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January 31, 2019

Dear Shareholder,

I am always pleased when shareholders reach out to me to learn more about Isabella Bank Corporation ("ISBA"). Recently, a shareholder contacted me to discuss some concerns he had regarding the market and how the market is affecting the price of ISBA common stock. These are very valid concerns which I would like to address.

The current interest rate environment, which consists of low rates and a flat yield curve, is having an impact on investor confidence in the financial sector. Interest rate environments with flattened yield curves generally result in a decline in the market price of bank stocks. In early 2017, the difference between the yields of the 2-year treasury and 10-year treasury notes was above 120 basis points. Since the first part of December 2018, the same yield variance has remained below 20 basis points, which is not favorable for financial institutions.

Bank stocks, in general, were negatively impacted in the second half of 2018. The Nasdaq Bank Stock Index declined 19% in the fourth quarter of 2018. The price of ISBA common stock fell approximately 15% during this same time frame. Historically, the ISBA stock price lags market swings, either positively or negatively, anywhere from 60-90 days. Recently, our share price, based on two points in time, dropped from \$28.26 on December 27, 2017 to \$22.56 on January 2, 2019. The majority of this decline occurred in the fourth quarter of 2018. Even within this declining period, there were a few trades that we were aware of at \$25.95 between December 14, 2018 and December 24, 2018.

The ISBA Board of Directors and its management team closely monitor our stock price, and are focused on improving the metrics which should serve to have a favorable impact on the stock price. In the second half of 2018, we engaged the services of an investor communications firm whose mission is to help build brand awareness of Isabella Bank Corporation in the investment community, and get management in front of selected investment professionals and advisors through small group presentations. The feedback from this strategy has been positive thus far. Though strategies and metrics are in place, there are variables, such as the interest rate environment, which are beyond our control. Throughout this challenging interest rate period, Isabella Bank's overall credit quality of the loan portfolio is good and the capital ratios are at levels which are considered to be well capitalized.

Isabella Bank continues to be a very solid financial institution and I would like to thank you for your continued support. If you have questions or comments, please email me at [jevans@isabellabank.com](mailto:jevans@isabellabank.com) or call me at 989.779.6215.



Jae A. Evans, President & Chief Executive Officer

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