mr. Kleinhardt's years of experience in managing a successful automobile dealership and understanding the financing needs of customers are valuable to the Board.

Sarah R. Opperman (age 61) has been a director of Isabella Bank Corporation and of the Bank since 2012. Ms. Opperman previously was employed for 28 years by The Dow Chemical Company, where she held leadership roles in public and government affairs. She served as interim President and Chief Executive Officer of the Midland Business Alliance from March 1 to December 1, 2018, and continued as an employee until December 31, 2018. Ms. Opperman is a member of the Central Michigan University Advancement Board. She also is Chair of the MidMichigan Health Foundation and past-chair of the United Way of Midland County Board of Directors. Ms. Opperman's business expertise, and her depth of community connections, benefit Board discussions and decisions.

Chad R. Payton (age 52) was appointed a director of Isabella Bank Corporation and of the Bank at the February 24, 2021 Board meeting, effective March 31, 2021. Mr. Payton is a Certified Public Accountant and Partner of Roslund, Prestage & Company, PC, with over 30 years of tax and accounting experience. Mr. Payton is a member of the American Institute of Certified Public Accountants and Michigan Association of Certified Public Accountants. Mr. Payton has served as a member of an Isabella Bank regional advisory board since January 1, 2019. Mr. Payton's expertise in accounting and business experience are valuable to the Board.

Gregory V. Varner (age 66) has been a director of Isabella Bank Corporation and of the Bank since 2015. Mr. Varner was the Research Director for the Michigan Bean Commission for 40 years and retired in 2019. He received a Bachelor of Science in Agricultural Education and a Master of Science in Crop Science from Michigan State University. Mr. Varner's knowledge and years of experience in the agricultural field is an asset to the Board.

Current Directors with Terms Ending in 2023

Dr. Jeffrey J. Barnes (age 58) has been a director of the Bank since 2007 and of Isabella Bank Corporation since 2010. Dr. Barnes is a physician and shareholder in L.O. Eye Care, P.C. He is a former member of the Central Michigan Community Hospital Board of Directors. Dr. Barnes has experience in business operations and management, as well as knowledge of the communities we serve, which adds value to the Board.

G. Charles Hubscher (age 67) has been a director of the Bank since 2004 and of Isabella Bank Corporation since 2010. Mr. Hubscher is President of Hubscher and Son, Inc., a sand and gravel producer. He is a former director of the National Stone, Sand and Gravel Association, the Michigan Aggregates Association, and recently retired from the Mt. Pleasant Area Community Foundation Board of Trustees after serving for 20 years. Mr. Hubscher is also a member of the Zoning Board of Appeals for Deerfield Township. Mr. Hubscher brings his experience in business operations and management to the Board as well as his knowledge of the communities we serve.

David J. Maness (age 67) has been a director of the Bank since 2003 and of Isabella Bank Corporation since 2004. Mr. Maness has served as Chairman of the Board for the Corporation and the Bank since 2010. He is President of Maness Petroleum, a geological and geophysical consulting services company. Mr. Maness is currently serving as a director for the Michigan Oil & Gas Association, and he previously served on the Mt. Pleasant Public Schools Board of Education. The Board values Mr. Maness's leadership of the Board, business experience, and community involvement.

Vicki L. Rupp (age 61) has been a director of Isabella Bank Corporation and of the Bank since 2019. Ms. Rupp retired from The Dow Chemical Company after a successful thirty-five year career in various positions, including her final position of Corporate Director of Business Services. Her experience included specialty research & development, environmental, health and safety, global corporate service management, mergers & acquisition implementation, and organizational management. Ms. Rupp owns her own consulting company, Vicki Rupp Consulting, for companies seeking operational improvements. She also serves on the Saginaw Valley State University Foundation Board and Saginaw Valley State University Board of Control as vice chair. Ms. Rupp serves her community as a member of the executive committee of United Way and as a DOW/Saginaw Valley State University Affinity Network leader. Ms. Rupp brings experience in operations and strategic development and a commitment to community involvement.

Each of the directors has been engaged in their stated professions for more than five years unless otherwise stated.

Other Executive Officers

Neil M. McDonnell (age 57), Chief Financial Officer of Isabella Bank Corporation and of the Bank, joined Isabella Bank Corporation on January 30, 2018. Mr. McDonnell has over 30 years of banking experience and has served as chief financial officer, controller, treasurer, compliance & risk officer, and director of finance at large international banks, local community banks, as well as de novo banks. Prior to joining the Corporation, Mr. McDonnell was the Executive Vice President and Chief Financial Officer at Patriot Bank, N.A. located in Stamford, CT from January 2016 to May 2017. *David J. Reetz* (age 60), Chief Lending Officer of the Bank, has been employed by the Bank since 1987. *Peggy L. Wheeler* (age 61), Chief Operations Officer of the Bank, has been employed by the Bank since 1977.

Corporate Governance

Director Independence

We have adopted the director independence standards as defined under the NASDAQ listing requirements. We have determined that Dr. Jeffrey J. Barnes, Jill Bourland, G. Charles Hubscher, Thomas L. Kleinhardt, David J. Maness, W. Joseph Manifold (retired), Richard L. McGuirk, Sarah R. Opperman, Chad R. Payton, Vicki L. Rupp, and Gregory V. Varner are independent directors. Jae A. Evans is not independent as he is employed as President and CEO of Isabella Bank Corporation and CEO of Isabella Bank. Jerome E. Schwind is not independent as he is employed as President of Isabella Bank and Vice President of Isabella Bank Corporation.

Board Leadership Structure and Risk Oversight

Our Governance Policy provides that only directors who are deemed to be independent as set forth by the NASDAQ listing requirements and SEC rules are eligible to hold the office of chairperson. Additionally, the chairpersons of Board established committees must also be independent directors. It is our belief that having a separate chairperson and CEO best serves the interest of the shareholders. The Board elects its chairperson at the first Board meeting following the Annual Meeting. Independent members of the Board meet without inside directors at least twice per year.

Management is responsible for our day-to-day risk management and the Board's role is to engage in informed oversight. The Board utilizes committees to oversee risks associated with compensation, and governance. The Isabella Bank Board of Directors is responsible for overseeing credit, investment, information technology, interest rate, and trust risks. The chairpersons of the respective boards or committees report on their activities on a regular basis.

Our Audit Committee is responsible for overseeing the integrity of our consolidated financial statements, the independent auditors' qualifications and independence, the performance of our internal audit function and those of independent auditors, our system of internal controls, our financial reporting and system of disclosure controls, and our compliance with legal and regulatory requirements and with our Code of Conduct and Business Ethics.

Committees of the Board of Directors and Meeting Attendance

The Board met 13 times during 2020. No current member of the Board attended less than 75% of the aggregate meetings of the Board and all committees on which such director served during 2020. The Board has an Audit Committee, a Nominating and Corporate Governance Committee, and a Compensation and Human Resource Committee.

Audit Committee

The Audit Committee is composed of independent directors. Information regarding the functions performed by the Audit Committee, its membership, and the number of meetings held during the year, is set forth in the "Audit Committee Report" included in this Proxy Statement. The Audit Committee is governed by a written charter approved by the Board, which is available on the Bank's website: www.isabellabank.com.

In accordance with the provisions of the Sarbanes-Oxley Act of 2002, director Bourland met the requirements of Audit Committee Financial Expert and have been so designated. The Audit Committee also consists of directors Kleinhardt, Maness (ex-officio), Opperman, and Payton (effective March 31, 2021).

Nominating and Corporate Governance Committee

We have a standing Nominating and Corporate Governance Committee consisting of independent directors Barnes, Hubscher, Maness (ex-officio), and Opperman. The Nominating and Corporate Governance Committee held three meetings in 2020, with all committee members attending each meeting for which they were a member. The Board has approved a Nominating and Corporate Governance Committee Charter which is available on the Bank's website: www.isabellabank.com.

The Nominating and Corporate Governance Committee is responsible for evaluating and recommending individuals for nomination to the Board for approval. This Committee, in evaluating nominees, including incumbent directors and any nominees put forth by shareholders, considers business experience, skills, character, judgment, leadership experience, and their knowledge of the geographical markets, business segments or other criteria the Committee deems relevant and appropriate based on the current composition of the Board. This Committee considers diversity in identifying members with respect to our geographical markets served, the industry knowledge and experience of the nominee, and community relations of the nominee.

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, 401 N. Main St., Mt. 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 candidate. Recommendations for the 2022 Annual Meeting of Shareholders should be delivered no later than November 26, 2021. The Nominating and Corporate Governance Committee evaluates all potential director nominees in the same manner, whether the nominations are received from a shareholder, or otherwise.

Compensation and Human Resource Committee

The Compensation and Human Resource Committee is responsible for reviewing and recommending to the Board the compensation of directors and the compensation of the President and CEO, Bank President, and CFO, including benefit plans. This Committee consists of independent directors Bourland, Kleinhardt, Maness (ex-officio), and Varner. The Compensation and Human Resource Committee held seven meetings during 2020. This Committee is governed by a written charter approved by the Board that is available on the Bank's website: www.isabellabank.com.

Communications with the Board

Shareholders may communicate with the Board by sending written communications to the attention of the Corporation's Secretary, Isabella Bank Corporation, 401 N. Main St., Mt. Pleasant, Michigan 48858. Communications will be forwarded to the Board or the appropriate committee, as soon as practicable.

Code of Ethics

Our Code of Conduct and Business Ethics, which is applicable to the CEO, CFO, and Controller, is available on the Bank's website: www.isabellabank.com.

Audit Committee Report

The Audit Committee oversees the financial reporting process on behalf of the Board. The 2020 Audit Committee consisted of directors Bourland, Kleinhardt, Maness (ex-officio), and Opperman.*

The Audit Committee is responsible for pre-approving all auditing services and permitted non-audit services by our independent auditors, or any other auditing or accounting firm, if those fees are reasonably expected to exceed 5.0% of the current year agreed upon fee for independent audit services. 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.

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 Audit Committee reviewed the audited consolidated financial statements in the Annual Report with management including a discussion of the acceptability of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the consolidated financial statements. The Audit Committee also reviewed with management and the independent auditors, management's assertion on the design and effectiveness of our internal control over financial reporting as of December 31, 2020.

The Audit Committee reviewed with our 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 acceptability of our accounting principles and such other matters as are required to be discussed with the Audit Committee by the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), including those described in Auditing Standard No. 1301, "Communications with Audit Committees", as may be modified or supplemented. In addition, the Audit Committee has received the written disclosures and the letter from the independent auditors required by PCAOB Rule 3526, "Communication with Audit Committees Concerning Independence", as may be modified or supplemented, and has discussed this issue with the independent auditors.

The Audit Committee discussed with our internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the internal and external independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls, and the overall quality of our financial reporting process. The Audit Committee held six meetings during 2020.

In reliance on the reviews and discussions referred to above, the Audit 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, 2020 for filing with the Securities and Exchange Commission. The Audit Committee has appointed Rehmann Robson LLC as the independent auditors for the 2021 audit.

Respectfully submitted,

Jill Bourland, Audit Committee Chairperson
Thomas L. Kleinhardt
David J. Maness (ex-officio)
Sarah R. Opperman

* As planned, on May 5, 2020, W. Joseph Manifold retired from the Board and all committees of the Board, including the Audit Committee. Therefore, Mr. Manifold did not participate in the Audit Committee's review, discussion or recommendation with respect to matters covered by the Audit Committee's report in this Proxy Statement.

Executive Officers

Executive officers are compensated in accordance with their employment with the applicable entity. The following table shows information on compensation earned in each of the last two fiscal years ended December 31, 2020, for the CEO, CFO, and our next most highly compensated executive officer.

Summary Compensation Table

<u>Name and principal position</u>	<u>Year</u>	<u>Salary \$(1)</u>	<u>Bonus \$(2)</u>	<u>Stock Awards \$(3)</u>	<u>Change in pension value and nonqualified deferred compensation earnings \$(4)</u>	<u>All other compensation \$(5)</u>	<u>Total \$(6)</u>
Jae A. Evans	2020	449,250	74,366	74,366	—	49,918	647,900
President and CEO of Isabella Bank Corporation and CEO of Isabella Bank	2019	439,827	19,200	19,200	—	49,608	527,835
Neil M. McDonnell	2020	266,773	46,253	46,253	—	22,379	381,658
CFO of Isabella Bank Corporation and Isabella Bank ⁽⁶⁾	2019	258,250	10,800	10,800	—	13,564	293,414
Jerome E. Schwind	2020	332,661	50,731	50,731	14,000	49,557	497,680
President of Isabella Bank and Vice President of Isabella Bank Corporation	2019	326,888	13,424	13,424	14,000	47,565	415,301

- (1) Executive officer salary includes compensation voluntarily deferred under our 401(k) plan. Director and advisory board fees are also included and are displayed in the following table for each of the last two years ended December 31, 2020:

<u>Name</u>	<u>Director and advisory board fees \$(7)</u>	
	<u>2020</u>	<u>2019</u>
Jae A. Evans	24,250	28,750
Jerome E. Schwind	24,250	28,750

- (2) Includes payouts granted pursuant to the Isabella Bank Corporation Employee Cash Incentive Plans.
- (3) Includes shares granted pursuant to the Isabella Bank Corporation Stock Award Incentive Plan.
- (4) Includes the aggregate non-cash change in the actuarial present value of the noted executive's accumulated benefit under the Isabella Bank Corporation Pension Plan.
- (5) For all named executives, all other compensation includes 401(k) matching contributions and auto allowance.
- (6) Neil M. McDonnell served as Interim Controller from November 5, 2020 to March 1, 2021.

Outstanding Equity Awards at Fiscal Year-End Table

The following table provides information on the unvested shares of restricted stock pursuant to the Isabella Bank Corporation Restricted Stock Plan as of December 31, 2020:

<u>Name</u>	<u>Grant Date</u>	<u>Stock awards</u>	
		<u>Number of shares or units of stock that have not vested (#)(1)</u>	<u>Market value of shares or units of stock that have not vested \$(2)</u>
Jae A. Evans	6/24/2020	2,427	42,500
Neil M. McDonnell	6/24/2020	952	16,673
Jerome E. Schwind	6/24/2020	1,279	22,383

- (1) Shares of restricted stock are subject to a three year vesting period from the date of issuance.
- (2) Based on the closing price of the Corporation's common stock as of the grant date.

Pension Benefits

Defined Benefit Pension Plan. We sponsor the Isabella Bank Corporation Pension Plan (“Defined Benefit Pension Plan”), a frozen defined benefit pension plan. The curtailment, which was effective March 1, 2007, froze the current participant’s accrued benefits as of that date and limited participation in the plan to eligible employees as of December 31, 2006. Due to the curtailment of the plan, the number of years of credited service was frozen. As such, the years of credited service for the plan may differ from the participant’s actual years of service.

Annual contributions are made to the plan as required by accepted actuarial principles, applicable federal tax laws, and to pay expenses related to 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, through December 31, 2006.

A participant may earn a benefit for up to 35 years of accredited service. Earned benefits are 100% 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.

Under the provisions of the plan, participants are eligible for early retirement after reaching the age of 55 with at least five 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. We sponsor the Isabella Bank Corporation Retirement Bonus Plan (“Retirement Bonus Plan”). This nonqualified plan is intended to provide eligible employees with additional retirement benefits. To be eligible, the employee needed to be an employee on January 1, 2007, and be a participant in our frozen Executive Supplemental Income Agreement. Participants were also required to be an officer with at least 10 years of service as of December 31, 2006. We have sole and exclusive discretion to add new participants to the Retirement Bonus Plan by authorizing such participation pursuant to action of the Board.

An initial amount was credited for each eligible employee as of January 1, 2007. Subsequent amounts have been credited on each allocation date thereafter as defined in the Retirement Bonus Plan. The amount of the initial allocation and the annual allocation shall be determined pursuant to the payment schedule adopted at our sole and exclusive discretion, as set forth in the Retirement Bonus Plan.

Under the provisions of the Retirement Bonus 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; however, the participant would not receive their full benefit under early retirement.

Nonqualified Deferred Compensation

Directors Plan. Under the Isabella Bank Corporation and Related Companies Deferred Compensation Plan for Directors (“Directors Plan”), directors, including named executive officers who serve as directors, are required to invest at least 25% of their board fees in our common stock and may invest up to 100% of their earned fees based on their annual election. These amounts are reflected in footnote 2 to the Summary Compensation Table on the previous page. These stock investments can be made either through deferred fees or through the purchase of shares through the Isabella Bank Corporation Stockholder Dividend Reinvestment and Employee Stock Purchase Plan (“DRIP Plan”). Deferred fees, under the Directors Plan, are converted on a quarterly basis into stock units of our common stock based on the fair value of a share of our common stock as of the relevant valuation date. Stock units credited to a participant’s account are eligible for stock and cash dividends as paid. DRIP Plan shares are purchased pursuant to the DRIP Plan.

Distribution of deferred fees from the Directors Plan occurs when the participant retires from the Board or upon the occurrence of certain other events. The participant is eligible to receive distributions in the form of shares of our common stock of all of the stock units that are then in his or her account, and any unconverted cash will be converted to and rounded up to a whole share of stock and distributed, as well. Any common stock issued from deferred fees under the Directors Plan will be considered restricted stock under the Securities Act of 1933, as amended. Common stock purchased through the DRIP Plan are not considered restricted stock under the Securities Act of 1933, as amended.

SERP. Under the supplemental executive retirement plan (“SERP”), we may promise deferred compensation benefits to employees who are members of a select group of management or highly compensated employees, which may include the named executive officers. The SERP authorizes us to make annual and discretionary credits to a participant’s SERP account pursuant to a participation agreement with the participant that sets forth the amount and timing of any annual credits and the vesting, payment, “clawback” and other terms to which the credits are subject.

The SERP provides default terms that may be modified by a participant’s participation agreement, including default vesting, interest and payment terms. Under the SERP’s default vesting terms, a participant is initially unvested in the participant’s SERP account and becomes 100% vested upon attaining normal retirement age, retirement, involuntary separation from service without cause, death, disability or a change in control. Special vesting rules apply to amounts that are credited after a change in control. Under the SERP’s interest rule, a participant’s account balance is credited with interest annually, the rate of which may be changed and is based on Federated Investor’s Institutional Money Market Management Fund yield (MMPXX) for the current plan year, updated annually. Under the SERP’s default payment terms, a participant’s vested and nonforfeited account balance will be paid in a single cash lump sum within 90 days after the first to occur of the participant’s separation from service (subject to a six-month delay for a “specified employee”), death, disability, or any date specified in the participant’s participation agreement. The SERP also includes restrictive covenants that restrict a participant’s ability to compete with us and certain other activities.

Executive Cash Incentive Plan. On June 24, 2020, we amended and restated the Isabella Bank Corporation Employee Cash Incentive Plans to create two separate plans: one for non-executive employees and the other, the Isabella Bank Corporation Executive Cash Incentive Plan for executive employees. The executive plan provides separate potential payouts for the President and CEO, Bank President and CFO based on achievement of personal and corporate goals. The maximum potential payouts under the plan range from 20% to 30% of the employee’s annual salary. The Compensation and Human Resource Committee is responsible for establishing personal goals and measuring the achievement of personal goals for the President and CEO. This Committee also reviews the performance of the President and CEO. The President and CEO recommends to the Compensation and Human Resource Committee the measurement and achievement of personal and corporate goals for the Bank President and CFO.

Restricted Stock Plan. On June 24, 2020 the Board of Directors adopted the Isabella Bank Corporation Restricted Stock Plan (“RSP”), an equity-based bonus plan. The primary purpose of the plan is to promote our growth and profitability by attracting and retaining executive officers and key employees of outstanding competence through ownership of equity that provides them with incentives to achieve corporate objectives. In connection with the adoption of the RSP, the Isabella Bank Corporation Stock Award Incentive Plan was terminated.

The RSP authorizes the issuance of unvested restricted stock to an eligible employee with a maximum award ranging from 25% to 40% of the employee’s annual salary, on a calendar year basis. Under the RSP, the Board of Directors may grant restricted stock awards to eligible employees on an annual basis based on satisfactory achievement of performance targets and measures established by the Board of Directors. If these grant conditions are not satisfied, then the award of restricted shares will lapse or be adjusted appropriately, at the discretion of the Board of Directors. Restricted stock awards granted are not fully transferable or vested until certain conditions are met, as stated in the plan.

Potential Payments Upon Termination or Change in Control

The estimated amounts payable to each named executive officer upon severance from employment, retirement, termination upon death or disability or termination following a change in control are described below. For all termination scenarios, the amounts assume such termination took place as of December 31, 2020.

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 credited and vested through the SERP.
- Amounts deferred in the Directors Plan.
- Amounts vested through the Stock Award Incentive Plan.
- Amounts granted and vested through the Restricted Stock Plan.
- Eligible unused vacation and short-term disability pay.

Retirement

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

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 our life insurance plan or under our disability plan as appropriate.

Change in Control

We currently do not have a change in control agreement with any of the executive officers. Under the SERP, each participant would become 100% vested in their SERP account upon a change in control. Under certain conditions, following a change in control, if a participant is involuntarily terminated without cause or voluntarily terminates for good reason all uncredited annual credits would be credited to his or her SERP account. If termination took place on December 31, 2020, that would have resulted in an additional credit to Jae A. Evans' SERP account of \$135,000, Neil M. McDonnell's SERP account of \$212,500, and Jerome E. Schwind's SERP account of \$520,000 and a total credit for each individual of \$837,211, \$250,660, and \$602,854, respectively.

Under the RSP, each participant would become 100% vested in their RSP account upon a change in control. Under certain conditions, following a change in control, if a participant is involuntarily terminated without cause or voluntarily terminates for good reason all nonvested shares would be fully vested. If termination took place on December 31, 2020, that would have resulted in vested shares to Jae A. Evans' RSP account of 2,427 (\$42,500), Neil M. McDonnell's RSP account of 952 (\$16,673), and Jerome E. Schwind's RSP account of 1,279 (\$22,383).

Director Compensation

The following table summarizes the compensation of each non-employee director who served on the Board during 2020.

<u>Name</u>	<u>Fees paid in cash</u> <u>(\$)(1)</u>	<u>Fees deferred</u> <u>under Directors</u> <u>Plan</u> <u>(\$)(1)</u>	<u>Total fees earned</u> <u>(\$)</u>
Dr. Jeffrey J. Barnes	6,675	20,025	26,700
Jill Bourland	36,800	—	36,800
G. Charles Hubscher	—	25,650	25,650
Thomas L. Kleinhardt	—	35,400	35,400
David J. Maness	—	49,250	49,250
W. Joseph Manifold	—	13,784	13,784
Sarah R. Opperman	35,400	—	35,400
Vicki L. Rupp	28,250	—	28,250
Gregory V. Varner	27,525	9,175	36,700

(1) Directors electing to receive all fees in cash, resulting in no contributions to the Directors Plan, invest at least 25% of their board fees in our common stock under the DRIP Plan as described in our Directors Plan within the "Executive Officers" section.

We paid \$1,500 per board meeting plus a retainer of \$10,000 to each member during 2020. Members of the Audit Committee were paid \$750 per Audit Committee meeting attended. Members of the Nominating and Corporate Governance Committee were paid \$350 per meeting attended. Members of the Compensation and Human Resource Committee were paid \$350 per meeting attended. The chairperson of the Board is paid a retainer of \$35,000, the chairperson for the Audit Committee is paid a retainer of \$6,000, and the vice chairperson for the Audit Committee is paid a retainer of \$2,000.

Under the Directors Plan, upon a participant's retirement from the Board, or the occurrence of certain other events, the participant is eligible to receive a distribution in the form of shares of our common stock of all of the stock units that are then credited to the participant's account. The plan does not allow for cash settlement. Stock issued under the Directors Plan is restricted stock under the Securities Act of 1933, as amended.

We established a Rabbi Trust to supplement the Directors Plan. The Rabbi Trust is an irrevocable grantor trust to which we may contribute assets for the limited purpose of funding a nonqualified deferred compensation plan. Although we may not reach the assets of the Rabbi Trust for any purpose other than meeting its obligations under the Directors Plan, the assets of the Rabbi

Trust remain subject to the claims of our creditors. We may contribute cash or common stock to the Rabbi Trust from time to time for the sole purpose of funding the Directors Plan. The Rabbi Trust will use any cash that we may contribute to purchase shares of our common stock on the open market.

We transferred \$1,531,784 to the Rabbi Trust in 2020, which held 59,162 shares of our common stock for settlement as of December 31, 2020. As of December 31, 2020, there were 117,053 stock units credited to participants' accounts, which credits are unfunded as of such date to the extent that they are in excess of the stock and cash that has been credited to the Rabbi Trust. All amounts are unsecured claims against our general assets. The net cost of this benefit was \$198,119 in 2020.

The following table displays the cumulative number of stock units of our common stock credited to the accounts of current directors pursuant to the terms of the Directors Plan as of March 12, 2021:

<u>Name</u>	<u># of stock units credited</u>
Dr. Jeffrey J. Barnes	18,924
Jill Bourland	1,065
Jae A. Evans	2,439
G. Charles Hubscher	26,584
Thomas L. Kleinhardt	36,872
David J. Maness	41,983
Richard L. McGuirk ⁽¹⁾	—
Sarah R. Opperman	5,044
Chad R. Payton ⁽²⁾	937
Vicki L. Rupp ⁽³⁾	—
Jerome E. Schwind	7,574
Gregory V. Varner	14,522

⁽¹⁾ Richard L. McGuirk was appointed to the Board February 24, 2021, effective March 31, 2021. As such, Mr. McGuirk had no stock units credited as of March 12, 2021.

⁽²⁾ Chad R. Payton was appointed to the Board February 24, 2021, effective March 31, 2021. Mr. Payton has served on an Isabella Bank regional advisory board since January 1, 2019 and pursuant to the Directors Plan, has been awarded stock units for his service.

⁽³⁾ Vicki L. Rupp has elected to receive all fees in cash, resulting in no contributions to the Directors Plan. Ms. Rupp invests at least 25% of her board fees in our common stock under the DRIP Plan as described in our Directors Plan within the "Executive Officers" section.

Indebtedness of and Transactions with Management

Certain directors and officers and members of their families were loan customers of the Bank, or have been directors or officers of corporations, members or managers of limited liability companies, or partners of partnerships which have had transactions with the Bank. In our opinion, all such transactions were made in the ordinary course of business and were 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 \$2,977,000 and \$3,695,000 as of December 31, 2020, and 2019.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information as of March 12, 2021 as to our common stock owned beneficially by: 1) each director and director nominee, 2) by each named executive officer, 3) by all directors, director nominees and executive officers as a group, and 4) all those known by us to be beneficial owners of more than 5% of our common stock.

<u>Name of Owner</u>	<u>Amount and Nature of Beneficial Ownership (1)</u>	<u>Percent of Class</u>
Dr. Jeffrey J. Barnes	8,747	0.11 %
Jill Bourland	1,492	0.02 %
Jae A. Evans	17,953	0.23 %
G. Charles Hubscher	199,024	2.50 %
Thomas L. Kleinhardt	56,364	0.71 %
David J. Maness	7,358	0.09 %
Neil M. McDonnell	1,634	0.02 %
Richard L. McGuirk	383,601	4.82 %
Sarah R. Opperman	12,246	0.15 %
Chad R. Payton	1,165	0.01 %
Vicki L. Rupp	2,381	0.03 %
Jerome E. Schwind	5,481	0.07 %
Gregory V. Varner	6,323	0.08 %
All Directors, nominees and Executive Officers as a Group (13) persons	<u>703,769</u>	<u>8.85 %</u>

- ⁽¹⁾ Beneficial ownership is defined by rules of the SEC and includes shares that the person has or shares voting or investment power over and shares that the person has a right to acquire within 60 days from March 12, 2021. Consequently, with respect to shares acquired under the Directors Plan, participants may not be eligible to convert their stock units to shares within 60 days from March 12, 2021 as a result of distribution elections and plan conditions. For stock units credited to each participant's account as of March 12, 2021, refer to the "Director Compensation" section of this report.

Independent Registered Public Accounting Firm

The Audit Committee has appointed Rehmann Robson LLC as our independent auditors for the year ending December 31, 2021.

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

Fees for Professional Services Provided by Rehmann Robson LLC

The following table shows the aggregate fees billed by Rehmann Robson LLC for the audit and other services provided for:

	2020	2019
Audit fees	\$ 321,310	\$ 326,633
Audit related fees	25,025	13,500
Tax fees	25,010	18,475
Total	<u>\$ 371,345</u>	<u>\$ 358,608</u>

The audit fees were for performing the integrated audit of our consolidated annual financial statements and the internal control report related to the Federal Deposit Insurance Corporation Improvement Act, reviews of interim quarterly financial statements included in our Quarterly Reports on Form 10-Q, and services that are normally provided by Rehmann Robson LLC in connection with statutory and regulatory filings or engagements.

The audit related fees are typically for various discussions related to the adoption and interpretation of new accounting pronouncements. During 2020, this included fees for procedures related to nonrecurring regulatory filings. Also included are fees for auditing of our employee benefit plans.

The tax fees were for the preparation of our state and federal income tax returns and for consultation on various tax matters.

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

Pre-Approval Policies and Procedures

All non-audit services to be performed by Rehmann Robson LLC must be approved in advance by the Audit Committee if those fees are reasonably expected to exceed 5.0% of the current year agreed upon fee for independent audit services, so long as such services were recognized by the Corporation at the time of engagement to be non-audit services, and such services are promptly brought to the attention of the Audit Committee subsequent to completion of the audit. As permitted by SEC 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, timing, 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 other professional services, none were billed pursuant to these provisions in 2020 and 2019 without pre-approval.

Shareholder Proposals

Any proposals which you intend to present at the next Annual Meeting must be received before November 26, 2021 to be considered for inclusion in our 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

Our directors are encouraged to attend the Annual Meeting. At the 2020 Annual Meeting, all directors, with the exception of Mr. Manifold, were in attendance.

Other Matters

We will bear the cost of soliciting proxies. In addition to solicitation by mail, officers and other employees 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

We do 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

A handwritten signature in cursive script that reads "Debra Campbell".

Debra Campbell, Secretary

SHAREHOLDERS' INFORMATION

Financial Information and Annual Report on Form 10-K

Copies of the 2020 Annual Report, Isabella Bank Corporation Annual Report on Form 10-K, and other financial information not contained herein are available on the Bank's website (www.isabellabank.com) under the Invest in Us tab, or may be obtained, without charge, by writing to:

Debra Campbell
Secretary
Isabella Bank Corporation
401 N. Main St.
Mt. Pleasant, Michigan 48858

Stock Information

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

Shareholder Services

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

Transfer Agent

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

Investor Relations Firm

Renmark Financial Communications, LLC
(404) 806-1393 | 5 Concourse Pkwy, 30th Floor, Atlanta, GA 30328
or www.renmarkfinancial.com

Public Relations Firm

Paladin Communications
(734) 277-5843 | 2718 Sable Ct., Mt. Pleasant, MI 48858
or www.paladincomm.net

Corporate Broker

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

Legal Counsel

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

Independent Certified Public Accounting Firm

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

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



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