

FEDERAL RESERVE SYSTEM

Isabella Bank Corporation
Mount Pleasant, Michigan

Isabella Bank
Mount Pleasant, Michigan

Order Approving the Acquisition of a Bank Holding Company, the Merger of Banks, and
the Establishment of Branches

Isabella Bank Corporation (“Isabella”), Mount Pleasant, Michigan, a bank holding company within the meaning of the Bank Holding Company Act (“BHC Act”),¹ has requested the Board’s approval under section 3 of the BHC Act² to acquire Grand River Commerce, Inc. (“GRC”), a bank holding company, and thereby indirectly acquire its state member bank subsidiary, Grand River Bank (“GR Bank”), both of Grandville, Michigan. In addition, Isabella’s state member bank subsidiary, Isabella Bank, Mount Pleasant, Michigan, has requested the Board’s approval to merge with GR Bank pursuant to section 18(c) of the Federal Deposit Insurance Act (“Bank Merger Act”),³ with Isabella Bank as the surviving entity. Isabella Bank also has applied under section 9 of the Federal Reserve Act (“FRA”)⁴ to establish and operate branches at the locations of the main office and branch of GR Bank.⁵

¹ 12 U.S.C. § 1841 *et seq.*

² 12 U.S.C. § 1842.

³ 12 U.S.C. § 1828(c).

⁴ 12 U.S.C. § 321.

⁵ These are located at 4471 Wilson Ave SW, Grandville, Michigan, and 50 Crahen Avenue NE, Suite 100, Grand Rapids, Michigan, respectively.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (91 *Federal Register* 49433 (August 4, 2026)), in accordance with the Board's Rules of Procedure.⁶ The time for submitting comments has expired, and the Board received two adverse comments on the proposal. The Board has considered the proposal and the comments received in light of the factors set forth in section 3 of the BHC Act, the Bank Merger Act, and the FRA. As required by the Bank Merger Act, a report on the competitive effects of the merger was requested from the United States Attorney General, and a copy of the request has been provided to the Federal Deposit Insurance Corporation ("FDIC").

Isabella, with consolidated assets of approximately \$2.2 billion, is the 522nd largest insured depository organization in the United States.⁷ Isabella controls approximately \$1.8 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.⁸ Isabella controls Isabella Bank, which operates only in Michigan. Isabella is the 17th largest insured depository organization in Michigan, controlling deposits of approximately \$1.9 billion, which represent less than 1 percent of the total deposits of insured depository institutions in that state.⁹

GRC, with consolidated assets of approximately \$508 million, is the 1,703rd largest insured depository organization in the United States. GRC controls approximately \$446 million in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. GRC controls GR Bank, which operates only in Michigan. GRC is the 47th largest

⁶ 12 CFR 262.3(i).

⁷ Consolidated asset and national ranking data are as of June 30, 2026, unless otherwise noted.

⁸ Consolidated national deposit and market share data are as of March 31, 2026. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

⁹ State deposit and market share data are as of June 30, 2025.

insured depository organization in Michigan, controlling deposits of approximately \$431 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state.

On consummation of this proposal, Isabella would become the 435th largest insured depository organization in the United States, with consolidated assets of approximately \$2.7 billion. Isabella would control total consolidated deposits of approximately \$2.3 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Isabella would remain the 17th largest insured depository organization in Michigan, controlling deposits of approximately \$2.3 billion, which would represent less than 1 percent of the total deposits of insured depository institutions in that state.¹⁰

Competitive Considerations

Section 3 of the BHC Act and the Bank Merger Act prohibit the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.¹¹ The BHC Act and the Bank Merger Act also prohibit the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.¹²

¹⁰ The proposal does not require interstate analysis under section 3(d) of the BHC Act because the home state of Isabella is Michigan, and GRC is located only within Michigan. *See* 12 U.S.C. §§ 1841(o)(4)–(7) and 1842(d). Similarly, the proposal does not raise interstate issues under section 44 of the Federal Deposit Insurance Act because Michigan is the home state of both Isabella Bank and GR Bank. *See* 12 U.S.C. §§ 1831u(a)(1), (g)(4)–(5), and (g)(8)–(9).

¹¹ 12 U.S.C. § 1842(c)(1)(A); 12 U.S.C. § 1828(c)(5)(A).

¹² 12 U.S.C. § 1842(c)(1)(B); 12 U.S.C. § 1828(c)(5)(B).

Isabella and GRC have subsidiary banks that compete directly in the Grand Rapids, Michigan, banking market (“Grand Rapids market”).¹³ The Board has considered the competitive effects of the proposal in this banking market. In particular, the Board has considered the relative share of total deposits in insured depository institutions in the markets (“market deposits”) that Isabella would control;¹⁴ the concentration level of market deposits and the increase in this level, as measured by the Herfindahl-Hirschman Index (“HHI”) under the 1995 Bank Merger Competitive Review guidelines (“1995 Bank Merger Guidelines”);¹⁵ the number of competitors that would remain in the market; and other characteristics of the market.

¹³ The Grand Rapids market is defined as the counties of Allegan, Barry, Ionia, Kent, Mecosta, Montcalm, Muskegon, Newaygo, Oceana, and Ottawa; the Chase, Cherry Valley, Dover, Ellsworth, Newkirk, Pinora, and Yates townships of Lake County; and the Evart, Hersey, Orient, and Richmond townships of Osceola County; all in Michigan.

¹⁴ Local deposit and market share data are as of June 30, 2025, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. *See, e.g., Midwest Financial Group*, 75 Federal Reserve Bulletin 386 (1989); *National City Corporation*, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50-percent-weighted basis. *See, e.g., Huntington Bancshares Incorporated*, FRB Order No. 2021-07, at 5–6 (May 25, 2021); *Hancock Whitney Corporation*, FRB Order No. 2019-12 at 6 (September 5, 2019).

¹⁵ Department of Justice, Bank Merger Competitive Review – Introduction and Overview, <https://www.justice.gov/sites/default/files/atr/legacy/2007/08/14/6472.pdf> (1995). On September 17, 2024, the United States Department of Justice (“DOJ”) announced its withdrawal from the 1995 Bank Merger Guidelines and emphasized that the 2023 Merger Guidelines, issued on December 18, 2023, remain its sole and authoritative statement across all industries. Press Release, Department of Justice, “Justice Department Withdraws from 1995 Bank Merger Guidelines,” <https://www.justice.gov/opa/pr/justice-department-withdraws-1995-bank-merger-guidelines>. The 1995 Bank Merger Guidelines had been adopted together with the federal banking agencies, and none of the federal banking agencies have withdrawn from the 1995 Bank Merger Guidelines. The Board continues to apply the 1995 Bank Merger Guidelines in evaluating bank merger proposals. The Board traditionally has considered a market unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. *See, e.g., Chemical Banking Corporation*, 78 Federal Reserve

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the 1995 Bank Merger Guidelines in the Grand Rapids market. On consummation, the Grand Rapids market would remain moderately concentrated, and the change in market concentration would be well within the 1995 Bank Merger Guidelines and consistent with Board precedent. Numerous competitors would remain in the market.¹⁶

The DOJ conducted a review of the potential competitive effects of the proposal and has advised the Board that it did not conclude that the proposal would have a significantly adverse effect on competition. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

In reviewing proposals under section 3 of the BHC Act and the Bank Merger Act, the Board considers the financial and managerial resources and the future

Bulletin 74 (1992). In addition, the Board traditionally has considered a merger not to have an anticompetitive effect where the proposed merger would not increase the HHI by more than 200 points in any banking market, in the absence of other factors indicating anticompetitive effects.

¹⁶ Isabella is the 14th largest depository organization in the Grand Rapids market, controlling approximately \$446.2 million in deposits, which represent approximately 1.2 percent of market deposits. GRC is the 15th largest depository organization in the market, controlling approximately \$431.0 million in deposits, which represent approximately 1.1 percent of market deposits. On consummation of the proposed transaction, Isabella would become the 11th largest depository organization in the market, controlling approximately \$877.2 million in deposits, which would represent approximately 2.3 percent of market deposits. The HHI for the Grand Rapids market would increase by 3, and 30 competitors would remain in the market, including Isabella.

prospects of the institutions involved, the effectiveness of the institutions in combatting money laundering, and any public comments on the proposal.¹⁷ In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as any public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and to complete the proposed integration of the operations of the institutions effectively. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

Isabella and Isabella Bank are well capitalized and would remain so upon consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a share exchange and cash distribution, with a subsequent merger of GR Bank with and into Isabella Bank.¹⁸ The capital, asset quality, earnings, and liquidity of Isabella and Isabella Bank are consistent with approval, and Isabella and

¹⁷ 12 U.S.C. § 1842(c)(2), (5), and (6); 12 U.S.C. § 1828(c)(5) and (11).

¹⁸ To effect the transaction, each share of GRC common stock would be converted into a right to receive shares of Isabella common stock based on an exchange ratio, plus cash in lieu of any fractional shares. First, Isabella will merge GRC with and into 401 Merger Sub, Inc. (the "Merger Sub"), a merger subsidiary of Isabella, with the Merger Sub as the surviving entity. Second, Isabella will merge the Merger Sub with and into Isabella, with Isabella as the surviving entity. Third, Isabella will cause GR Bank to merge with and into Isabella Bank, with Isabella Bank as the surviving entity. These three mergers are expected to occur in immediate succession. Isabella has the financial resources to effect the proposed transaction.

Isabella Bank appear to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations. In addition, the future prospects of the institutions are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records and other supervisory information concerning the institutions, including assessments of the institutions' management, risk-management systems, and operations. In addition, the Board has considered information provided by Isabella; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organization; the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws; and the public comments on the proposal.

Isabella and Isabella Bank are each considered to be well managed. The combined organization's proposed directors and senior executive officers have knowledge of and experience in the banking and financial services sectors, and Isabella's risk-management program appears consistent with approval.

The Board also has considered Isabella's plans for implementing the proposal. Isabella has conducted comprehensive due diligence and is devoting sufficient financial and other resources to address all aspects of the post-acquisition integration process for this proposal. In addition, Isabella's management has the experience and resources to operate the resulting organization in a safe and sound manner. Isabella plans to apply its risk-management policies, procedures, and controls at the combined organization following the transaction.

Based on all the facts of record, including Isabella's and Isabella Bank's supervisory records, managerial and operational resources, and plans for operating the combined organization after consummation, the Board determines that considerations relating to the financial and managerial resources and the future prospects of the organizations involved in the proposal, as well as the records of effectiveness of the institutions in combatting money-laundering activities, are consistent with approval.

Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act and the Bank Merger Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.¹⁹ In evaluating whether the proposal satisfies the convenience and needs statutory factor, the Board considers the impact that the proposal will or is likely to have on the communities served by the combined organization. The Board reviews a variety of information to determine whether the relevant institutions' records demonstrate a history of helping to meet the needs of their customers and communities. The Board also reviews the combined institution's post-consummation plans and the expected impact of those plans on the communities served by the combined institution, including on low- and moderate-income ("LMI") individuals and communities. The Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve and are providing access to banking products and services that meet the needs of customers and communities, including the potential impact of branch closures, consolidations, and relocations on that access. In addition, the Board reviews the records of the relevant depository institutions under the Community Reinvestment Act of 1977 ("CRA").²⁰ The Board strongly encourages insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions' safe and sound operation and their obligations under the CRA.²¹

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, gender,

¹⁹ 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 1828(c)(5). Where applicable, the Board also considers any timely substantive comments on the proposal and, in its discretion, may consider any untimely substantive comments on the proposal.

²⁰ 12 U.S.C. § 2901 *et seq.*

²¹ *See* 12 U.S.C. § 2901(b).

or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and public comments on the proposal. The Board also may consider the acquiring institution's business model and intended marketing and outreach, the combined organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Isabella Bank and GR Bank, the fair lending and compliance records of both banks, the supervisory views of the Federal Reserve Bank of Chicago ("Reserve Bank"), confidential supervisory information, information provided by Isabella, and the public comments received on the proposal.

Public Comments on the Proposal

The Board received two timely adverse comments on the proposal, both from the same commenter. The commenter objected to the proposal, alleging that, based on data reported under the Home Mortgage Disclosure Act of 1975 ("HMDA"),²² in 2025, Isabella Bank made fewer home loans to African American individuals as compared to white individuals in Michigan, and GR Bank made no home loans to African American individuals in Michigan. The commenter also alleged that Isabella Bank denied home loan applications of African American individuals at a higher rate than those of white individuals in Michigan.²³

²² 12 U.S.C. § 2801 *et seq.*

²³ The commenter also noted individual consumer complaints against both Isabella Bank and GR Bank. Complaints based on individual customer transactions generally are not considered to be substantive comments and, thus, generally are not considered by the Board in its evaluation of the statutory factors governing the transaction. *See* 12 CFR 225.16(c)(3); SR Letter 97-10 (Apr. 24, 1997), <https://www.federalreserve.gov/boarddocs/srletters/1997/sr9710.htm>.

Businesses of the Involved Institutions and Response to Public Comments

Through Isabella Bank, Isabella engages in consumer and commercial banking. Deposit products offered include checking and savings accounts. Lending products offered include home mortgage loans, home equity and other lines of credit, consumer-purpose loans, agricultural loans, commercial mortgages, credit cards, and Small Business Administration loans. Through GR Bank, GRC also engages primarily in consumer and commercial banking.²⁴ Deposit products offered include checking and savings accounts, and lending products offered include small business loans, real estate loans, lines of credit, home mortgage loans, automobile loans, and boat loans.

In response to the comment, Isabella asserts that the commenter presents conclusory allegations based on isolated HMDA data without any analysis or context. Isabella argues that the commenter used selective information in the initial comment on the proposal and that its applications contain significant information about how Isabella Bank and GR Bank meet the convenience and needs of the communities they serve.²⁵ Isabella further asserts that the resulting institution would have an improved ability to serve those communities following the proposed transaction.

Records of Performance under the CRA

In evaluating the CRA performance of the involved institutions, the Board generally considers each institution's most recent CRA evaluation and the supervisory views of relevant federal supervisors, which in this case is the Reserve Bank with respect to both Isabella Bank and GR Bank.²⁶ In addition, the Board considers information provided by the applicant and any public commenters.

²⁴ GR Bank also maintains a wholly owned subsidiary, Grand River Mortgage, LLC, that has ceased all business operations and has commenced the wind-down and dissolution process.

²⁵ Isabella also asserts that the customer complaints described in the comment are unrelated to the proposed transaction.

²⁶ See Interagency Questions and Answers Regarding Community Reinvestment, 81 *Federal Register* 48506, 48548 (July 25, 2016).

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.²⁷ An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply a lending test ("Lending Test"), an investment test ("Investment Test"), and a service test ("Service Test") to evaluate the performance of large banks, such as Isabella Bank, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under HMDA, in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations, to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA assessment areas ("AAs"); (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;²⁸ (4) the

²⁷ 12 U.S.C. § 2906.

²⁸ Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of \$1 million or less; small business and small farm loans by loan amount at origination; and consumer loans,

institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.²⁹ The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs. The Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.³⁰

Federal financial supervisors apply a streamlined Lending Test³¹ and a community development test ("Community Development Test")³² to evaluate the performance of an intermediate small bank, such as GR Bank, in helping to meet the credit needs of the communities it serves. The Community Development Test evaluates the number and amounts of the institution's community development loans and qualified investments; the extent to which the institution provides community development services; and the institution's responsiveness through such activities to community development lending, investment, and service needs.³³

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial, ethnic, or gender groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions may

if applicable, to low-, moderate-, middle-, and upper-income individuals. *See, e.g.*, 12 CFR 228.22(b)(3) (2023).

²⁹ *See* 12 CFR 228.22(b) (2023).

³⁰ *See* 12 CFR 228.23 and 228.24 (2023).

³¹ *See* 12 CFR 228.26(a)(2) and (b) (2023); *see also* 70 *Federal Register* 44256 (Aug. 2, 2005).

³² *See* 12 CFR 228.26(a)(2), (b), and (c) (2023).

³³ *See* 12 CFR 228.26(c) (2023).

not be available from public HMDA data.³⁴ Consequently, the Board considers additional information not available to the public that may be needed from the institution and evaluates disparities in the context of the additional information obtained regarding the lending and compliance record of an institution.

CRA Performance of Isabella Bank

Isabella Bank was assigned an overall rating of “Satisfactory” at its most recent CRA performance evaluation by the Reserve Bank, as of April 13, 2026 (“Isabella Bank Evaluation”).³⁵ The bank received “High Satisfactory” ratings for each of the Lending, Investment, and Service Tests.³⁶

With respect to the Lending Test, examiners found that Isabella Bank’s lending levels reflected good responsiveness to AA credit needs. Examiners also found that a high percentage of loans were originated in the bank’s AA and that the geographic distribution of loans, including in LMI areas, was adequate. Examiners stated that the bank’s distribution of loans among individuals of different income levels and to businesses and farms of different sizes was adequate. Examiners observed that the bank made use of innovative and flexible lending practices in serving AA credit needs.

³⁴ Importantly, credit scores are not available in the public HMDA data. Accordingly, when conducting fair lending examinations, examiners analyze additional information not available to the public before reaching a determination regarding an institution’s compliance with fair lending laws.

³⁵ The Isabella Bank Evaluation was conducted using Interagency Large Institution CRA Examination Procedures. Examiners reviewed the bank’s HMDA-reportable home mortgage loans and CRA-reportable loans from 2023 through 2024, and qualified investments outstanding from November 14, 2023, through April 13, 2026.

³⁶ The Isabella Bank Evaluation included a full-scope review of two AAs: the Non-Metropolitan Michigan AA, and the Saginaw, Michigan, metropolitan statistical area (“MSA”). The Isabella Bank Evaluation included a limited-scope review of two AAs: the Grand Rapids–Wyoming–Kentwood, Michigan, MSA AA, and the Midland, Michigan, MSA AA. Examiners considered Isabella Bank’s lending across a combined assessment area located in central Michigan.

Examiners also noted that the bank made a relatively high level of community development loans.

With respect to the Investment Test, examiners found that Isabella Bank made a significant level of qualified community development investments and grants, particularly those not routinely provided by private investors, occasionally in a leadership position. Examiners also found that the bank made occasional use of innovative or complex investments to support community initiatives and demonstrated good responsiveness to the credit and community development needs.

With respect to the Service Test, examiners determined that Isabella Bank's delivery systems were accessible to geographies and individuals of different income levels in the institution's AAs. Examiners found that the bank's record of opening and closing branches had not adversely affected the accessibility of its delivery systems, particularly in LMI geographies or to LMI individuals. Examiners also noted that services and business hours did not vary in a way that inconvenienced the needs of its AAs, particularly LMI geographies or LMI individuals. Finally, examiners found that the institution provided a relatively high level of community development services.

CRA Performance of GR Bank

GR Bank was assigned an overall rating of "Satisfactory" at its most recent CRA performance evaluation by the Reserve Bank, as of July 7, 2025 ("GR Bank Evaluation").³⁷ The bank received a "Satisfactory" rating for each of the Lending Test and the Community Development Test.³⁸

³⁷ The GR Bank Evaluation was conducted using Interagency Intermediate Small Institution CRA Examination Procedures. Examiners reviewed HMDA-reportable loans originated from January 1, 2024, through December 31, 2024; and a sample of small business loans originated from January 1, 2024, through December 31, 2024. Examiners also considered qualified community development loans and contributions from April 18, 2022, through July 7, 2025.

³⁸ The GR Bank Evaluation involved a full-scope review of the bank's activities in its sole AA, the Grand Rapids–Wyoming–Kentwood, Michigan, MSA AA.

With respect to the Lending Test, examiners found that GR Bank's loan-to-deposit ratio was more than reasonable given the bank's size, financial condition, and the credit needs of its AA. Examiners noted that a majority of loans were originated within the bank's AA. Examiners also found that the geographic distribution of loans reflected reasonable dispersion throughout the bank's AA and that lending demonstrated reasonable penetration among individuals of different income levels and businesses of different sizes. Examiners noted that no CRA-related complaints had been received since the previous evaluation.

With respect to the Community Development Test, examiners found that GR Bank demonstrated adequate responsiveness to community development needs of its AA through community development loans and qualified donations. Examiners observed that the bank's performance was appropriate considering the capacity, need, and availability of such opportunities within the AA during the evaluation period. Examiners noted that GR Bank made a relatively even allocation of its loans between the primary purposes of affordable housing and community services and made a majority of its donations, by dollar amount, to community services benefiting LMI individuals and families.

Additional Supervisory Views

In its review of the proposal, the Board consulted with and considered the views of the Reserve Bank as the primary federal supervisor of both Isabella Bank and GR Bank. The Board also considered the results of the most recent consumer compliance examinations of Isabella Bank and GR Bank, which included reviews of the banks' compliance management programs and their compliance with consumer protection laws and regulations, including fair lending.

The Board has taken this information, as well as the CRA performance records of Isabella Bank and GR Bank, into account in evaluating the proposal, including in considering whether Isabella has the experience and resources to ensure that the combined organization would help meet the credit needs of the communities to be served following consummation of the proposed transaction.

Additional Convenience and Needs Considerations

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. This includes, for example, the combined organization's business model and intended marketing and outreach and existing and anticipated product and service offerings in the communities to be served by the organization, any additional plans the combined organization has for meeting the needs of its communities following consummation, and any other information the Board deems relevant.

Isabella represents that the proposal would allow customers of both banks to enjoy the convenience of a much larger combined branch network and that the combined bank would provide customers with a wider array of financial services. Isabella notes that the proposal would give the combined bank an increased legal lending limit, allowing it to make larger loans and to grow existing lending relationships. Isabella also notes that the proposal would give the combined bank additional resources to invest in the communities in which it will operate and provide the technologies necessary to maintain and improve upon its commitment to expanding its reach, while providing responsive, client-centric financial services.

Branch Closures

Physical branches remain important to many banking organizations' ability to meet the credit needs of the local communities in which they operate. When banking organizations combine, whether through acquisitions, mergers, or consolidations, the combination has the potential to increase or to reduce consumers' and small businesses' access to available credit and other banking services. Although the Board does not have the authority to prohibit a bank from closing a branch, the Board focuses on the impact of expected branch closures, consolidations, and relocations that occur in connection with a proposal on the convenience and needs of the communities to be served by the resulting institution. In particular, the Board considers the effect of any closures, consolidations, or relocations on LMI communities.

Federal banking law provides a specific mechanism for addressing branch closings, including requiring that a bank provide notice to the public and the appropriate federal banking agency before a branch is closed.³⁹ In addition, the federal banking agencies evaluate a bank's record of opening and closing branches, particularly branches located in LMI geographies or primarily serving LMI individuals, as part of the CRA examination process.⁴⁰

Isabella represents that it does not presently anticipate any branch closures or consolidations in connection with the proposal.

Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, supervisory information, information provided by Isabella, the public comments on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

Financial Stability Considerations

Section 3 of the BHC Act requires the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system."⁴¹ In addition, the Bank Merger Act requires the Board to consider "risk to the stability of the United States banking or financial system."⁴²

³⁹ See 12 U.S.C. § 1831r-1. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

⁴⁰ See, e.g., 12 CFR 228.24(d)(2) (2023).

⁴¹ 12 U.S.C. § 1842(c)(7).

⁴² 12 U.S.C. § 1828(c)(5).

To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.⁴³ These categories are not exhaustive, and additional categories could inform the Board’s decision.

In addition to these quantitative measures, the Board considers qualitative factors, such as the opacity and complexity of an institution’s internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.⁴⁴

The Board’s experience has shown that proposals involving an acquisition of less than \$10 billion in total assets, or that result in a firm with less than \$100 billion in total assets, generally are not likely to pose systemic risks. Accordingly, the Board presumes that a proposal does not raise material financial stability concerns if the assets involved fall below either of these size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.⁴⁵

⁴³ Many of the metrics considered by the Board measure an institution’s activities relative to the United States financial system.

⁴⁴ For further discussion of the financial stability standard, see *Capital One Financial Corporation*, FRB Order No. 2012-2 (February 14, 2012).

⁴⁵ See *People’s United Financial, Inc.*, FRB Order No. 2017-08 at 25–26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a target with less than \$10 billion in total assets and a pro forma organization with less than \$100 billion in total assets. Both the acquirer and the target are predominantly engaged in retail and commercial banking activities.⁴⁶ The pro forma organization would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the United States banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

Establishment of Branches

Isabella Bank has applied under section 9 of the FRA to establish branches at the current locations of GR Bank.⁴⁷ The Board has assessed the factors it is required to consider when reviewing an application under that section, including Isabella Bank's

involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.

⁴⁶ Isabella Bank and GR Bank offer a range of retail and commercial banking products and services. Isabella Bank has, and as a result of the proposal would continue to have, a small market share in these products and services on a nationwide basis.

⁴⁷ See 12 U.S.C. § 321. Under section 9 of the FRA, state member banks may establish and operate branches on the same terms and conditions as are applicable to the establishment of branches by national banks. A state member bank may retain any branch following a merger that might be established as a new branch of the resulting bank under state law. See 12 U.S.C. § 36(b)(2) and (c). Upon consummation, Isabella Bank's branches would be permissible under applicable state law. See Mi. Code § 487.13705(1).

financial condition, management, capital, actions in meeting the convenience and needs of the communities to be served, CRA performance, and investment in bank premises.⁴⁸ For the reasons discussed in this order, the Board determines that those factors are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board determines that the proposal should be, and hereby is, approved.⁴⁹ In reaching its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act, the Bank Merger Act, the FRA, and other applicable statutes. The Board's approval is specifically conditioned on compliance by Isabella and Isabella Bank with all the conditions imposed in this order and on any commitments made to the Board in connection with the proposal. The Board's approval also is

⁴⁸ 12 CFR 208.6. Upon consummation of the proposed transaction, Isabella Bank's investments in bank premises would remain within the legal requirements of section 208.21(a) of the Board's Regulation H, 12 CFR 208.21(a).

⁴⁹ The commenter requested that the Board hold public hearings on the proposal. Under section 3(b) of the BHC Act, the Board must hold a public hearing on a proposal if the appropriate supervisory authorities for the acquiring bank or the bank to be acquired make a timely written recommendation of disapproval of the proposal. 12 U.S.C. § 1842(b); *see also* 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board, in its discretion, may hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. *See* 12 CFR 262.3(e). The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted written comments that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and would be clarified by a public hearing. In addition, the request does not demonstrate why written comments do not present the commenter's views adequately or why a hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for a public hearing on the proposal is denied.

conditioned on receipt by Isabella and Isabella Bank of all required regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.⁵⁰

The proposal may not be consummated before the fifteenth calendar day after the effective date of this order or later than three months thereafter, unless such period is extended for good cause by the Board or the Reserve Bank, acting under delegated authority.

By order of the Board of Governors,⁵¹ effective October 5, 2026.

(signed) Benjamin W. McDonough

Benjamin W. McDonough
Secretary of the Board

⁵⁰ See 12 U.S.C. § 1818(b)(1).

⁵¹ Voting for this action: Chairman Warsh, Vice Chair Jefferson, Vice Chair for Supervision Bowman, and Governors Powell, Waller, Cook, and Barr.