



Charter of the Audit Committee of the Board of Directors

Approved:02/26/2020

ORGANIZATION AND PROCEDURES

Appointment. The members of the Audit Committee are appointed annually by the Board of Directors (the "Board") of Isabella Bank Corporation (the "Corporation") from among the Corporation's directors. The members shall serve until their successors are duly elected and qualified by the Board. The Board determines the number of members on the Audit Committee from time to time, but the number will not be less than the minimum number prescribed by applicable law or the Corporation's Bylaws. In no event will such number of members be less than five (5). The Board will appoint one of the members of the Audit Committee to serve as Audit Committee Chair. The Audit Committee may also appoint a Secretary, who need not be a director.

Independence. Audit Committee members must fully satisfy independence and experience requirements as prescribed by Rule 5605(a)(2) of the NASDAQ Marketplace Rules, Section 10A of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations of the Securities and Exchange Commission ("SEC"), and the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") and applicable rules and regulations thereunder. In general, these rules require that the Audit Committee member not have any relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition, no member of the Audit Committee may be an "affiliated person" of the Corporation or any of its subsidiaries (as defined in the federal securities laws). Director's fees are the only compensation that an Audit Committee member may receive directly or indirectly from or on behalf of the Corporation.

Qualifications. All members of the Audit Committee shall have a strong level of accounting or financial acumen and shall be able to read and understand fundamental financial statements at the time of their appointment to the Audit Committee. At least one member of the Audit Committee shall be a "financial expert" as defined by the rules of the SEC. In general, to be considered a "financial expert", an audit committee member must have the following attributes:

- An understanding of generally accepted accounting principles ("GAAP") and financial statements;
- The ability to assess the general application of GAAP in connection with the accounting for estimates, accruals and reserves;
- Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities;
- An understanding of internal controls and procedures for financial reporting; and
- An understanding of audit committee functions.

Meetings. The Audit Committee shall meet as often as it or the Audit Committee Chair determines, but not less frequently than quarterly. The Audit Committee shall maintain minutes or other records of the Audit Committee's meetings and activities. The Audit Committee may form and delegate authority to subcommittees or members when appropriate.

Support. The Audit Committee has the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Audit Committee also has the authority, to the extent it deems necessary or appropriate, to ask the Corporation to provide the Audit Committee with the support of one or more Corporation employees to assist it in carrying out its duties. The Corporation shall provide for appropriate funding, as determined solely by the Audit Committee, for payment of compensation to the independent auditors for the purpose of rendering or issuing an audit report and to any other advisors employed by the Audit Committee, and for the ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties. The Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel, independent auditors or other advisors to attend a meeting of the Audit Committee or to meet with any members of, or consultant to, the Audit Committee. In performing their duties and responsibilities, Audit Committee members are entitled to rely in good faith on information, opinions, reports or statements prepared or presented by (1) one or more officers or employees of the Corporation whom the Audit Committee member reasonably believes to be reliable and competent in the matters presented; (2) counsel, independent auditors, or other persons as to matters which the Audit Committee member reasonably believes to be within the professional or expert

competence of such person; and (3) another committee of the Board as to matters within its designated authority which committee the Audit Committee member reasonably believes to merit confidence.

STATEMENT OF POLICY AND PURPOSE OF THE AUDIT COMMITTEE

The Audit Committee shall provide assistance to the Corporation's directors in fulfilling their responsibility to the shareholders, potential shareholders, outside auditors, government agencies, and investment community relating to corporate accounting, reporting practices of the Corporation, and the quality and integrity of the financial reports of the Corporation. In particular, the Audit Committee shall provide assistance to the Board by monitoring:

1. the integrity of the financial statements of the Corporation;
2. the independent auditors' qualifications and independence;
3. the performance of the Corporation's and its subsidiaries' internal audit function and independent auditors;
4. the Corporation's system of internal controls;
5. the Corporation's financial reporting and system of disclosure controls; and
6. the compliance by the Corporation with legal and regulatory requirements and with the Corporation's Code of Business Conduct and Ethics.

The Audit Committee's job is one of oversight as set forth in this charter. It is not the duty of the Audit Committee to prepare the Corporation's financial statements, to plan or conduct audits, or to determine that the Corporation's financial statements are complete and accurate and are in accordance with GAAP. The Corporation's management is responsible for preparing the Corporation's financial statements and for maintaining internal controls, and the independent auditors are responsible for auditing the financial statements. Nor is it the duty of the Audit Committee to conduct investigations or to assure compliance with laws and regulations and the Corporation's Code of Business Conduct and Ethics. In performing its duties, the Audit Committee shall maintain free and open means of communication between the directors, the independent auditors, the internal auditors, and the senior management of the Corporation.

The Audit Committee shall also perform the audit committee functions specified by 12 C.F.R. Part 363 for the Corporation's subsidiary, Isabella Bank. The requirements for 12 C.F.R Part 363 are contained within this document under the sections titled "Independence" and "Independent Auditors".

RESPONSIBILITIES OF THE AUDIT COMMITTEE

Charter Review

1. Review and reassess the adequacy of this charter at least annually and recommend to the Board any proposed changes to this charter; and
2. Publicly disclose the charter and any such amendments at the times and in the manner as required by the SEC and/or any other regulatory body having authority over the Corporation.

Financial Reporting/Internal Controls

- Review and discuss with the internal auditors and the independent auditors their respective annual audit plans, reports and the results of their respective audits;
- Review and discuss with management and the independent auditors the Corporation's quarterly financial statements and its Form 10-Q (prior to filing the same as required by the Exchange Act), including disclosures made in the section regarding management's discussion and analysis, the results of the independent auditors' reviews of the quarterly financial statements, and determine whether the quarterly financial statements should be included in the Corporation's Form 10-Q;

- Review and discuss with management and the independent auditors the Corporation's annual audited financial statements and its Form 10-K (prior to filing the same as required by the Exchange Act), including disclosures made in the section regarding management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Corporation's Form 10-K;
- Review and discuss with management, and the independent auditors, the Corporation's non-routine financial disclosures in its registration statements, press releases, earnings releases, current reports, real time disclosures, or other public disclosures before the same are filed, posted, disseminated or released, including the use of "pro forma" or "adjusted" non-GAAP information, all reconciliations of the same, and any earnings guidance, as well as all financial information provided to rating agencies and/or securities analysts including presentations at industry, investor or other conferences; Such discussions may be general (consisting of discussing the information to be disclosed and the types of presentations to be made), and each instance in which the Corporation provides such information need not be discussed in advance.
- Review and discuss with the Corporation's Chief Executive Officer and Chief Financial Officer all matters such officers are required to certify in connection with the Corporation's Form 10-Q and 10-K or other filings or reports;
- Discuss with management and the independent auditors, significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles, the development, selection and disclosure of critical accounting estimates and principles and the use thereof, and analyses of the effect of alternative assumptions, estimates, principles or GAAP methods on the Corporation's financial statements;
- Discuss with management and the independent auditors the effect of regulatory and accounting initiatives and off-balance sheet transactions on the Corporation's financial statements, conditions or results and any necessary disclosures related thereto;
- Discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies;
- Discuss with management, the Corporation's major components of internal control over financial reporting and steps management has taken to ensure adequate internal control over financial reporting exists;
- Discuss with the independent auditors the matters required to be discussed by Statement of Auditing Standards No. 61, Regulation S-X, Rule 207 and Independence Standard 1. These matters include, but are not limited to:
 - The auditor's responsibility under generally accepted auditing standards.
 - Significant findings from the audit.
 - Significant accounting policies.
 - Management's judgments and accounting estimates.
 - Significant audit adjustments.
 - The auditor's judgments about the quality of the Corporation's accounting practices.
 - Other information in documents containing audited financial statements.
 - Disagreements with management.
 - Consultation with other accountants.
 - Major issues discussed with management prior to retention.
 - Major issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management, such as any management letter or schedule of unadjusted differences.
 - Difficulties encountered in performing the audit.
 - Independence.
- Discuss with the independent auditors any deficiencies in internal control over financial reporting as required by PCAOB Auditing Standard AS 2201;
- Confirm that the Corporation's independent auditors report to the Audit Committee all of the Corporation's critical accounting policies and procedures and alternative accounting treatments of financial information within GAAP that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditors;
- Confirm that the Corporation's independent auditors share with the Audit Committee all material written communication between the auditors and management;

- Discuss with the Corporation's independent auditors, internal auditors, and management their assessments of the adequacy of the Corporation's internal controls and disclosure controls and procedures;
- Assess whether management is resolving any internal control weaknesses diligently;
- Discuss with the Corporation's independent auditors, internal auditors and management as appropriate the Corporation's FDICIA internal controls report and the attestation of the Corporation's independent auditors to the same;
- Discuss with the Corporation's independent auditors, internal auditors and management as appropriate any weaknesses or deficiencies that any of the foregoing have identified relating to financial reporting, internal controls or other related matters and their proposals for rectifying such weaknesses or deficiencies;
- Monitor the Corporation's progress in promptly addressing and correcting any and all identified weaknesses or deficiencies in financial reporting, internal controls or related matters;
- Receive periodic reports from the independent auditors and appropriate officers of the Corporation on significant accounting or reporting developments proposed by the Financial Accounting Standards Board or the SEC that may impact the Corporation; and
- Receive periodic reports from independent auditors and appropriate officers of the Corporation on significant financial reporting, internal controls or other related matters of the Corporation's subsidiaries.

Independent Auditors

- The Audit Committee is directly and solely responsible for the retention, termination, compensation, and oversight of the work of the independent auditor (including resolution of disagreements between management and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditors shall report directly to the Audit Committee. The Audit Committee shall ensure that engagement letters and related agreements with the independent auditor do not contain any limitations of liability provisions that indemnify the independent auditor against claims made by third parties, hold harmless or release the independent auditor from liability for claims or potential claims that might be asserted by the Corporation, other than claims for punitive damages, or limit the remedies available to the Corporation.
- The outside auditor is ultimately responsible to the Board of Directors and the Audit Committee, as representatives of the shareholders. In connection with this duty, the Committee shall receive on an annual basis a written statement from the outside auditor detailing all relationships between the outside auditor and the Corporation;
- Review the experience, rotation and qualifications of the senior members of the independent auditors' team;
- Monitor the independence, qualifications and performance of the independent auditors including, but not limited to, consideration of whether the provision of any non-audit services is compatible with maintaining the auditors' independence, and taking into account the opinions of management and the internal auditors;
- Meet with the independent auditors prior to each annual audit to discuss the planning and staffing of the audit;
- Pre-approve all auditing services and permitted non-audit services to be performed for the Corporation by the independent auditors or any other auditing or accounting firm, except as provided in this paragraph. In no event shall the independent auditors perform any non-audit services for the Corporation which are prohibited by Section 10A(g) of the Exchange Act or the rules of the SEC or the Public Company Accounting Oversight Board (or other similar body as may be established from time to time). Examples of the types of services that are generally prohibited include:
 - Bookkeeping or other services related to the accounting records or financial statements of the audit client;
 - Financial information systems design and implementation;
 - Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
 - Actuarial services;
 - Internal audit outsourcing services;
 - Management functions or human resources;
 - Broker or dealer, investment adviser, or investment banking services;

- Legal services and expert services unrelated to the audit; and
- Any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible.
- The Audit Committee shall establish 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 shall review such guidelines with the Board. Pre-approval may be granted by action of the full Audit Committee or, in the absence of such Audit Committee, action by the Audit Committee Chair whose action shall be considered to be that of the entire Audit Committee. The Audit Committee grants with the updating of the charter its pre-approval for the provision of permissible non-audit services. Such services are pre-approved up to the point where (i) the aggregate amount of all such non-audit services constitutes no more than 5% of the total amount of revenues paid by the Corporation to the auditors during the fiscal year in which the non-audit services are provided, (ii) such services were not recognized by the Corporation at the time of engagement to be non-audit services, and (iii) such services are promptly brought to the attention of the Audit Committee prior to the completion of the audit. Approval of a non-audit service to be performed by the auditors and, if applicable, the guidelines pursuant to which such services were approved, shall be disclosed when required as promptly as practicable in the Corporation's definitive proxy required by Section 13(a) of the Exchange Act;

Non-audit services include additional audit, audit related, tax and other services and may include, for example, services related to or arising from the following:

- SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings (e.g. comfort letters, consents), and assistance in responding to SEC comment letters;
- Consultation from time to time and in the normal course of business by the Corporation's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB or other regulatory or standard setting bodies. Expanded audit procedures required to comply with aforementioned transactions or events (for example, proposed or completed business combinations);
- U.S. Federal, state and local tax planning and advice, compliance and review services.
- Oversee the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit at least once every five years and considering whether, in order to assure continuing auditor independence, it is appropriate to rotate the auditing firm itself from time to time;
- Recommend to the Board, policies for the Corporation's hiring of employees or former employees of the independent auditors who participated in any capacity in an audit of the Corporation, including in particular the prohibition on employment under Section 10A(l) of the Exchange Act as chief executive officer, controller, chief financial officer, chief accounting officer, or any person serving in an equivalent position for the Corporation, during the preceding one-year period; and
- Ensure that the independent auditors have access to all necessary Corporation personnel, records or other resources.

Internal Audit Function

- Review and oversee the appointment, performance and replacement of the senior internal audit executive;
- Review and approve any plan to outsource the internal audit function and if so approved, review and oversee the appointment, performance and replacement of the auditors;
- Review the internal audit plan and assess whether it is consistent with the Corporation's needs;
- To the extent applicable, review the significant reports to management prepared by the internal auditing department and management's responses;
- Review and discuss with the internal auditors the results of their work (including their audit report) as well as their control risk assessment;
- Ensure that internal auditors do not have responsibilities that conflict with their monitoring role;
- Discuss with the independent auditors and approve the internal audit department responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit;

- Ensure that internal auditors adhere to professional standards and receive adequate training annually; and
- Ensure that the internal auditors have access to all necessary Corporation resources.

Compliance Oversight

- Discuss with management and the internal auditors the Corporation's processes regarding compliance with applicable laws and regulations and with the Corporation's Code of Business Conduct and Ethics, obtain information from management, the Corporation's senior internal auditing executive and the independent auditors regarding compliance by the Corporation and its subsidiary/affiliated entities with applicable legal requirements and the Corporation's Code of Business Conduct and Ethics and from time to time advise the Board with respect to the same;
- Obtain from the independent auditors any reports required to be furnished to the Audit Committee under Section 10A of the Exchange Act or an assurance that Section 10A of the Exchange Act has not been implicated (Section 10A requires the independent auditors to report certain illegal acts. In addition, Section 10A addresses reports of critical accounting policies and practices used, alternative treatments of financial information within GAAP that have been discussed with management and other material written communications between the independent auditors and management);
- Review procedures designed to identify related party transactions that are material to the financial statements or otherwise require disclosure;
- Establish procedures and require the Corporation to obtain or provide the necessary resources and mechanisms for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- Discuss with management and the independent auditors any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies or compliance with the Corporation's Code of Business Conduct and Ethics;
- Discuss with the Corporation's general counsel legal matters that may have a material impact on the financial statements and that may have an impact on the Corporation's compliance policies; and
- Perform the audit committee functions specified by 12 C.F.R. Part 363 for the Corporation's subsidiary, Isabella Bank. The requirements for 12 C.F.R Part 363 are contained within this document in the sections titled "Independence" and "Independent Auditors".

General

- On a regular basis, as appropriate, meet separately with management (especially the Chief Financial Officer), the internal auditors, and with the independent auditors;
- Report to the Board on the Audit Committee's activities
- Review and assess the quality and clarity of the information provided to the Audit Committee and make recommendations to management, and the independent auditors as the Audit Committee deems appropriate from time to time for improving such materials;
- Prepare, or oversee the preparation of, the Audit Committee report to be included in the Corporation's proxy statement when and as required by the rules of the SEC; and
- Annually review the performance of the Audit Committee.