ANNUAL REPORT
2016

WOLVERINE BANCORP, INC.

Message to Our Shareholders

Dear Shareholders:

We remain grateful for the support of our customers, employees, and communities we serve. In addition to providing trusted financial services, this has enabled strong financial performance and enhanced shareholder value.

Our Stock Price increased to $31.60 as of 12/31/16 from $26.64 as of 12/31/15, an increase of 18.6%. Correspondingly, Price/Tangible Book Value increased to 109% from 95%. We declared a dividend of $1.60 per share in December 2016, an increase of 60% from 2015, along with adopting a Dividend Policy committing to pay an annual dividend to shareholders. Total capital also increased from $60.5 million to $61.0 million.

2016 was a record year for our bank as we reported net income of $4.4 million ($3.9 million excluding one-time, non-recurring income) as compared to $3.2 million for 2015. While managing our cost of funds, we continue to focus on controlling operating expenses as evidenced by our strong operating efficiency ratio of 57.0%. Net Interest Income increased to $12.9 million for 2016 from $12.2 million, as net loans increased $6.0 million, or 1.9%. Provision for loan losses expense decreased from $0.8 million to a credit of $0.8 million in 2016, primarily due to continued asset quality improvements as non-performing loans decreased from 2.2% to 1.9% of total loans. Our allowance for loan losses remains strong at $9.3 million, or 2.8% of total loans.

We are positioned well for continued growth, as our team continues to focus on ensuring the best service to both existing customers and new relationships throughout the state of Michigan. On behalf of our board of directors and employees, thank you for the continued confidence and trust you have in our bank.

Sincerely,

David H. Dunn
President and CEO

WOLVERINE BANCORP, INC.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal ended December 31, 2016.

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________ to ______________.

Commission file number: **001-35034**

WOLVERINE BANCORP, INC.
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation or organization)	**27-3939016** (I.R.S. Employer Identification Number)
5710 Eastman Avenue, Midland, Michigan (Address of principal executive offices)	**48640** (Zip Code)

Registrant's telephone number, including area code: **(989) 631-4280**

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $0.01 per share (Title of each class to be registered)	**The NASDAQ Stock Market LLC** (Name of each exchange on which each class is to be registered)

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES ☒ NO ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).
YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☒
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the last sale price on June 30, 2016, as reported by the Nasdaq Stock Market, was approximately $44.5 million.

As of March 27, 2017, there were 2,106,153 issued and outstanding shares of the Registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Proxy Statement for the 2017 Annual Meeting of Stockholders of the Registrant (Part III).

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PART I

ITEM 1. Business

This Annual Report contains forward-looking statements, which can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “plan,” “seek,” “expect,” “will,” “may” and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic, legal, governmental, technological and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this prospectus, except as otherwise required by securities and other applicable laws.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- competition among depository and other financial institutions;
- changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate acquired entities, if any;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board;
- changes in our organization, compensation and benefit plans;

- changes in our financial condition or results of operations that reduce capital; and
- changes in the financial condition or future prospects of issuers of securities that we own.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

In this Annual Report, the terms “we,” “our,” and “us” refer to Wolverine Bancorp, Inc. and Wolverine Bank, unless the context indicates another meaning.

BUSINESS OF WOLVERINE BANCORP, INC.

Wolverine Bancorp, Inc. (the “Company”) was incorporated in Maryland in 2010 as part of the mutual-to-stock conversion of Wolverine Bank, for the purpose of becoming the savings and loan holding company of Wolverine Bank. Since being incorporated, other than holding the common stock of Wolverine Bank, retaining approximately 50% of the net cash proceeds of the stock conversion offering and making a loan to the employee stock ownership plan of Wolverine Bank, we have not engaged in any business activities to date, except the repurchase of shares of our outstanding common stock as previously publicly disclosed. Through December 31, 2016, we have repurchased 481,622 shares of our common stock.

The Company is authorized to pursue business activities permitted by applicable laws and regulations, which may include the acquisition of banking and financial services companies. See “Supervision and Regulation – Holding Company Regulation” for a discussion of the activities that are permitted for savings and loan holding companies. We currently have no understandings or agreements to acquire other financial institutions, although we may determine to do so in the future. We may also borrow funds for reinvestment in Wolverine Bank.

Our cash flow depends on earnings from the investment of the net proceeds we retained from our initial public stock offering that was consummated in January 2011, and any dividends we receive from Wolverine Bank. We neither own nor lease any property, but pay a fee to Wolverine Bank for the use of its premises, equipment and furniture. At the present time, we employ only persons who are officers of Wolverine Bank who also serve as officers of Wolverine Bancorp, Inc. We use the support staff of Wolverine Bank from time to time and pay a fee to Wolverine Bank for the time devoted to Wolverine Bancorp, Inc. by employees of Wolverine Bank. However, these persons are not separately compensated by Wolverine Bancorp, Inc. Wolverine Bancorp, Inc. may hire additional employees, as appropriate, to the extent it expands its business in the future.

BUSINESS OF WOLVERINE BANK

General

Wolverine Bank (the “Bank”), a wholly owned subsidiary of Wolverine Bancorp, Inc. (the “Company”), is a federally chartered savings bank headquartered in Midland, Michigan, the heart of the Great Lakes Bay Region with a population of over 500,000. Wolverine Bank was originally chartered in 1933. At December 31, 2016, we had $434.4 million of total assets, $280.5 million of deposits and $61.0 million of total stockholders’ equity. We provide financial services primarily to individuals, families and businesses in the Great Lakes Bay Region of Michigan and throughout all of Michigan through our two banking offices located in Midland, Michigan, which is the County Seat of Midland County, and our banking office in Frankenmuth, which is located in neighboring Saginaw

County. Midland, Michigan is located approximately 120 miles northwest of Detroit and approximately 90 miles north of Lansing, Michigan, in the eastern portion of Michigan's lower peninsula.

Our business consists primarily of taking deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in commercial real estate loans including multi-family loans and land loans, one-to-four family residential mortgage loans, construction loans, and home equity loans and lines of credit and to a lesser extent, commercial non-mortgage loans and consumer loans (consisting primarily of mobile home loans, automobile loans, loans secured by savings deposits and other consumer loans). At December 31, 2016, $262.3 million, or 78.0%, of our total loan portfolio was comprised of commercial mortgage loans including multi-family mortgage loans and land loans, and $35.4 million, or 10.5%, of our total loan portfolio was comprised of one-to-four family residential mortgage loans. We also may invest in securities, including U.S. government and agency debt securities, and to a lesser extent, municipal obligations.

We offer a variety of deposit accounts, including statement savings accounts, certificates of deposit, money market accounts, commercial and consumer checking accounts and retirement accounts, including health savings accounts.

We offer extended hours at our branch offices, and we are dedicated to offering alternative banking delivery systems utilizing state-of-the-art technology, including ATMs, online banking, remote deposit capture, telephone banking, and mobile banking delivery systems.

Generally, we retain in our portfolio all adjustable-rate loans that we originate, as well as fixed-rate one-to-four family residential mortgage loans with terms of less than 15 years. Consistent with our interest rate risk strategy and based upon the market and rate environment, we will consider holding in our portfolio longer term fixed-rate one-to-four family residential mortgage loans. Historically, as part of our interest rate risk strategy, we have sold substantially all of our fixed-rate one-to-four family residential mortgage loans with terms of 15 years or greater on a servicing-released basis. In 2016 we originated $17.3 million of loans for sale and sold $18.1 million of fixed-rate one-to-four family residential mortgage loans, including refinances, in order to generate fee income and consistent with our interest rate risk strategy.

Wolverine Bank's executive offices are located at 5710 Eastman Avenue, Midland, Michigan 48640. Our telephone number at this address is (989) 631-4280. Our website address is www.wolverinebank.com. Information on our website is not incorporated into this Annual Report on Form 10-K and should not be considered part of this Annual Report.

Market Area

Wolverine Bank operates from two banking offices located in Midland, Michigan, and a banking office in Frankenmuth, which is located in neighboring Saginaw County. The Great Lakes Bay Region of Michigan is located in the eastern portion of Michigan's lower peninsula, approximately 120 miles north of Detroit, is our primary market area for both lending and deposits. The Great Lakes Bay Region, with a population of over half a million residents, is a hub of research, product development, agribusiness and manufacturing for the auto, chemical, plastics, silicon, advanced materials and technology industries. Wolverine Bank also does significant commercial real estate lending in the Metro Detroit, Greater Lansing and Greater Grand Rapids Regions.

Our operations tend to be influenced by the economic trends experienced throughout Michigan. Wolverine Bank competes for deposits with community banking institutions, credit unions and regional and superregional financial institutions with greater financial and other resources than we have. In recent years, both our primary market area as well as Michigan as a whole has experienced limited to negative growth, reflecting in part, the economic downturn. Future business and growth opportunities will be influenced by economic and demographic characteristics of our primary market area and of Michigan.

According to the United States Census Bureau, as of July 2015, the latest date for which the data is available, Midland County has a population of approximately 84,000 and Saginaw County has a population of approximately 200,000. This market area has experienced limited population growth from 2001 to 2015. Specifically, Midland County's population remained nearly unchanged over the 2001 to 2015 period, while Saginaw County's population shrank at a 1.8% compounded annual rate over the period. The foregoing demographic trends are projected to continue for both Saginaw and Midland Counties where modest population shrinkage is projected through 2016. Household growth trends coincide with the population growth trends as growth also has been modest over the 2001 to 2015 period. Households within Midland and Saginaw Counties, Michigan are expected to remain flat or shrink modestly over the next four year period.

Midland County's per capita and median household income levels approximate Michigan and national averages. Conversely, per capita and household income levels were below these averages for Saginaw County in 2016.

Historically, our primary market area, and specifically the City and County of Midland, has been heavily dependent upon the three largest employers: The Dow Chemical Company, MidMichigan Medical Center and Dow Corning Corporation, a wholly owned subsidiary of The Dow Chemical Company. These three entities employ approximately 8,500 persons in Midland County. The Dow Chemical Company is a major multinational producer of specialty chemicals, advanced materials, agro sciences technology-based products and solutions, and Dow Corning is a producer of silicone and a global leader in silicon-based technology and innovation. In addition, these companies have been in the forefront of the development and commercialization of solar energy products and technologies. Historically, these companies have been very important to the local economy because of the employment opportunities and their philanthropic and outgrowth activities.

According to the Michigan Bureau of Labor Market Information and Strategic Initiatives, as of December 2016, unemployment rates in Midland County, the Bay City Metropolitan Statistical Area ("MSA") and the Saginaw MSA were 4.1%, 4.9% and 4.5%, respectively. The unemployment rate at December 31, 2016 for the State of Michigan was 5.0% and the national average was 4.7%. While there has been some improvement in the national unemployment rate over the last twelve months, Wolverine Bank's primary market area continues to be significantly affected by the weaknesses in the national and Michigan economies, and any recovery is expected to be slow and prolonged.

Competition

We face intense competition in our market area both in making loans and attracting deposits. We compete with credit unions which historically have had a very strong presence in Michigan. We also compete with commercial banks, savings institutions, mortgage brokerage firms, finance companies, mutual funds, insurance companies and investment banking firms. Some of our competitors have greater name recognition and market presence that benefit them in attracting customers, and offer certain services that we do not or cannot provide.

Specifically, we are subject to a high level of competition from two sources. Chemical Bank holds an approximate 67% share of commercial bank and thrift deposits in our market in Midland County as well as a significant market share in other contiguous markets. Additionally, the Dow Chemical

Employees Credit Union operates through a single office in Midland and holds in excess of $1.3 billion of deposits. Thus, while the presence of Dow Chemical and Dow Corning corporate headquarters in Midland area provides high earnings and has limited the economic deterioration experienced in many similar Michigan jurisdictions, our ability to capture banking relationships from Dow employees is difficult due to the significant presence of these institutions.

Our deposit sources are primarily concentrated in the communities surrounding our banking offices located in the Great Lakes Bay Region of Michigan, including the Michigan counties of Midland and Saginaw. As of June 30, 2016, the latest date for which FDIC data are available, we ranked second of nine bank and thrift institutions with offices in Midland County with a 16.0% deposit market share. When including credit unions, which have a substantial deposit market share in our primary market area, we held approximately 7.8% of the total federally insured deposits in Midland County. We ranked 13 of 15 bank and thrift institutions with offices in Saginaw County with a 0.8% deposit market share. When including credit unions, our market share dropped to 0.4% of the federally insured deposits within Saginaw County.

Lending Activities

Our principal lending activity is the origination of commercial mortgage loans including multi-family and land loans, residential mortgage loans and home equity loans, construction loans, and to a lesser extent, commercial non-mortgage loans and other consumer loans. The following table provides a historical breakdown of our loan portfolio at the end of each of our last five years.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated.

	At December 31,									
	2016		2015		2014		2013		2012	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)									
Residential mortgage loans:										
One-to four-family	$ 35,389	10.5%	$ 39,719	12.0%	$ 44,316	14.1%	$ 49,726	18.2%	$ 58,158	21.5%
Home equity	4,031	1.2%	5,459	1.6%	6,645	2.1%	7,912	2.9%	10,790	4.0%
Commercial mortgage loans:										
Commercial real estate	195,924	58.3%	183,934	55.5%	153,705	49.0%	126,154	46.1%	108,087	39.9%
Multifamily	54,827	16.3%	58,804	17.7%	61,204	19.5%	62,790	23.0%	60,755	22.4%
Land	11,547	3.4%	12,543	3.8%	10,060	3.2%	9,734	3.6%	12,668	4.7%
Construction:										
Residential	1,709	0.5%	3,591	1.1%	4,452	1.4%	5,355	2.0%	3,637	1.3%
Residential non-owner occupied	7,068	2.1%	8,168	2.5%	7,567	2.4%	3,314	1.2%	456	20.0%
Non-residential	4,698	1.4%	3,026	0.9%	9,654	3.1%	-	0.0%	8,169	3.0%
Total mortgage loans	315,193	93.7%	315,244	95.2%	297,603	94.9%	264,985	97.0%	262,720	97.0%
Commercial non-mortgage	20,047	6.0%	14,826	4.5%	14,717	4.7%	7,226	2.6%	6,739	2.5%
Other consumer	1,074	0.3%	1,221	0.4%	1,142	0.4%	1,167	40.0%	1,297	50.0%
Total loans	336,314	100.00%	331,291	100.00%	313,462	100.00%	273,378	100.00%	270,756	100.00%
Other items:										
Unearned fees and discounts, net	563		567		555		467		585	
Undisbursed loan funds	5,819		6,050		8,454		5,933		9,662	
Allowance for loan losses	9,326		10,061		7,976		7,597		6,671	
Total loans, net	$ 320,606		$ 314,613		$ 296,477		$ 259,381		$ 253,838	

Loan Portfolio Maturities and Yields. The following table summarizes the scheduled repayments of our loan portfolio at December 31, 2016. We have no demand loans, loans having no stated repayment schedule or maturity, or overdraft loans.

	One-to four-family Mortgage		Home Equity		Multifamily		Land		Commercial Real Estate	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in thousands)									
Due During the Years Ending December 31,										
2017	$ 1,578	5.30%	$ 1,288	4.22%	$ 6,178	5.01%	$ 6,468	4.57%	$ 33,458	4.84%
2018	1,193	5.14	1,135	4.98	6,762	4.89	3,090	4.40	21,089	4.77
2019	2,673	5.11	759	4.32	5,562	4.44	1,490	4.29	36,558	4.77
2020 to 2021	3,997	5.24	245	5.05	34,409	4.27	499	4.35	85,196	4.62
2022 to 2026	508	4.71	603	4.21	1,916	4.50	-	0.00	18,942	4.77
2027 to 2031	2,856	3.43	1	5.50	-	0.00	-	0.00	681	4.27
2032 and beyond	22,584	4.42	-	0.00	-	0.00	-	0.00	-	0.00
Total	$ 35,389	4.56%	$ 4,031	4.50%	$ 54,827	4.45%	$ 11,547	4.48%	$ 195,924	4.71%

	Construction Residential		Construction Residential Non-		Construction- Non		Commercial Non-Mortgage		Other Consumer		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in thousands)											
Due During the Years Ending December 31,												
2017	$ -	0.00%	$ 1,253	4.94%	$ 345	5.25%	$ 10,373	4.20%	$ 307	3.19%	$ 61,248	4.71%
2018	-	0.00	-	0.00	-	0.00	3,400	5.53	33	5.81	36,702	4.85
2019	-	0.00	-	0.00	-	0.00	2,941	5.76	649	4.41	50,632	4.78
2020 to 2021	-	0.00	1,235	3.89	1,367	4.66	3,333	4.50	-	0.00	130,281	4.63
2022 to 2026	-	0.00	4,580	4.50	2,732	4.04	-	0.00	85	5.25	29,366	4.53
2027 to 2031	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00	3,538	3.69
2032 and beyond	1,709	3.75	-	0.00	254	5.00	-	0.00	-	0.00	24,547	4.38
Total	$ 1,709	3.75%	$ 7,068	4.47%	$ 4,698	4.36%	$ 20,047	4.70%	$ 1,074	4.17%	$ 336,314	4.66%

The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at December 31, 2016 that are contractually due after December 31, 2017.

	Due after December 31, 2017		
	Fixed	Adjustable	Total
	(Dollars in Thousands)		
Residential mortgage loans:			
One-to four-family	$ 24,266	$ 9,545	$ 33,811
Home equity	1,656	1,087	2,743
Commercial mortgage loans			
Commercial real estate	136,948	25,518	162,466
Multifamily	48,279	370	48,649
Land	1,014	4,065	5,079
Construction	11,071	806	11,877
Total Mortgage loans	223,234	41,391	264,625
Commercial non-mortgage	1,709	7,965	9,674
Other consumer	767	-	767
Total loans	$ 225,710	$ 49,356	$ 275,066

Commercial Real Estate, Multifamily and Land Loans. We originate commercial real estate mortgage loans, loans on multifamily dwellings and loans on undeveloped land. At December 31, 2016, $195.9 million, or 58.3% of our loan portfolio, consisted of commercial real estate loans, $54.8 million, or 16.3% of our loan portfolio, consisted of multifamily loans, and $11.5 million, or 3.4% of our total loan portfolio, consisted of land loans. Of the $195.9 million of commercial real estate loans, $35.4 million were secured by non-owner occupied one-to-four family rental properties.

We originate commercial real estate and multifamily loans secured primarily by office buildings, strip mall centers, owner-occupied offices, hotels, condominiums, apartment buildings and developed lots. At December 31, 2016, our commercial real estate, multifamily and land loans had an average loan balance of approximately $488,000. At December 31, 2016, substantially all of our commercial real estate, multifamily and land loans were secured by properties located in Michigan. On a limited basis to existing local customers of Wolverine Bank, we have made commercial real estate loans outside of Michigan, and at December 31, 2016 we had seven commercial real estate loans outside of Michigan, of which one was collateralized by land in Ohio with a loan balance of $231,000, one was collateralized by commercial property in Tennessee with a loan balance of $2.4 million, three were collateralized by commercial property in Florida with loan balances totaling $3.0 million, and two were collateralized by commercial property in Indiana with loan balances totaling $4.6 million. All commercial real estate loans outside of Michigan were performing in accordance with their repayment terms at December 31, 2016.

Our commercial real estate, multifamily and land loans are generally written for terms of up to five years with a balloon payment at the end of the fifth year, with a 15 year amortization schedule. Our Small Business Administration (SBA) loans, and on a limited basis other commercial real estate loans, are originated with terms of up to 10 years. On occasion, we may make these types of loans with amortization terms of up to 25 years. The majority of our commercial real estate, multifamily and land loans have fixed interest rates. The rates on our adjustable-rate commercial real estate and multifamily loans are generally tied to the prime interest rate as reported in *The Wall Street Journal*. Many of our adjustable-rate commercial real estate loans are not fully amortizing and, therefore, require a "balloon" payment at maturity. Our commercial real estate, multifamily and land loans are generally subject to prepayment penalties. A portion of our commercial real estate and multifamily loans represent permanent financing for borrowers who have completed real estate construction for which we previously provided construction financing.

In underwriting commercial real estate and multifamily loans, we generally lend up to 70% of the property's appraised value and up to 65% of the property's appraised value if the property is unimproved land. On occasion, we may lend up to 80% of the appraised value on these types of loans. We base our decisions to lend on the economic viability of the property and the creditworthiness of the borrower. In evaluating a proposed commercial real estate loan, we emphasize the ratio of the property's projected net cash flow to the loan's debt service requirement (generally requiring a minimum ratio of 120%), computed after deduction for a vacancy factor and property expenses we deem appropriate. Personal guarantees are typically obtained from commercial borrowers. We generally require title insurance insuring the priority of our lien, fire and extended coverage casualty insurance, and, if appropriate, flood insurance, in order to protect our security interest in the underlying property.

Commercial real estate loans generally carry higher interest rates and have shorter terms than one-to-four family residential mortgage loans. Commercial real estate loans, however, entail significant additional credit risks compared to one-to-four family residential mortgage loans, as they typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment of loans secured by income-producing properties typically depends on the successful operation of the related real estate project, and thus may be subject to a greater extent to adverse conditions in the real estate market and in the general economy. Also, if we make a land acquisition loan on property that is not yet approved for the planned development, there is the risk that approvals will not be granted or will be delayed. At December 31, 2016, our largest commercial real estate loan had an outstanding balance of $6.0 million, was secured by various properties and was performing in accordance with its repayment terms.

One-to-Four Family Residential Mortgage Loans. At December 31, 2016, $35.4 million, or 10.5% of our total loan portfolio, consisted of owner – occupied one-to-four family residential mortgage loans. We offer residential mortgage loans that conform to Fannie Mae and Freddie Mac underwriting standards (conforming loans) as well as non-conforming loans. We generally underwrite our one-to-four family residential mortgage loans based on the applicant's employment and credit history and the appraised value of the subject property. We also offer loans through various agency programs which are originated for sale.

We currently offer fixed-rate conventional mortgage loans with terms of up to 30 years that are fully amortizing with monthly loan payments, and adjustable-rate mortgage loans that generally provide an initial fixed interest rate for one year with annual interest rate adjustments thereafter, that amortize over a period up to 30 years. Private mortgage insurance is generally required for all of our one-to-four family residential mortgage loans that exceed an 80% loan-to-value ratio. At December 31, 2016, fixed-rate one-to-four family residential mortgage loans totaled $25.8 million, of which $5.7 million contained 5-year balloon payment terms, and adjustable-rate one-to-four family residential mortgage loans totaled $9.5 million.

Our one-to-four family residential mortgage loans are generally conforming loans, underwritten according to Fannie Mae or Freddie Mac guidelines. We generally originate both fixed- and adjustable-rate mortgage loans in amounts up to the maximum conforming loan limits as established by the Federal Housing Finance Agency for Fannie Mae and Freddie Mac, which is currently $417,000 for single-family homes in our market area. At December 31, 2016, we had four one-to-four family residential mortgage loans that had principal balances in excess of $417,000. At that date, our average one-to-four family residential mortgage loan had a principal balance of $102,000. We also originate loans above the lending limit for conforming loans, which we refer to as "jumbo loans." Most of our jumbo loans are originated with a five-year fixed-rate term and a balloon payment, with up to a 30 year amortization schedule. Additionally, occasionally we will originate fixed-rate jumbo loans with terms of up to 30 years. At December 31, 2016, our largest one-to-four family residential mortgage loan had an outstanding balance of $626,000 and was performing in accordance with its repayment terms.

We actively monitor our interest rate risk position to determine the desirable level of investment in fixed-rate mortgages. In recent years there has been increased demand for long-term fixed-rate loans, as market rates have dropped and remained near historic lows. As a result, we have sold substantially all of our fixed-rate one-to-four family residential mortgage loans that do not contain balloon payment terms as these loans have all had terms of 15 years or greater. Generally, however, we retain in our portfolio fixed-rate one-to-four family residential mortgage loans with terms of less than 15 years, although this has represented a very small percentage of the fixed-rate loans that we have originated in recent years due to the favorable long-term rates for borrowers.

We currently offer several types of adjustable-rate mortgage loans secured by residential properties with interest rates that are fixed for an initial period of one year. We offer adjustable-rate mortgage loans that are fully amortizing. After the initial fixed period, the interest rate on adjustable-rate mortgage loans generally resets every year based upon a contractual spread or margin above the one year Treasury Note, adjusted to a constant maturity, as published weekly by the Federal Reserve Board, subject to periodic and lifetime limitations on interest rate changes. Generally the initial change in interest rates on our adjustable-rate mortgage loans cannot exceed two percentage points, subsequent interest rate changes cannot exceed two percentage points and total interest rate changes cannot exceed six percentage points over the life of the loan.

Adjustable-rate mortgage loans generally present different credit risks than fixed-rate mortgage loans, primarily because the underlying debt service payments of the borrowers increase as interest rates increase, thereby increasing the potential for default and higher rates of delinquency. At the same time, the marketability of the underlying collateral may be adversely affected by higher interest rates. Since changes in the interest rates on adjustable-rate mortgages may be limited by an initial fixed-rate period or by the contractual limits on periodic interest rate adjustments, adjustable-rate loans may not adjust as quickly to increases in interest rates as our interest-bearing liabilities.

We do not offer or purchase loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan.

We generally require title insurance on all of our one-to-four family residential mortgage loans, and we also require that borrowers maintain fire and extended coverage casualty insurance in an amount at least equal to the lesser of the loan balance or the replacement cost of the improvements. We also require flood insurance, as applicable. We do not conduct environmental testing on residential mortgage loans unless specific concerns for hazards are identified by the appraiser used in connection with the origination of the loan.

Construction Loans. We also originate construction loans for one-to-four family residential properties and commercial properties, including multifamily properties. At December 31, 2016, $13.5 million, or 4.0%, of our total loan portfolio, consisted of construction loans, all of which were secured by one-to-four family residential real estate, multifamily loans, and commercial "mixed-use" buildings and homes.

We make construction loans for commercial properties, including multifamily loans and commercial "mixed-use" buildings and homes built by developers on speculation. Construction loans for commercial real estate are made in accordance with a schedule reflecting the cost of construction, and are generally limited to a 70% loan-to-completed appraised value ratio. We generally require that a commitment for permanent financing be in place prior to closing the construction loan. At December 31, 2016, our largest construction loan had a principal balance of $4.5 million and was secured by multi-family real estate. This loan was performing in accordance with its repayment terms at December 31, 2016.

Construction loans for one-to-four family residential properties are originated with a maximum loan to value ratio of 70% and are generally "interest-only" loans during the construction period which typically does not exceed nine months. After this time period, the loan converts to permanent, amortizing financing following the completion of construction. Depending on the complexity of the construction project, we may choose to extend the term of an "interest-only" construction loan made on a one-to-four family residential property. At December 31, 2016, the additional unadvanced portion of these construction loans totaled $5.8 million.

Repayment of loans on income-producing property is normally expected from the property's eventual rental income, income from the borrower's operations, the personal resources of the guarantor, or the sale of the subject property. Repayment of construction loans is usually expected from permanent financing upon completion of construction. We typically provide the permanent mortgage financing on our construction loans on income-producing property.

Generally, before making a commitment to fund a construction loan, we require an appraisal of the property by a state-certified or state-licensed appraiser. We review and inspect properties before disbursement of funds during the term of the construction loan.

Construction financing generally involves greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost is inaccurate, we may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project is inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment of the construction loan upon the sale of the property. Construction loans also expose us to the risk that improvements will not be completed on time in accordance with specifications and projected costs. In addition, the ultimate sale or rental of the property may not occur as anticipated.

Home Equity Loans and Lines of Credit. In addition to traditional one-to-four family residential mortgage loans, we offer home equity loans and home equity lines of credit that are secured by the borrower's primary or secondary residence. Home equity loans and lines of credit are generally underwritten using the same criteria that we use to underwrite one-to-four family residential mortgage loans. Home equity loans may be underwritten with a loan-to-value ratio of 80% when combined with the principal balance of the existing first mortgage loan. Our home equity loans are primarily originated with fixed rates of interest with terms of up to five years, a balloon payment, and a 15-year amortization schedule. Home equity lines of credit generally are originated with variable rates tied to the prime interest rate, with an established floor and monthly payments of 2.0% of the outstanding balance.

At December 31, 2016 we had $4.0 million, or 1.2% of our total loan portfolio, in home equity loans and $1.7 million of home equity lines of credit. The Bank had $1.9 million of undisbursed funds related to home equity lines of credit as of year-end. Our largest home equity loan was approximately $593,000.

Home equity loans secured by second mortgages have greater risk than one-to-four family residential mortgage loans secured by first mortgages. We face the risk that the collateral will be insufficient to compensate us for loan losses and costs of foreclosure. When customers default on their loans, we attempt to foreclose on the property and resell the property as soon as possible to minimize foreclosure and carrying costs. However, the value of the collateral may not be sufficient to compensate us for the amount of the unpaid loan and we may be unsuccessful in recovering the remaining balance from those customers. Particularly with respect to our home equity loans, decreases in real estate values could adversely affect the value of property used as collateral for our loans.

Commercial Non-Mortgage Loans. We also originate commercial non-mortgage (term) loans and variable lines of credit. These loans are generally originated to small- and medium-sized companies in our primary market area. Our commercial non-mortgage loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture. These loans are primarily secured by business assets other than real estate, such as business equipment and inventory, accounts receivable or stock. The commercial non-mortgage loans that we offer have fixed interest rates or variable-rate indexed to the Prime Rate as published in *The Wall Street Journal*, and with terms ranging from one to seven years. Our commercial non-mortgage loan portfolio consists primarily of secured loans.

At December 31, 2016, we had $20.0 million of commercial non-mortgage loans outstanding, representing 6.0% of our total loan portfolio.

When making commercial non-mortgage loans, we consider the financial statements, lending history and debt service capabilities of the borrower, the projected cash flows of the business and the value of the collateral, if any. Generally our loans are guaranteed by the principals of the borrower.

Commercial non-mortgage loans generally have a greater credit risk than residential mortgage loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment and other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial non-mortgage loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial non-mortgage loans may be substantially dependent on the success of the business itself. Further, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. We seek to minimize these risks through our underwriting standards.

At December 31, 2016, our largest commercial non-mortgage loan outstanding was for $3.7 million and was secured by other collateral. At December 31, 2016, this loan was performing in accordance with its repayment terms.

Consumer Loans. To a lesser extent, we offer a variety of consumer loans, including new and used automobile loans, recreational vehicle loans, and loans secured by certificates of deposits and other collateral, including marketable securities. At December 31, 2016, our consumer loan portfolio totaled $1.1 million, or 0.3% of our total loan portfolio.

Consumer loans generally have shorter terms to maturity, which reduces our exposure to changes in interest rates. In addition, management believes that offering consumer loan products helps to expand and create stronger ties to our existing customer base by increasing the number of customer relationships and providing cross-marketing opportunities.

Consumer and other loans generally have greater risk compared to longer-term loans secured by improved, owner-occupied real estate, particularly consumer loans that are secured by rapidly depreciable assets, such as automobiles. In these cases, any repossessed collateral for a defaulted loan may not provide an adequate source of repayment of the outstanding loan balance. As a result, consumer loan collections are dependent on the borrower's continuing financial stability and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy.

Loan Originations, Purchases, Sales, Participations and Servicing. Lending activities are conducted primarily by our loan personnel. All loans that we originate are underwritten pursuant to our standard policies and procedures. In addition, our one-to-four family residential mortgage loans generally incorporate Fannie Mae or Freddie Mac underwriting guidelines. We originate both adjustable-rate and fixed-rate loans. Our ability to originate fixed- or adjustable-rate loans is dependent upon the relative customer demand for such loans, which is affected by current market interest rates as well as anticipated future market interest rates. Our loan origination and sales activity may be adversely affected by a rising interest rate environment which typically results in decreased loan demand. Most of our commercial real estate and commercial non-mortgage loans are generated by our internal business development efforts and referrals from professional contacts. Most of our originations of one-to-four family residential mortgage loans, consumer loans and home equity loans and lines of credit are generated by existing customers, referrals from realtors, residential home builders, walk-in business and from our website.

Consistent with our interest rate risk strategy, in the low interest rate environment that has existed in recent years, we have sold on a servicing-released basis substantially all of the conforming, fixed-rate one-to-four family residential mortgage loans with maturities of 15 years or greater that we have originated.

From time to time, we will purchase loan participations secured by properties within and outside of our primary market area in which we are not the lead lender. Historically, the loan participations have been secured by one-to-four family residential properties, commercial properties throughout Michigan, or business assets other than real estate. In these circumstances, we follow our customary loan underwriting and approval policies. We have sufficient capital to take advantage of these opportunities to purchase loan participations, as well as strong relationships with other community banks in our primary market area and throughout Michigan that may desire to sell participations, and we intend to increase our purchases of participations in the future as a growth strategy. At December 31, 2016, our loan participations totaled $11.4 million, or 3.6% of our loan portfolio, all of which were collateralized by properties outside of our primary market area.

The following table shows our loan origination, purchases, sale and repayment activities for the periods indicated.

	For the Year Ended December 31,		
	2016	2015	2014
Originations by type:			
Mortgage Loans:			
Residential	$ 10,922	$ 21,937	$ 20,414
Commercial	61,015	43,529	74,779
Construction	11,778	24,219	31,491
Home equity	63	1,166	1,843
Commercial non-mortgage	21,456	6,302	25,141
Other Consumer	146	139	225
Total loans originated	105,380	97,292	153,893
Purchases:			
Total commercial non-mortgage	2,118	1,173	6,515
Sales and repayments:			
Mortgage Loans:			
Residential	(15,252)	(26,534)	(25,823)
Commercial	(56,116)	(14,390)	(55,003)
Construction	(13,088)	(31,107)	(18,487)
Home equity	(1,491)	(2,352)	(3,111)
Commercial non-mortgage	(16,235)	(6,193)	(17,650)
Other Consumer	(294)	(60)	(251)
Total sales and repayments	(102,476)	(80,636)	(120,325)
Total loans sold	(18,121)	(20,722)	(18,347)
Principal repayments	(84,355)	(59,914)	(101,978)
Total reductions	(102,476)	(80,636)	(120,325)
Increase (decrease) in other items, net	970	307	(2,987)
Net increase (decrease)	$ 5,992	$ 18,136	$ 37,096

Loan Approval Procedures and Authority. Our lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by our Board of Directors. The loan approval process is intended to assess the borrower's ability to repay the loan and the value of the collateral that will secure the loan. To assess the borrower's ability to repay, we review the borrower's employment and credit history and information on the historical and projected income and expenses of the borrower. We will also evaluate a guarantor when a guarantee is provided as part of the loan.

Wolverine Bank's policies and loan approval limits are established by our Board of Directors. Our Manager of Commercial Underwriting may approve secured commercial loans up to $500,000 and unsecured loans up to $50,000. Similarly, our Assistant Consumer Underwriter has authority to approve secured consumer loans up to $200,000 and saleable secured residential loans up to the secondary market limit (currently $417,000). The President and CEO may approve secured loans up to $1.0 million and unsecured loans up to $500,000. The President and CEO in combination with a Manager of Underwriting may approve secured loans up to $1,500,000 or unsecured loans up to $750,000, and these limits are increased to $2,000,000 (consumer or residential loans), $2,500,000 (commercial loans) and $1,000,000 (unsecured loans) with the addition of a second Manager of Underwriting. Two or more board members may approve loans up to $3,500,000. All loans in excess of $3,500,000 must be approved by the Board of

Directors. There is one other individual with lending authority, but at lower limits than stated above. There are higher limits for each lending authority described above for renewals or extensions.

We generally require appraisals by a rotating list of independent, licensed, third-party appraisers of all real property securing loans. All appraisers are approved by the Board of Directors annually.

Non-performing and Problem Assets

For all of our loans, once a loan is past its grace period, a computer generated past due notice is mailed. Past due notices continue to be mailed monthly in the event the account is not brought current. Prior to the time a loan is 30 days past due, we attempt to contact the borrower by telephone. Thereafter we continue with follow-up calls. Generally, once a loan becomes 90 days delinquent and no acceptable workout arrangement has been reach, we commence the foreclosure or repossession process. A summary report of all loans 90 days or more past due, or 30 days or more past due if the loan is less than 1 year old, is provided monthly to our Board of Directors.

Loans are usually placed on non-accrual status when the payment of principal and/or interest is 90 days or more past due. Loans are also placed on non-accrual status when it is determined collection of principal or interest is in doubt or if the collateral is in jeopardy. When loans are placed on non-accrual status, unpaid accrued interest is fully reversed, and further income is recognized only to the extent received and only after the loan is returned to accrual status. The loans are typically returned to accrual status if unpaid principal and interest are repaid so that the loan is current.

Non-Performing Assets. The table below sets forth the amounts and categories of our non-performing assets at the dates indicated.

	At December 31,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Non-accrual loans:					
Residential mortgage loans:					
One-to four-family	$ 137	$ 99	$ 107	$ 254	$ 503
Home equity	-	-	-	-	-
Commercial mortgage loans:					
Commercial Real Estate	4,872	5,188	1,339	779	2,013
Multifamily	-	-	-	-	-
Land	1,061	1,842	2,700	4,041	4,720
Construction	-	-	3,960	-	-
Commercial non-mortgage	-	-	19	157	278
Other Consumer	-	-	-	-	-
Total non-accrual loans (1)	6,070	7,129	8,125	5,231	7,514
Troubled debt restructurings (not included above):					
One-to four-family	-	204	322	333	659
Commercial Real Estate	303	-	-	643	2,257
Land	-	-	439	-	-
Commercial non-mortgage	-	-	94	-	-
Total TDRs	303	204	855	976	2,916
Total non-performing loans	6,373	7,333	8,980	6,207	10,430
Real estate owned:					
Residential mortgage loans:					
One-to four-family	78	48	118	253	216
Home equity	-	-	-	-	-
Commercial Loans:					
Commercial Real Estate	-	-	-	164	390
Land	8	82	217	455	238
Construction	-	-	-	-	-
Total real estate owned	86	130	335	872	844
Total non-performing assets	$ 6,459	$ 7,463	$ 9,325	$ 7,079	$ 11,274
Ratios:					
Non-performing loans to total loans	1.9%	2.2%	2.9%	2.3%	4.1%
Non-performing assets to total assets	1.5%	1.8%	2.7%	2.4%	4.0%

(1) At December 31, 2016, 2015, 2014, 2013, and 2012, includes $4.4 million, $5.1 million, $5.3 million, $3.7 million, and $4.2 million of troubled debt restructurings, respectively.

For the year ended December 31, 2016, gross interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms was $647,000. We recognized interest income of $35,000 on such loans for the year ended December 31, 2016.

At December 31, 2016, our non-accrual loans totaled $6.1 million. The non-accrual loans consisted primarily of five real estate relationships with principal balances totaling $9.1 million, $5.4 million net of charge-offs. These loans are secured primarily by developed land and commercial real estate properties.

Other than as disclosed in the above tables, there are no other loans at December 31, 2016 that management has serious doubts about the ability of the borrowers to comply with the present loan repayment terms.

Troubled Debt Restructurings. Troubled debt restructurings (TDRs) are defined under ASC 310-40 to include loans for which either a portion of interest or principal has been forgiven, or for loans modified at interest rates or on terms materially less favorable than current market rates. We periodically modify loans to extend the term or make other concessions to help borrowers stay current on their loans and to avoid foreclosure. We generally do not forgive principal or interest on loans or modify the interest rates on loans to rates that are below market rates. At December 31, 2016, we had $5.2 million of troubled debt restructurings, of which $4.4 million were included as non-accrual loans in the preceding table. At December 31, 2016 our troubled debt restructuring related to 11 loans, nine of which related to commercial real estate. As of December 31, 2016 accruing TDR loans totaled $0.3 million as compared to $0.2 million in December 31, 2015.

Delinquent Loans. The following table sets forth certain information with respect to our loan portfolio delinquencies at the dates indicated.

	Loans Delinquent For								
	60 to 89 Days			90 Days and Over			Total		
	Number	Amount		Number	Amount		Number	Amount	
				(Dollars in thousands)					
At December 31, 2016									
Residential mortgage loans:									
One-to four-family	2	$	94	1	$	137	3	$	231
Home equity	-		-	-		-	-		-
Commercial mortgage loans:									
Commercial real estate	1		648	2		100	3		748
Multifamily	-		-	-		-	-		-
Land	-		-	2		1,061	2		1,061
Construction	-		-	-		-	-		-
Total mortgage loans	3		742	5		1,298	8		2,040
Commercial non-mortgage	-		-	-		-	-		-
Other consumer	-		-	-		-	-		-
Total loans	3	$	742	5	$	1,298	8	$	2,040
At December 31, 2015									
Residential mortgage loans:									
One-to four-family	3	$	152	-	$	-	3	$	152
Home equity	-		-	-		-	-		-
Commercial mortgage loans:									
Commercial real estate	3		1,011	-		-	3		1,011
Multifamily	-		-	-		-	-		-
Land	-		-	2		1,842	2		1,842
Construction	-		-	-		-	-		-
Total mortgage loans	6		1,163	2		1,842	8		3,005
Commercial non-mortgage	-		-	-		-	-		-
Other consumer	-		-	-		-	-		-
Total loans	6	$	1,163	2	$	1,842	8	$	3,005
At December 31, 2014									
Residential mortgage loans:									
One-to four-family	1	$	152	2	$	107	3	$	259
Home equity	-		-	-		-	-		-
Commercial mortgage loans:									
Commercial real estate	1		634	3		649	4		1,283
Multifamily	-		-	-		-	-		-
Land	-		-	4		2,700	4		2,700
Construction	-		-	-		-	-		-
Total mortgage loans	2		786	9		3,456	11		4,242
Commercial non-mortgage	-		-	1		19	1		19
Other consumer	-		-	-		-	-		-
Total loans	2	$	786	10	$	3,475	12	$	4,261

At December 31, 2013								
Residential mortgage loans:								
One-to four-family	-	$	-	1	$	254	1	$	254
Home equity	-		-	-		-	-		-
Commercial mortgage loans:									
Commercial real estate	3		667	1		49	4		716
Multifamily	-		-	1		1,363	1		1,363
Land	-		-	5		4,068	5		4,068
Construction	-		-	-		-	-		-
Total mortgage loans	3		667	8		5,734	11		6,401
Commercial non-mortgage	-		-	-		-	-		-
Other consumer	-		-	1		36	1		36
Total loans	3	$	667	9	$	5,770	12	$	6,437

At December 31, 2012									
Residential mortgage loans:									
One-to four-family	-	$	-	4	$	344	4	$	344
Home equity	-		-	-		-	-		-
Commercial mortgage loans:									
Commercial real estate	1		29	3		721	4		750
Multifamily	-		-	-		-	-		-
Land	-		-	7		4,667	7		4,667
Construction	-		-	-		-	-		-
Total mortgage loans	1		29	14		5,732	15		5,761
Commercial non-mortgage	-		-	1		277	1		277
Other consumer	-		-	-		-	-		-
Total loans	1	$	29	15	$	6,009	16	$	6,038

Total loans delinquent 60 or more days decreased $1.0 million to $2.0 million at December 31, 2016 from $3.0 million at December 31, 2015. The decrease in delinquent loans was due primarily to a decrease of $0.8 million in total delinquent land loans.

Real Estate Owned and Foreclosed Assets. Real estate acquired by us as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned. When property is acquired it is recorded at estimated fair market value at the date of foreclosure, establishing a new cost basis. Estimated fair value generally represents the sale price a buyer would be willing to pay on the basis of current market conditions, including normal terms from other financial institutions, less the estimated costs to sell the property. Holding costs and declines in estimated fair market value result in charges to expense after acquisition. In addition, we could repossess certain collateral, including automobiles and other titled vehicles, called other repossessed assets. At December 31, 2016, we had $86,000 in real estate owned.

Classification of Assets. Our policies, consistent with regulatory guidelines, provide for the classification of loans and other assets that are considered to be of lesser quality as substandard, doubtful, or loss assets. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those assets characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Assets (or portions of assets) classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted. Assets that do not expose us to risk sufficient to warrant classification in one of the afore-mentioned categories, but which possess potential weaknesses that deserve our close attention, are required to be designated as special mention.

When we classify assets as either substandard or doubtful, we undertake an impairment analysis which may result in allocating a portion of our general loss allowances to a specific allowance for such assets as we deem prudent. The allowance for loan losses is the amount estimated by management as necessary to absorb credit losses incurred in the loan portfolio that are both probable and reasonably estimable at the balance sheet date. When we classify a problem asset as doubtful, we charge the asset off. For other classified assets, we provide a specific allowance for that portion of the asset that is considered uncollectible. Our determination as to the classification of our assets and the amount of our loss allowances are subject to review by our principal federal regulator, the Office the of Comptroller of the Currency, which can require that we establish additional loss allowances. We review our asset portfolio on a monthly basis to determine whether any assets require classification in accordance with applicable regulations.

The following table sets forth our amounts of classified assets, assets designated as special mention and criticized assets (classified assets and loans designated as special mention) at the dates indicated. At the dates presented we had no assets classified as doubtful.

	At December 31,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Classified Assets:					
Substandard	7,589	19,591	21,435	20,128	21,380
Total classified assets	$ 7,589	$ 19,591	$ 21,435	$ 20,128	$ 21,380
Special mention	5,760	976	2,815	5,889	12,628
Total criticized assets	$ 13,349	$ 20,567	$ 24,250	$ 26,017	$ 34,008

Of the $7.6 million of substandard assets at December 31, 2016, $5.6 million were comprised of commercial real estate loans, $1.1 million were land loans, $0.8 million were one-to-four family residential mortgage loans, and $0.1 million were other real estate owned. .

Allowance for Loan Losses

Analysis and Determination of the Allowance for Loan Losses. Our allowance for loan losses is the amount considered necessary to reflect probable incurred losses in our loan portfolio. We evaluate the need to establish allowances against losses on loans on a quarterly basis. When additional allowances are necessary, a provision for loan losses is charged to earnings.

Our methodology for assessing the appropriateness of the allowance for loan losses consists of two key elements: (1) specific allowances for identified problem loans; and (2) a general valuation allowance on the remainder of the loan portfolio.

Specific Allocations for Identified Problem Loans. We may establish a specific allocation for certain loans. Loss is measured by determining the present value of expected future cash flows, the loan's observable market value, or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. Factors in identifying a specific problem loan include: (1) the strength of the customer's personal or business cash flows; (2) the availability of other sources of repayment; (3) the amount due or past due; (4) the type and value of collateral; (5) the strength of our collateral position; (6) the estimated cost to sell the collateral; and (7) the borrower's effort to cure the delinquency. In addition, for loans secured by real estate, we consider the extent of any past due and unpaid property taxes applicable to the property serving as collateral on the mortgage.

General Valuation Allowance on the Remainder of the Loan Portfolio. We establish a general allowance for loans that are not deemed impaired to recognize the inherent losses associated with lending activities, but which, unlike specific allocations, have not been allocated to particular problem loans. This general valuation allowance is determined by segregating the loans by loan category and assigning allowance percentages based on our historical loss experience, delinquency trends and management's evaluation of the collectability of the loan portfolio. The allowance may be adjusted for significant factors that, in management's judgment, affect the collectability of the portfolio as of the evaluation date. These significant factors may include changes in lending policies and procedures, changes in existing general economic and business conditions affecting our primary market area, credit quality trends, collateral value, loan volumes and concentrations, seasoning of the loan portfolio, recent loss experience in particular segments of the portfolio, duration of the current business cycle and bank regulatory examination results. The applied loss factors are re-evaluated quarterly to ensure their relevance in the current real estate environment. Although our policy allows for a general valuation allowance on certain smaller-balance, homogenous pools of loans classified as substandard, we have historically evaluated every loan classified as substandard, regardless of size, for potential impairment.

In addition, as an integral part of their examination process, the Office of the Comptroller of the Currency will periodically review our allowance for loan losses. Such agency may require that we recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

We periodically evaluate the carrying value of loans and the allowance is adjusted accordingly. While we use the best information available to make evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the information used in making the evaluations.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. Loans are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans, including troubled debt restructurings, that are placed on nonaccrual status or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Generally, loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The following table sets forth activity in our allowance for loan losses for the periods indicated.

	At or For the Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
	(Dollars in thousands)				
Balance at beginning of period	$ 10,061	$ 7,976	$ 7,597	$ 6,671	$ 9,503
Charge-offs:					
Residential mortgage loans:					
One-to four-family	(67)	(45)	(55)	(210)	(116)
Home equity	-	-	-	-	-
Commercial mortgage loans:					
Commercial real estate	(85)	-	-	-	(1,337)
Multifamily	-	-	-	-	(1,241)
Land	-	-	-	-	(2,393)
Construction	-	-	(750)	-	(2)
Commercial non-mortgage	-	-	-	-	(84)
Other consumer	(1)	(1)	(1)	(2)	(4)
Total charge-offs	(153)	(46)	(806)	(212)	(5,177)
Recoveries:					
Residential mortgage loans:					
One-to four-family	54	33	57	15	27
Home equity	-	-	-	1	16
Commercial mortgage loans:					
Commercial real estate	39	1,268	10	100	36
Multifamily	-	-	-	-	55
Land	81	26	93	182	-
Construction	-	-	-	-	-
Commercial non-mortgage	-	-	-	5	-
Other consumer	4	4	5	5	6
Total recoveries	178	1,331	165	308	140
Net (charge-offs) recoveries	25	1,285	(641)	96	(5,037)
Provision for loan losses	(760)	800	1,020	830	2,205
Balance at end of period	$ 9,326	$ 10,061	$ 7,976	$ 7,597	$ 6,671
Ratios					
Net (charge-offs) recoveries to average loans outstanding	0.01%	0.4%	(2.0)%	0.1%	
Allowance for loan losses to non-performing loans at end of period	146.30%	125.4%	86.0%	122.4%	64.0%
Allowance for loan losses to total loans at end of period	2.91%	3.0%	2.6%	2.8%	2.6%

Allocation of Allowance for Loan Losses. The following table sets forth the allowance for loan losses allocated by loan category, the total loan balances by category (including loans held for sale), and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories. We had no unallocated allowance at the dates presented.

	At December 31,					
	2016		2015		2014	
	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)					
Residential mortgage loans						
One-to four-family	$ 798	10.5%	$ 948	12.0%	$ 881	14.2%
Home equity	49	1.2	108	1.6	100	2.1
Commercial mortgage loans						
Commercial real estate	5,422	58.3	4,913	55.5	3,573	49.0
Multifamily	1,084	16.3	1,515	17.7	1,391	19.5
Land	1,142	3.4	1,605	3.8	1,205	3.2
Construction	294	4.0	604	4.5	539	6.9
Commercial non-mortgage	524	6.0	344	4.5	269	4.7
Other consumer	13	0.3	24	0.4	18	0.4
Total allowance	$ 9,326	100.0%	$ 10,061	100.0%	$ 7,976	100.0%

	At December 31,			
	2013		2012	
	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)			
Residential mortgage loans				
One-to four-family	$ 1,354	18.2%	$ 1,433	21.5%
Home equity	251	2.9	266	4.0
Commercial mortgage loans				
Commercial real estate	2,861	46.1	2,663	39.9
Multifamily	1,514	23.0	1,497	22.4
Land	1,145	3.6	312	4.7
Construction	285	3.2	302	4.5
Commercial non-mortgage	157	2.6	166	2.5
Other consumer	30	0.4	32	0.5
Total allowance	$ 7,597	100.0%	$ 6,671	100.0%

The allowance for loan losses decreased $0.8 million, or 7.9%, to $9.3 million at December 31, 2016 from $10.1 million at December 31, 2015. The decrease in our allowance for loan losses was due in part to continued economic improvement, stabilized levels of non-performing assets, stabilized delinquencies and reduced specific allocations as a results of improved asset quality as well as improvement in our qualitative and environmental factors.

Investments

We conduct investment transactions in accordance with our board approved investment policy which is reviewed at least annually by the Audit Committee of the Board, and any changes to the policy are subject to ratification by the full Board of Directors. This policy dictates that investment decisions give consideration to the safety of the investment, liquidity requirements, potential returns, the ability to provide collateral for pledging requirements, minimizing exposure to credit risk, potential returns and consistency with our interest rate risk management strategy. Authority to make investments under approved guidelines is delegated to our management investment committee, comprised of our President and Chief Executive Officer and our Chief Operating Officer and Treasurer. All investments are reported to the Board of Directors for ratification at the next regular board meeting.

Our current investment policy permits us to invest in any legally permissible investment security, including U.S. Treasury obligations, agency debt securities insured and guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae and other eligible federal agencies, municipal securities, banker's acceptances, certificates of deposit, overnight investments and eligible mutual funds.

We do not engage in any speculative trading or any transactions in short sales, options, mortgage derivative products or other financial derivative products. In recent years, we have not purchased any mortgage-backed securities. As a federal savings bank, Wolverine Bank is generally not permitted to invest in equity securities, although this general restriction does not apply to Wolverine Bancorp, Inc., which may acquire up to 5% of voting securities of any company without regulatory approval.

ASC 320-10, "Investment – Debt and Equity Securities" requires that, at the time of purchase, we designate a security as held to maturity, available-for-sale, or trading, depending on our ability and intent. Securities available for sale are reported at fair value, while securities held to maturity are reported at amortized cost. We do not maintain a trading portfolio.

Municipal Obligations. At December 31, 2016, we held no municipal obligations. Our policy allows us to purchase municipal securities of credit-worthy issuers. We are not permitted to invest more than 2.0% of our total assets in municipal obligations.

Investment Securities Portfolio. The following table sets forth the composition of our investment securities portfolio at the dates indicated, excluding Federal Home Loan Bank of Indianapolis stock and federally insured interest-earning time deposits. All of such securities were classified as held-to-maturity.

	At December 31,					
	2016		2015		2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)					
Treasury bond…………………………	$ 499	$ 500	$ 500	$ 500	$ -	$ -

Sources of Funds

General. Deposits traditionally have been our primary source of funds for our lending and investment activities. We also borrow, primarily from the Federal Home Loan Bank of Indianapolis, to supplement cash flow needs, to lengthen the maturities of liabilities for interest rate risk management purposes and to manage our cost of funds. Our additional sources of funds are the proceeds from the sale of loans originated for sale, scheduled loan payments, maturing investments, loan prepayments, retained earnings and income on other earning assets.

Deposits. We generate deposits primarily from the areas in which our branch offices are located and from existing and prospective customers. We rely on our competitive pricing, convenient locations and customer service to attract and retain both retail and commercial deposits. Additionally, we have attracted deposits from numerous Michigan cities, townships, counties and nonprofit organizations due to our successful marketing efforts, community ties, and financial stability and strength.

We offer a variety of deposit accounts with a range of interest rates and terms. Our deposit accounts consist of savings accounts, checking accounts, money market accounts, certificates of deposit and retirement accounts. At December 31, 2016, we had $21.0 million in brokered deposits, of which $3.1 million was through the Certificate of Deposit Account Registry Service ("CDARS") network. When a customer makes a deposit and requests the full protection of FDIC insurance, but where such deposit exceeds applicable limits, we may use the CDARS network to place the funds into certificates of deposit issued by banks in the network so that the full amount of the deposit is insured by the FDIC.

Interest rates, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies, including the cost of alternate sources of funds, and market interest rates, liquidity requirements, interest rates paid by competitors and our deposit growth goals.

At December 31, 2016, we had a total of $127.2 million in certificates of deposit, of which $75.4 million had remaining maturities of one year or less.

The following tables set forth the distribution of our average total deposit accounts, by account type, for the periods indicated.

	For the Years Ended December 31,								
	2016			2015			2014		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(Dollars in thousands)								
Deposit type:									
Savings accounts	$13,334	5.02%	0.09%	$12,985	5.45%	0.10%	$12,828	6.01%	0.11%
Checking accounts	33,562	12.63	0.07%	34,305	14.40	0.07%	33,855	15.87	0.08%
Money market accounts	67,528	25.41	0.40%	74,150	31.14	0.40%	64,593	30.27	0.35%
Certificates of deposit	151,281	56.94	1.15%	116,704	49.01	0.97%	102,082	47.85	0.94%
Total deposits	$265,705	100.00%	0.77%	$238,144	100.00%	0.61%	$213,358	100.00%	0.58%

The following table sets forth the amount of our certificates of deposit classified by interest rate as of the dates indicated.

	At December 31, 2016	2015	2014
	(Dollars in thousands)		
Interest Rate			
Less than 2.00%	$ 119,489	$ 155,784	$ 104,795
2.00% to 2.99%	5,277	5,276	1,451
3.00% to 3.99%	573	588	589
4.00% to 4.99%	1,590	1,566	1,724
5.00% to 5.99%	290	571	552
Total	$ 127,219	$ 163,785	$ 109,111

Borrowings. Our borrowings consist of advances from the Federal Home Loan Bank of Indianapolis. At December 31, 2016, we had access to additional Federal Home Loan Bank advances of up to $35.9 million with the purchase of additional FHLB stock. The following table sets forth information concerning balances and interest rates on our borrowings at the dates and for the periods indicated.

	At or For the Years Ended December 31, 2016	2015	2014
	(Dollars in thousands)		
Balance at end of period	$60,000	$47,000	$50,000
Average balance during period	$48,083	$54,083	$51,333
Maximum outstanding at month end	$60,000	$60,000	$52,000
Weighted average interest rate at end of period	3.01%	3.84%	3.97%
Average interest rate during period	3.77%	3.64%	3.81%

In addition to FHLB advances, at December 31, 2016, we had Federal Funds purchased of $27.0 million.

Subsidiary Activities

Wolverine Bank is the wholly owned subsidiary of Wolverine Bancorp, Inc. Wolverine Bank has two subsidiaries, Wolserv Corporation, a Michigan corporation which has a membership interest in a title company, and Wolverine Commercial Holdings LLC, A Michigan LLC owned by Wolverine Bank which holds certain real estate.

Expense and Tax Allocation

Wolverine Bank has entered into an agreement with Wolverine Bancorp, Inc. to provide it with certain administrative support services, whereby Wolverine Bank will be compensated at not less than the fair market value of the services provided. In addition, Wolverine Bank and Wolverine Bancorp, Inc. have an agreement for allocating and for reimbursing the payment of their consolidated tax liability.

SUPERVISION AND REGULATION

General

Wolverine Bank is supervised and examined by the Office of the Comptroller of the Currency and is also subject to examination by the Federal Deposit Insurance Corporation (FDIC). This regulation and supervision establishes a comprehensive framework of activities in which an institution may engage and is intended primarily for the protection of FDIC's deposit insurance fund and depositors, and not for the protection of stockholders. Under this system of federal regulation, financial institutions are periodically examined to ensure that they satisfy applicable standards with respect to their capital adequacy, assets, management, earnings, liquidity and sensitivity to market interest rates. Wolverine Bank also is a member of and owns stock in the Federal Home Loan Bank of Indianapolis, which is one of the 12 regional banks in the Federal Home Loan Bank System. Wolverine Bank also is regulated to a lesser extent by the Board of Governors of the Federal Reserve System, or Federal Reserve Board, which governs reserves to be maintained against deposits and other matters. The Office of the Comptroller of the Currency examines Wolverine Bank and prepares reports for the consideration of its Board of Directors on any operating deficiencies. Wolverine Bank's relationship with its depositors and borrowers also is regulated to a great extent by federal law and, to a much lesser extent, state law, especially in matters concerning the ownership of deposit accounts and the form and content of Wolverine Bank's loan documents.

Any change in these laws or regulations, whether by the FDIC, the Office of the Comptroller of the Currency or Congress, could have a material adverse impact on Wolverine Bancorp, Inc., Wolverine Bank and their operations.

As a savings and loan holding company, Wolverine Bancorp, Inc. is required to comply with the rules and regulations of the Federal Reserve Board and to file certain reports with and is subject to examination by the Federal Reserve. Wolverine Bancorp, Inc. is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") made extensive changes in the regulation of federal savings banks such Wolverine Bank. Under the Dodd-Frank Act, the Office of Thrift Supervision was eliminated. Responsibility for the supervision and regulation of federal savings banks was transferred to the Office of the Comptroller of the Currency, which is the agency that is primarily responsible for the regulation and supervision of national banks. Pursuant to the Dodd-Frank Act, responsibility for the regulation and supervision of savings and loan holding companies, such as Wolverine Bancorp, Inc., was transferred to the Federal Reserve Board, which supervises bank holding companies. Additionally, the Dodd-Frank Act created a new Consumer Financial Protection Bureau as an independent bureau of the Federal Reserve Board. The Consumer Financial Protection Bureau assumed responsibility for the implementation of the federal financial consumer protection and fair lending laws and regulations, a function previously assigned to prudential regulators, and has authority to impose new requirements. However, institutions of less than $10 billion in assets, such as Wolverine Bank, will continue to be examined for compliance with consumer protection and fair lending laws and regulations by, and be subject to the primary enforcement authority of, their prudential regulator rather than the Consumer Financial Protection Bureau.

The material regulatory requirements that are applicable to Wolverine Bank and Wolverine Bancorp, Inc. are described below.

Dodd-Frank Act

The Dodd-Frank Act made significant changes to the regulatory structure for depository institutions and their holding companies, as well as changes that affect the lending, investments and other operations of all depository institutions. The Dodd-Frank Act required the Federal Reserve Board to set minimum capital levels for both bank holding companies and savings and loan holding companies that are as stringent as those required for the insured depository subsidiaries, and the components of Tier 1 capital for holding companies were restricted to capital instruments that were then currently considered to be Tier 1 capital for insured depository institutions. The legislation also established a floor for capital of insured depository institutions that cannot be lower than the standards in effect upon passage, and directed the federal banking regulators to implement new leverage and capital requirements that take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act created a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions such as Wolverine Bank, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Banks and savings institutions with $10 billion or less in assets are still examined for compliance by their applicable bank regulators. The new legislation also weakened the federal preemption available for national banks and federal savings associations, and gave state attorneys general the ability to enforce applicable federal consumer protection laws.

The Dodd-Frank Act broadened the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution, rather than on total deposits. The legislation also permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor. The Dodd-Frank Act increased stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called "golden parachute" payments. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not. Further, the legislation requires that originators of securitized loans retain a percentage of the risk for transferred loans, directs the Federal Reserve Board to regulate pricing of certain debit card interchange fees and contains a number of reforms related to mortgage originations.

Federal Banking Regulation

Business Activities. A federal savings bank derives its lending and investment powers from the Home Owners' Loan Act, as amended, and the regulations of the Office of the Comptroller of the Currency. Under these laws and regulations, Wolverine Bank may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits. Wolverine Bank also may establish subsidiaries that may engage in activities not otherwise permissible for Wolverine Bank, including real estate investment and securities and insurance brokerage.

Capital Requirements. Office of the Comptroller of the Currency regulations require savings banks to meet three minimum capital standards: a 1.5% tangible capital ratio, a 4% leverage ratio (3% for savings banks receiving the highest rating on the CAMELS rating system), and an 8% risk-based capital ratio.

The risk-based capital standard for savings banks requires the maintenance of Tier 1 (core) and total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 4% and 8%, respectively. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, are multiplied by a risk-weight factor of 0% to 200%, assigned by the Office of the Comptroller of the Currency, based on the risks believed inherent in the type of asset. Core capital is defined as common stockholders' equity (including retained earnings), certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries, less intangibles other than certain mortgage servicing rights and credit card relationships. The components of supplementary capital include cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock, the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital. Additionally, a savings bank that retains credit risk in connection with an asset sale may be required to maintain additional regulatory capital because of the purchaser's recourse against the savings bank. In assessing an institution's capital adequacy, the Office of the Comptroller of the Currency takes into consideration not only these numeric factors but qualitative factors as well, and has the authority to establish higher capital requirements for individual associations where necessary.

In July 2013, the Office of the Comptroller of the Currency and the other federal bank regulatory agencies issued a final rule that will revise their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the rule establishes a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also requires unrealized gains and losses on certain "available-for-sale" securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised. The rule limits a banking organization's capital distributions and certain discretionary bonus payments to executive officers if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The final rule also implements the Dodd-Frank Act's directive to apply to savings and loan holding companies consolidated capital requirements that are not less stringent than those applicable to their subsidiary institutions. The final rule was effective January 1, 2015. The "capital conservation buffer" will be phased in from January 1, 2016 to January 1, 2019, when the full capital conservation buffer will be effective.

At December 31, 2016 Wolverine Bank's capital exceeded all applicable requirements. See "Historical and Pro Forma Regulatory Capital Compliance."

Loans-to-One Borrower. Generally, a federal savings bank may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. As of December 31, 2016, we did not have any relationships in excess of 15% of unimpaired capital and surplus.

Capital Distributions. Office of the Comptroller of the Currency regulations govern capital distributions by a federal savings bank, which include cash dividends, stock repurchases and other transactions charged to the savings bank's capital account. A savings bank must file an application for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceed the sum of the savings bank's net income for that year to date plus the savings bank's retained net income for the preceding two years;
- the savings bank would not be at least adequately capitalized following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or Office of the Comptroller of the Currency –imposed condition; or
- the savings bank is not eligible for expedited treatment of its filings.

Even if an application is not otherwise required, every savings bank that is a subsidiary of a holding company must still file a notice with the Office of the Comptroller of the Currency at least 30 days before the Board of Directors declares a dividend or approves a capital distribution.

The Office of the Comptroller of the Currency may disapprove a notice or application if:

- the savings bank would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation or agreement.

In addition, the Federal Deposit Insurance Act provides that an insured depository institution shall not make any capital distribution, if after making such distribution the institution would be undercapitalized. A savings bank may not make a capital distribution that would reduce its regulatory capital below the amount required for the liquidation account established in connection with its conversion to stock form.

Liquidity. A federal savings bank is required to maintain a sufficient amount of liquid assets to ensure its safe and sound operation.

Community Reinvestment Act and Fair Lending Laws. All savings banks have a responsibility under the Community Reinvestment Act and related regulations of the Office of the Comptroller of the Currency to help meet the credit needs of their communities, including low- and moderate-income borrowers. In connection with its examination of a federal savings bank, the Office of the Comptroller of the Currency is required to assess the savings bank's record of compliance with the Community Reinvestment Act. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. A savings bank's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications such as branches or mergers, or in restrictions on its activities. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the Office of the Comptroller of the Currency, as well as other federal regulatory agencies and the Department of Justice. Wolverine Bank received a "satisfactory" Community Reinvestment Act rating in its most recent federal examination. The

Community Reinvestment Act requires all institutions insured by the Federal Deposit Insurance Corporation to publicly disclose their rating.

Transactions with Related Parties. A federal savings bank's authority to engage in transactions with its affiliates is limited by Office of the Comptroller of the Currency regulations and by Sections 23A and 23B of the Federal Reserve Act and its implementing Regulation W promulgated by the Board of Governors of the Federal Reserve System. An affiliate is generally a company that controls, or is under common control with an insured depository institution such as Wolverine Bank. Wolverine Bancorp, Inc. is an affiliate of Wolverine Bank. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative and collateral requirements. In addition, Office of the Comptroller of the Currency regulations prohibit a savings bank from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates. The Office of the Comptroller of the Currency requires savings banks to maintain detailed records of all transactions with affiliates.

Wolverine Bank's authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions require that extensions of credit to insiders:

(a) be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and

(ii) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of Wolverine Bank's capital.

In addition, extensions of credit in excess of certain limits must be approved by Wolverine Bank's Board of Directors.

Enforcement. The Office of the Comptroller of the Currency has primary enforcement responsibility over federal savings banks and has the authority to bring enforcement action against all "institution-affiliated parties," including directors, officers, stockholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on a federal savings bank. Formal enforcement action by the Office of the Comptroller of the Currency may range from the issuance of a capital directive or cease and desist order, to removal of officers and/or directors of the institution, and the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to $25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as $1 million per day. The Federal Deposit Insurance Corporation also has the authority to terminate deposit insurance or to recommend to the Director of the Office of the Comptroller of the Currency that enforcement action be taken with respect to a particular savings institution. If action is not taken by the Director, the Federal Deposit Insurance Corporation has authority to take action under specified circumstances.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation, and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to implement an acceptable compliance plan. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Prompt Corrective Action Regulations. Under prompt corrective action regulations, the Office of the Comptroller of the Currency is authorized and, under certain circumstances, required to take supervisory actions against undercapitalized savings banks. For this purpose, a savings bank is placed in one of the following five categories based on the savings bank's capital:

- well-capitalized (at least 5% leverage capital, 6% Tier 1 risk-based capital and 10% total risk-based capital);
- adequately capitalized (at least 4% leverage capital, 4% Tier 1 risk-based capital and 8% total risk-based capital);
- undercapitalized (less than 3% leverage capital, 4% Tier 1 risk-based capital and 8% total risk-based capital);
- significantly undercapitalized (less than 3% leverage capital, 3% Tier 1 risk-based capital and 6% total risk-based capital); and
- critically undercapitalized (less than 2% tangible capital).

Generally, the Office of the Comptroller of the Currency is required to appoint a receiver or conservator for a savings bank that is "critically undercapitalized" within specific time frames. The regulations also provide that a capital restoration plan must be filed with the Office of the Comptroller of the Currency within 45 days of the date a savings bank receives notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Any holding company of a savings bank that is required to submit a capital restoration plan must guarantee the lesser of an amount equal to 5% of the savings bank's assets at the time it was notified or deemed to be undercapitalized by the Office of the Comptroller of the Currency, or the amount necessary to restore the savings bank to adequately capitalized status. This guarantee remains in place until the Office of the Comptroller of the Currency notifies the savings bank that it has maintained adequately capitalized status for each of four consecutive calendar quarters, and the Office of the Comptroller of the Currency has the authority to require payment and collect payment under the guarantee. Failure by a holding company to provide the required guarantee will result in certain operating restrictions on the savings bank, such as restrictions on the ability to declare and pay dividends, pay executive compensation and management fees, and increase assets or expand operations. The Office of the Comptroller of the Currency may also take any one of a number of discretionary supervisory actions against undercapitalized savings banks, including the issuance of a capital directive and the replacement of senior executive officers and directors.

At December 31, 2016, Wolverine Bank met the criteria for being considered "well-capitalized."

Deposit Insurance. Wolverine Bank is a member of the Deposit Insurance Fund, which is administered by the FDIC. Deposit accounts in Wolverine Bank are insured up to a maximum of $250,000 for each separately insured depositor.

The FDIC imposes an assessment for deposit insurance on all depository institutions. Under the FDIC's risk-based assessment system, insured institutions are assigned to risk categories based on supervisory evaluations, regulatory capital levels and certain other factors. An institution's assessment rate depends upon the category to which it is assigned and certain adjustments specified by FDIC regulations, with less risky institutions paying lower rates. Assessment rates (inclusive of possible adjustments) currently range from 2 ½ to 45 basis points of each institution's total assets less tangible capital. The FDIC may increase or decrease the scale uniformly, except that no adjustment can deviate more than two basis points from the base scale without notice and comment rulemaking. The FDIC's current system represents a change, required by the Dodd-Frank Act, from its prior practice of basing the assessment on an institution's volume of deposits.

In addition to the FDIC assessments, the Financing Corporation is authorized to impose and collect, through the FDIC, assessments for anticipated payments, issuance costs and custodial fees on bonds issued by the Financing Corporation in the 1980s to recapitalize the former Federal Savings and Loan Insurance Corporation. The bonds issued by the Financing Corporation are due to mature in 2017 through 2019. For the quarter ended December 31, 2016, the annualized Financing Corporation assessment was equal to 0.56 basis points of total assets less tangible capital.

The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The FDIC must seek to achieve the 1.35% ratio by September 30, 2020. Insured institutions with assets of $10 billion or more are supposed to fund the increase. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the FDIC and the FDIC has exercised that discretion by establishing a long-term fund ratio of 2%.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of Wolverine Bank. Management cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. Management of Wolverine Bank does not know of any practice, condition or violation that may lead to termination of our deposit insurance.

Prohibitions Against Tying Arrangements. Federal savings banks are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

Federal Home Loan Bank System. Wolverine Bank is a member of the Federal Home Loan Bank System, which consists of 12 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the Federal Home Loan Bank of Indianapolis, Wolverine Bank is required to acquire and hold shares of capital stock in the Federal Home Loan Bank. As of December 31, 2016, Wolverine Bank was in compliance with this requirement.

Qualified Mortgages and Retention of Credit Risk. The Consumer Financial Protection Bureau has issued a rule designed to clarify for lenders how they can avoid legal liability under the Dodd-Frank Act, which would hold lenders accountable for ensuring a borrower's ability to repay a mortgage. Loans that meet this "qualified mortgage" definition will be presumed to have complied with the new ability-to-repay standard. Under the Consumer Financial Protection Bureau's rule, a "qualified mortgage" loan must not contain certain specified features, including:

- excessive upfront points and fees (those exceeding 3% of the total loan amount, less "bona fide discount points" for prime loans);
- interest-only payments;
- negative-amortization; and
- terms longer than 30 years.

Also, to qualify as a "qualified mortgage," a borrower's total monthly debt-to-income ratio may not exceed 43%. Lenders must also verify and document the income and financial resources relied upon to qualify the borrower for the loan and underwrite the loan based on a fully amortizing payment schedule and maximum interest rate during the first five years, taking into account all applicable taxes, insurance and assessments. The Consumer Financial Protection Bureau's rule on qualified mortgages could limit our ability or desire to make certain types of loans or loans to certain borrowers, or could make it more expensive/and or time consuming to make these loans, which could limit our growth or profitability.

In addition, the Dodd-Frank Act requires the regulatory agencies to issue regulations that require securitizers of loans to retain not less than 5% of the credit risk for any asset that is not a "qualified residential mortgage." The regulatory agencies have issued a proposed rule to implement this requirement. The Dodd-Frank Act provides that the definition of "qualified residential mortgage" can be no broader than the definition of "qualified mortgage" issued by the Consumer Financial Protection Bureau for purposes of its regulations (as described above). Although the final rule with respect to the retention of credit risk has not yet been issued, the final rule could have a significant effect on the secondary market for loans and the types of loans we originate, and restrict our ability to make loans.

Other Regulations

Interest and other charges collected or contracted for by Wolverine Bank are subject to state usury laws and federal laws concerning interest rates. Wolverine Bank's operations are also subject to federal laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;

- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;

- Truth in Savings Act; and

- rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of Wolverine Bank also are subject to the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;

- Electronic Funds Transfer Act and Regulation E promulgated there under, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;

- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;

- The USA PATRIOT Act, which requires savings banks to, among other things, establish broadened anti-money laundering compliance programs, and due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirements that also apply to financial institutions under the Bank Secrecy Act and the Office of Foreign Assets Control regulations; and

- The Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties.

Holding Company Regulation

General. Wolverine Bancorp, Inc. is a non-diversified savings and loan holding company within the meaning of the Home Owners' Loan Act. As such, Wolverine Bancorp, Inc. is registered with the Federal Reserve Board and is subject to Federal Reserve Board regulations, examinations, supervision and reporting requirements. In addition, the Federal Reserve Board has enforcement authority over Wolverine Bancorp, Inc. and its non-insured subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings institution.

Permissible Activities. The business activities of Wolverine Bancorp, Inc. are generally limited to those activities permissible for financial holding companies under Section 4(k) of the Bank Holding Company Act of 1956, as amended, or for multiple savings and loan holding companies. A financial holding company may engage in activities that are financial in nature, including underwriting equity securities and insurance as well as activities that are incidental to financial activities or complementary to a financial activity. The Dodd-Frank Act added that any savings and loan holding company that engages in activities permissible for a financial holding company must meet the qualitative requirements for a bank holding company to be a financial holding company and conduct the activities in accordance with the requirements that would apply to a financial holding company's conduct of the activity. A multiple savings and loan holding company is generally limited to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, subject to the prior approval of the Federal Reserve Board, and certain additional activities authorized by Federal Reserve Board regulations.

Federal law prohibits a savings and loan holding company, including Wolverine Bancorp, Inc., directly or indirectly, or through one or more subsidiaries, from acquiring more than 5% of another savings institution or holding company thereof, without prior written approval of the Federal Reserve Board. It also prohibits the acquisition or retention of, with certain exceptions, more than 5% of a nonsubsidiary company engaged in activities that are not closely related to banking or financial in nature, or acquiring or retaining control of an institution that is not federally insured. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board must consider the financial and managerial resources, future prospects of the company and institution involved, the effect of the acquisition on the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors.

Capital. Savings and loan holding companies have not historically been subjected to consolidated regulatory capital requirements. However, the Dodd-Frank Act required the Federal Reserve Board to set for all depository institution holding companies minimum consolidated capital levels that are as stringent as those required for the insured depository subsidiaries. The previously discussed final rule regarding regulatory capital requirements implements the Dodd-Frank Act as to savings and loan holding companies. Consolidated regulatory capital requirements identical to those applicable to the subsidiary depository institutions apply to savings and loan holding companies as of January 1, 2015. As is the case with institutions themselves, the capital conservation buffer will be phased in between 2016 and 2019.

Dividends. The Federal Reserve Board has issued a policy guidance regarding the payment of dividends by bank holding companies that it has made applicable to savings and loan holding companies as well. In general, the Federal Reserve Board's policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. Federal Reserve Board guidance provides for prior regulatory review of capital distributions in certain circumstances such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate of earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. These regulatory policies could affect the ability of Wolverine Bancorp, Inc. to pay dividends or otherwise engage in capital distributions.

Source of Strength. The Dodd-Frank Act extended the "source of strength" doctrine to savings and loan holding companies. The regulatory agencies must issue regulations requiring that all bank and savings and loan holding companies serve as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

Federal Securities Laws

Our common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934. We are subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. As directed by the Sarbanes-Oxley Act, our Chief Executive Officer and Chief Financial Officer are required to certify that our quarterly and annual reports do not contain any untrue statement of a material fact. The rules adopted by the Securities and Exchange Commission under the Sarbanes-Oxley Act have several requirements, including having these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of our internal control over financial reporting; they have made certain disclosures to our auditors and the audit committee of the Board of Directors about our internal control over financial reporting; and they have included information in our quarterly and annual reports about their evaluation and whether there have been changes in our internal control over financial reporting or in other factors that could materially affect internal control over financial reporting. We have policies, procedures and systems designed to ensure compliance with these regulations.

TAXATION

Federal Taxation

General. Wolverine Bancorp, Inc. and Wolverine Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal taxation is intended only to summarize material federal income tax matters and is not a comprehensive description of the tax rules applicable to Wolverine Bancorp, Inc. and Wolverine Bank.

Method of Accounting. For federal income tax purposes, Wolverine Bancorp, Inc. and its subsidiaries currently report income and expenses on the accrual method of accounting with a tax year ending December 31st for filing its consolidated federal income tax returns. The Small Business Protection Act of 1996 eliminated the use of the reserve method of accounting for bad debt reserves by savings institutions, effective for taxable years beginning after 1995.

Minimum Tax. The Internal Revenue Code of 1986, as amended, imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences, referred to as "alternative minimum taxable income." The alternative minimum tax is payable to the extent alternative minimum taxable income is in excess of an exemption amount. Net operating losses can, in general, offset no more than 90% of alternative minimum taxable income. Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years. At December 31, 2016, Wolverine Bank had no minimum tax credit carryforward.

Corporate Dividends. We may exclude from our income 100% of dividends received from Wolverine Bank as a member of the same affiliated group of corporations.

Audit of Tax Returns. Wolverine Bancorp, Inc. and its subsidiaries' federal income tax returns have not been audited in the most recent five-year period.

State Taxation

Companies headquartered in Michigan, such as Wolverine Bank, are subject to a Michigan capital tax which is an assessment of 0.29% of a company's consolidated net capital, based on a rolling five-year average. Other applicable state taxes include generally applicable sales, use and real property taxes.

As a Maryland business corporation, Wolverine Bancorp, Inc. is required to file an annual franchise tax return with the State of Maryland.

Personnel

As of December 31, 2016, we had 34 full-time employees and 22 part-time employees. Our employees are not represented by any collective bargaining group. Management believes that we have a good working relationship with our employees.

Availability of Annual Report on Form 10-K

This Annual Report on Form 10-K is available on our website at www.wolverinebank.com. Information on the website is not incorporated into, and is not otherwise considered a part of, this Annual Report on Form 10-K.

ITEM 1A. Risk Factors

The presentation of Risk Factors is not required for smaller reporting companies like Wolverine Bancorp, Inc.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

We operate from our main office in Midland, Michigan, and from one branch office located in Midland, Michigan, and one branch office located in Frankenmuth. At December 31, 2016, the net book value of our premises, land and equipment was $1.1 million.

At December 31, 2016. The following tables set forth information with respect to our banking offices, including the expiration date of leases with respect to leased facilities.

Address	Leased or Owned	Year Acquired or Leased	Expires
Main Office: 5710 Eastman Avenue Midland, Michigan 48640	Owned	1979	n/a
Branch Offices:			
Downtown Office: 118 Ashman Street Midland, Michigan 48640	Leased	2005	2020
Frankenmuth Office: 464 N. Main Street Frankenmuth, Michigan 48734	Owned	1978	n/a

ITEM 3. Legal Proceedings

At December 31, 2016, we were not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business which, in the aggregate, involve amounts which management believes will not materially adversely affect our financial condition, our results of operations or our cash flows.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market, Holder and Dividend Information. The Company's common stock is traded on the Nasdaq Capital Market under the symbol "WBKC." The approximate number of holders of record of Wolverine Bancorp, Inc. common stock as of March 8, 2017 was 600. Certain shares of Wolverine Bancorp, Inc. are held in "nominee" or "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number. The following table presents quarterly market information for Wolverine Bancorp, Inc.'s common stock for the years ended December 31, 2016 and 2015. The following information with respect to trading prices was provided by the Nasdaq Capital Market.

	High		Low		Dividends Declared	
Quarter ended December 31, 2016	$	32.95	$	26.24	$	1.60 (1)
Quarter ended September 30, 2016		27.50		25.44		
Quarter ended June 30, 2016		27.00		25.50		
Quarter ended March 31, 2016		27.41		25.50		
Quarter ended December 31, 2015	$	27.73	$	25.37	$	1.00 (2)
Quarter ended September 30, 2015		26.65		25.00		
Quarter ended June 30, 2015		26.75		24.50		
Quarter ended March 31, 2015		24.45		23.44		

(1) On December 12, 2016, the Board of Directors declared an annual cash dividend of $1.60 per share. The dividend was payable to stockholders of record as of December 29, 2016 and was paid on January 11, 2017.

(2) On December 16, 2015, the Board of Directors declared a special cash dividend of $1.00 per share. The dividend was payable to stockholders of record as of December 30, 2015 and was paid on January 8, 2016.

Other than the special dividend declared in December 2015 and the annual dividend declared in December 2016, we did not pay dividends during the periods presented. Dividend payments by Wolverine Bancorp, Inc. are dependent, in large part, on dividends it receives from Wolverine Bank, because Wolverine Bancorp, Inc. has no source of income other than dividends from Wolverine Bank, earnings from the investment of proceeds from the sale of shares of common stock retained by Wolverine Bancorp, Inc. and interest payments with respect to Wolverine Bancorp, Inc.'s loan to the Employee Stock Ownership Plan. See "Item 1. Business –Supervision and Regulation – Federal Banking Regulation – Capital Distributions."

(b) ***Report of Offering of Securities and Use of Proceeds Therefrom.*** Not applicable.

(c) ***Securities Authorized for Issuance Under Equity Compensation Plans.*** The following table sets forth the information as of December 31, 2016 with respect to compensation plans (other than our employee stock ownership plan) under which equity securities of the registrant are authorized for issuance.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	**Weighted average exercise prices of outstanding options, warrants and rights (1)**	**Number of securities remaining available for future issuance under stock based compensation plans (excluding securities reflected in first column)**
Equity compensation Plans approved by stockholders	202,987	$20.76	47,763
Equity compensation plans not approved by stockholders	N/A	N/A	N/A
Total	202,987	$20.76	47,763

(1) Reflects exercise price of options only.

(d) ***Purchases of Equity Securities By the Issuer and Affiliated Purchasers***

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2016 through October 31, 2016	19,300	$	26.50	19,300	104,095
November 1, 2016 through November 30, 2016	–	$	–	–	104,095
December 1, 2016 through December 31, 2016	–	$	–	–	104,095
	19,300			19,300	

On February 14, 2012, the Registrant's Board of Directors authorized a stock repurchase program of up to 5% of our issued and outstanding shares, or up to approximately 125,375 shares. As of February 8, 2013, all shares had been repurchased. On December 10, 2012 the Registrant's Board of Directors authorized a stock repurchase program of up to 5% of our issued and outstanding shares, or up to approximately 122,954 shares. As of December 31, 2013 all shares had been repurchased. On December 9, 2013, the Registrant's Board of Directors authorized a stock repurchase program of up to 5% of our issued and outstanding shares, or up to approximately 119,167 shares. As of March 26, 2015, all shares had been repurchased. On February 9, 2015, the Registrant's Board of Directors authorized a stock repurchase program of up to 5% of our issued and outstanding shares, or up to approximately 110,664 shares. As of October 12, 2016, all shares had been repurchased. On December 14, 2015, the Registrant's Board of Directors authorized a stock repurchase program of up to 5% of our issued and outstanding shares, or up to approximately 107,647 shares. As of December 31, 2016, 3,462 shares had been repurchased. The repurchase program permits shares to be repurchased in open market or private transactions, through block trades, and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission.

(e) ***Stock Performance Graph.*** Not Applicable.

ITEM 6. Selected Financial Data

Not required for smaller reporting companies.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

At December 31, 2016, we had total assets of $434.4 million, compared to total assets of $417.8 million at December 31, 2015. During the years ended December 31, 2016 and 2015, we had net income of $4.4 million and $ $3.2 million, respectively.

Our results of operations depend primarily on our net interest income, which is the difference between the interest income we earn on our loan and investment portfolios and the interest expense we incur on our deposits and, to a lesser extent, our borrowings. Results of operations are also affected by service charges and other fees, provision for loan losses, gains on sales of loans originated for sale and other income. Our noninterest expense consists primarily of salaries and employee benefits, net occupancy and equipment expense, information technology, professional and services fees, FDIC deposit insurance and other real estate owned expense.

Our results of operations are also significantly affected by general economic and competitive conditions, as well as changes in interest rates, government policies and actions of regulatory authorities. Future changes in applicable laws, regulations or government policies may materially affect our financial condition and results of operations.

Historically, substantially all of our loans have been collateralized by real estate and at December 31, 2016 and 2015, one-to-four family residential mortgage loans including home equity loans and lines of credit, commercial real estate loans including multifamily loans and land loans and construction loans, comprised 93.7% and 95.2% of our total loan portfolio, respectively.

We do not offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on his or her loan, resulting in an increased principal balance during the life of the loan. We generally do not offer "subprime loans" (loans that are made with low down-payments to borrowers that have had payment delinquencies, previous loan charge-offs, judgments and bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (generally defined as loans having less than full documentation).

Business Strategy

Our business strategy is to remain a profitable, community-oriented financial institution offering deposit and loan products to retail and business customers in our primary market area. Additionally, we are seeking to expand our presence in new markets. We were established in 1933 and have operated continuously in the Great Lakes Bay Region of Michigan since that date. We are committed to meeting the financial needs of the communities in which we operate, and we are dedicated to providing quality personal service to our customers. We offer a broad range of financial services to consumers and businesses from our three banking offices and one loan centers. Our business strategy includes the following elements:

Growing our loan portfolio by continuing to emphasize the origination of commercial and residential real estate loans, including increasing our loan participations, while maintaining strong asset quality. At December 31, 2016, commercial real estate loans, including multifamily loans and land loans, comprised 78.0% of our total loan portfolio. These loans generally are higher-yielding than one-to-four family residential mortgage loans, and also generally have a shorter term than our one-to-four family residential mortgage loans which helps our interest rate risk management. We intend to continue to make these types of loans a significant part of our total loan portfolio. We currently participate with other community banks that serve as the lead lender in commercial mortgage loans, one-to-four family residential mortgage loans and commercial non-mortgage loans collateralized by properties that are located both within and outside of our primary market area. We intend to increase the amount of our loan participations in an effort to continue to grow our loan portfolio. However, we still apply our prudent underwriting standards to any potential participation loan and this is causing slow growth in our participation loan portfolio.

Maintaining prudent underwriting standards and aggressively monitoring our loan portfolio to maintain asset quality. We introduce loan products only when we are confident that our staff has the necessary expertise to originate and administer such loans, and that sound underwriting and collection procedures are in place. Our goal is to continue to improve our asset quality through prudent underwriting standards and the diligence of our loan collection personnel. At December 31, 2016, our ratio of non-performing loans to total loans was 1.9%. At December 31, 2016, our ratio of allowance for loan losses to non-performing loans was 146.3%, and our ratio of allowance for loan losses to total loans was 2.9%.

Reducing our overall cost of funds by emphasizing lower cost core deposits, including low cost public funds from municipalities, townships and non-profit organizations and reducing our borrowings. We offer interest-bearing and noninterest-bearing checking accounts, money market accounts and savings accounts (collectively referred to as core deposits), which generally are lower-cost sources of funds than certificates of deposit, and are less sensitive to withdrawal when interest rates fluctuate. At December 31, 2016, 54.7% of our total deposits consisted of these lower cost core deposits, compared to 41.9% and 51.2% of total deposits at December 31, 2015 and 2014, respectively. Additionally, at December 31, 2016 we held approximately $29.5 million of lower-cost checking and money market account funds from cities, townships, counties and nonprofit organizations (which we call "public funds") due, we believe, to our successful marketing efforts, community ties, and financial stability and strength. We intend to continue emphasizing our core deposits, including public funds, as a source of funds. Additionally, we intend to reduce our borrowings from the FHLB of Indianapolis. With respect to our commercial real estate customers, we encourage commercial banking borrowers to open checking accounts with us at the time they establish a borrowing relationship with us, and we intend to continue this strategy to grow this source of lower cost deposits.

Managing interest rate risk. Successfully managing interest rate risk is, and will continue to be, an integral part of our business strategy. Management and the Board of Directors evaluate the interest rate risk inherent in our assets and liabilities, and determine the level of risk that is appropriate and consistent with our capital levels, liquidity and performance objectives. In particular, during the current low interest rate environment, we have sought to minimize the risk of originating long-term, fixed-rate one-to-four family residential mortgage loans by originating such loans for sale in the secondary market and, in particular, selling substantially all of our conforming fixed-rate one-to-four family residential mortgage loans with terms of 15 years or greater. In addition, a significant portion of our loan portfolio consists of commercial real estate mortgage loans which generally have shorter terms and provide higher yields than one-to-four family residential mortgage loans. We also monitor the mix of our deposits. Our strategy is to continue managing interest rate risk in response to changes in the local and national economy.

Expanding our banking franchise. We currently operate from three banking offices in Midland and Frankenmuth. We intend to evaluate additional branch expansion opportunities through acquisitions and *de novo* branching. In addition, we intend to evaluate acquisitions of other financial institutions, or the deposits and assets of other institutions, including in FDIC-assisted acquisitions, as opportunities present themselves (although we currently have no understandings or agreements to acquire other banks, thrifts, branches thereof or other financial services companies).

The successful implementation of these strategies will allow us to offer our clients a broad range of financial products and services. Our goal is to have full relationship banking with our clients.

Critical Accounting Policies

We consider accounting policies that require management to exercise significant judgment or discretion or make significant assumptions that have, or could have, a material impact on the carrying value of certain assets or on income, to be critical accounting policies. We consider the following to be our critical accounting policies.

Allowance for Loan Losses. We believe that the allowance for loan losses and related provision for loan losses are particularly susceptible to change in the near term, due to changes in credit quality which are evidenced by trends in charge-offs and in the volume and severity of past due loans. In addition, our portfolio is comprised of a substantial amount of commercial real estate loans which generally have greater credit risk than one-to-four family residential mortgage and consumer loans because these loans generally have larger principal balances and are non-homogenous.

The allowance for loan losses is maintained at a level to cover probable credit losses inherent in the loan portfolio at the balance sheet date. Based on our estimate of the level of allowance for loan losses required, we record a provision for loan losses as a charge to earnings to maintain the allowance for loan losses at an appropriate level. The estimate of our credit losses is applied to two general categories of loans:

- loans that we evaluate individually for impairment under ASC 310-10, "Receivables;" and

- groups of loans with similar risk characteristics that we evaluate collectively for impairment under ASC 450-20, "Loss Contingencies."

The allowance for loan losses is evaluated on a regular basis by management and reflects consideration of all significant factors that affect the collectability of the loan portfolio. The factors used to evaluate the collectability of the loan portfolio include, but are not limited to, current economic conditions, our historical loss experience, the nature and volume of the loan portfolio, the financial strength of the borrower, and estimated value of any underlying collateral. This evaluation is inherently subjective as it requires estimates that are subject to significant revision as more information becomes available. Actual loan losses may be significantly more than the allowance for loan losses we have established which could have a material negative effect on our financial results. See also "Business of Wolverine Bank—Allowance for Loan Losses."

Income Tax Accounting. The provision for income taxes is based upon income in our consolidated financial statements, rather than amounts reported on our income tax return. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on our deferred tax assets and liabilities is recognized as income or expense in the period that includes the enactment date. Under U.S. GAAP, a valuation allowance is required to be recognized if it is more likely than not that a deferred tax asset will not be realized. The determination as to whether we will be able to realize the deferred tax assets is highly subjective and dependent upon judgment concerning our evaluation of both positive and negative evidence, our forecasts of future income, applicable tax planning strategies, and assessments of current and future economic and business conditions. Positive evidence includes the existence of taxes paid in available carryback years as well as the probability that taxable income will be generated in future periods, while negative evidence includes any cumulative losses in the current year and prior two years and general business and economic trends. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets. Any required valuation allowance would result in additional income tax expense in the period and could have a significant impact on our future earnings. Positions taken in our tax returns may be subject to challenge by the taxing authorities upon examination. The benefit of an uncertain tax position is initially recognized in the financial statements only when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions are both initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement with the tax authority, assuming full knowledge of the position and all relevant facts. Differences between our position and the position of tax authorities could result in a reduction of a tax benefit or an increase to a tax liability, which could adversely affect our future income tax expense.

We believe our tax policies and practices are critical accounting policies because the determination of our tax provision and current and deferred tax assets and liabilities have a material impact on our net income and the carrying value of our assets. We believe our tax liabilities and assets are properly recorded in the consolidated financial statements at December 31, 2016 and 2015 and no valuation allowance was necessary.

Comparison of Financial Condition at December 31, 2016 and December 31, 2015

Total assets increased $16.6 million, or 4.0%, to $434.4 million at December 31, 2016 from $417.8 million at December 31, 2015. The increase resulted from an increase of $50.8 million in cash and cash equivalents offset in part by a $39.0 million decrease in interest-earning time deposits.

Cash and cash equivalents increased $50.7 million, or 95.8%, to $103.6 million at December 31, 2016 from $52.9 million at December 31, 2015. The increase in cash and cash equivalents was primarily due to a $13.0 million advance, the maturing of $39.0 million of interest-earning time deposits, and increased Federal funds purchased of $3.0 million.

Mortgage loans held for sale decreased $343,000, or 59.0%, to $238,000 at December 31, 2016 from $581,000 at December 31, 2015 due to fluctuation in mortgage secondary market activities.

Net loans increased $6.0 million, or 1.9%, to $320.6 million at December 31, 2016 from $314.6 million at December 31, 2015 as our commercial real estate loans increased $12.0 million, to $195.9 million at December 31, 2016 from $183.9 million at December 31, 2015 and our commercial non-mortgage loans increased $5.2 million from to $20.0 million at December 31, 2016 from $14.8 million at December 31, 2015. One-to-four family residential mortgage loans decreased $4.3 million, to $35.4 million at December 31, 2016 from $39.7 million at December 31, 2015, primarily due to repayments and refinances. Additionally, we do not hold a significant amount of fixed rate one-to-four family residential mortgage loans in our portfolio in the current interest rate environment. Multifamily loans decreased $4.0 to $54.8 million at December 31, 2016 from $58.8 million at December 31, 2015. In addition, home equity loans decreased $1.5 million to $4.0 million from $5.5 million, construction loans decreased $1.3 million to $13.5 million from $14.8 million, and land loans decreased $1.0 million to $11.5 million from $12.5 million.

Securities held to maturity, which consists of one treasury bond at December 31, 2016, decreased to $499,000 at December 31, 2016 from $500,000 at December 31, 2015.

Other assets, consisting primarily of deferred federal taxes, decreased $0.5 million, or 9.6%, to $4.7 million at December 31, 2016, from $5.2 million at December 31, 2015. A decrease to the corporate federal income tax rate may impair the Company's deferred tax assets ("DTAs"). At December 31, 2016, the Company's DTAs were approximately $3.3 million. While a decline in the corporate tax rate may lower the Company's tax provision expense, it may also significantly impair the value of the Company's DTAs in the year the rate decrease is enacted. Such impairment could have a material adverse effect on the Company's financial condition and results of operations.

Federal Home Loan Bank stock remained constant at $2.7 million from December 31, 2015 to December 31, 2016.

Deposits decreased $1.2 million, or 0.4%, to $280.5 million at December 31, 2016 from $281.7 million at December 31, 2015. Certificates of deposit decreased $36.6 million, or 22.3%, to $127.2 million at December 31, 2016 from $163.8 million at December 31, 2015. Our core deposits (consisting of interest-bearing and noninterest-bearing checking accounts, money market accounts and savings accounts) increased $35.4 million, or 30.1%, to $153.3 million at December 31, 2016 from $117.9 million at December 31, 2015.

Total stockholders' equity increased $0.5 million, or 0.8%, to $61.0 million at December 31, 2015 from $60.5 million at December 31, 2015 primarily due to net income of $4.4 million less a dividend declared of $3.2 million and repurchases of our common stock totaling $1.5 million.

Comparison of Operating Results for the Years Ended December 31, 2016 and 2015

We recorded net income of $4.4 million for the year ended December 31, 2016, an increase of $1.2 million as compared to net income of $3.2 million for the year ended December 31, 2015 primarily due to an increase in interest income from loans. Earnings per share, basic and diluted, for the year ended December 31, 2016 were $2.20 and $2.16, respectively.

Interest and Dividend Income. Interest and dividend income increased $1.2 million, or 7.7%, to $16.8 million for the year ended December 31, 2016 from $15.6 million for the year ended December 31, 2015, and the average balance of interest-earning assets increased to $375.8 million in 2016 from $351.6 million in 2015, and the average yield on interest-earning assets increased 4 basis points to 4.48% during 2015 from 4.44%.

The biggest component increase in average interest-earning assets was in loans, which increased $22.8 million, or 7.6%, to $323.6 million for the year ended December 31, 2016 from $300.8 million for the year ended December 31, 2015. The average yield on loans decreased 3 basis points to 5.08% for the year ended December 31, 2016 from 5.11% for the year ended December 31, 2015. The average interest-earning deposits increased $8.3 million for the year ended December 31, 2016 to $18.0 million from $9.7 million for the year ended December 31, 2015. The average yield on interest-earning deposits increased 29 basis points to 0.82% at December 31, 2016 from 0.53% at December 31, 2015. Other interest-earning assets decreased $7.0 million, or 18.5%, to $30.9 million for the year ended December 31, 2016 from $37.9 million for the year ended December 31, 2015.

Interest income on loans increased $1.0 million, or 6.5%, to $16.4 million for 2016 from $15.4 million for 2015, as the average balance of loans increased to $323.6 million during 2016 from $300.8 million during 2015 and the average yield on net loans of decreased three basis points to 5.08% for the year ended December 31, 2016 from 5.11% for the year ended December 31, 2015. In addition, $0.5 million of this increase was due to one-time, non-recurring prepayment penalties.

Interest and dividend income on investment securities, other interest-earning assets and FHLB of Indianapolis stock, increased $140,000, or 57.4%, to $384,000 for the year ended December 31, 2016 from $244,000 for the year ended December 31, 2015. This includes interest income on interest-earning demand deposits, interest-earning time deposits and held-to-maturity securities. The increased interest income is primarily due an increase of 29 basis points in the average yield on interest bearing deposits from 0.53% for the year ended December 31, 2015 to 0.82% for the year ended December 31, 2016.

Interest Expense. Interest expense increased $432,000, or 12.5%, to $3.9 million for the year ended December 31, 2016 from $3.5 million for the year ended December 31, 2015, as the average rate we paid on these liabilities increased 5 basis point to 1.23% from 1.18%, and the average balance of interest-bearing liabilities increased $24.8 million, or 8.5%, to $317.0 million for 2016 from $292.2

million for 2015. Certificate of deposits had the largest increase in interest expense incurred of approximately $611,000 or 53.9%, to $1.7 million for the year ended December 31, 2016 from $1.1 million for the year ended December 31, 2015, as average balances increased by $34.6 million. The weighted average rate for certificate of deposits increased 18 basis points to 1.15% for 2016 from 0.97% for 2015.

The average balance of our core deposits, consisting of checking accounts, money market accounts and savings accounts, decreased $7.0 million, or 5.8%, to $114.4 million for the year ended December 31, 2016 from $121.4 million for the year ended December 31, 2015 and the interest on core deposits decreased $28,000 to $290,000 for 2016 from $318,000 for 2015. The cost of these funds decreased 1 basis point to 0.25% for the year ended December 31, 2016, from 0.26% for the year ended December 31, 2015.

Net Interest Income. Net interest income increased $771,000, or 6.3%, to $12.9 million for the year ended December 31, 2016 from $12.2 million for the year ended December 31, 2015, as our net average interest-earning assets increased to $59.8 million from $59.4 million, our net interest rate spread decreased 2 basis points to 3.25% from 3.27%, and our net interest margin decreased 1 basis point to 3.38% from 3.39%. The decrease in our net interest rate spread and margin is due to an increase in the cost of interest-bearing deposits. In addition, we received $500,000 in loan interest income related to one-time, nonrecurring prepayment penalties.

Provision for Loan Losses. Based on our analysis of the factors described in "Critical Accounting Policies — Allowance for Loan Losses," we recorded a negative provision for loan losses of $760,000 for the year ended December 31, 2016 as compared to a provision for loan losses of $800,000 for the year ended December 31, 2015. The factors used to evaluate the adequacy of the allowance and provision for loan losses of the loan portfolio include, but are not limited to, current economic conditions, our historical loss experience, the nature and volume of the loan portfolio, the financial strength of the borrower, and estimated value of any underlying collateral. The allowance for loan losses to total loans receivable decreased to 2.9% at December 31, 2016 from 3.0% at December 31, 2015. The decrease in our allowance for loan losses was due in part to a decrease of $430,000 in specific allocations related to commercial real estate loans and the continued economic improvement, stabilization of non-performing assets, and stabilized delinquencies.

The allowance for loan losses as a percentage of non-performing loans increased to 146.3% at December 31, 2016 from 125.4% at December 31, 2015, while our non-performing loans decreased by $534,000 from December 31, 2015 to December 31, 2016 due to decreased non-accrual loans and TDRs. To the best of our knowledge, we have provided for all losses that are both incurred and reasonable to estimate at December 31, 2016 and 2015.

Noninterest Income. Noninterest income decreased $166,000, or 13.6%, to $1.1 million for the year ended December 31, 2016 from $1.2 million for the year ended December 31, 2015. The decrease was due primarily to a decrease of $191,000 in gains on the sale of a loans, an $86,000 decrease in other income and a $37,000 decrease in services charges and fees. This was offset in part by a $148,000 increase in gains on sale of other real estate owned.

Noninterest Expense. Noninterest expense increased $138,000 to $8.0 million for the year ended December 31, 2016 from $7.9 million for the year ended December 31, 2015. There was an increase of $412,000 in salaries and benefits as a result of increased profit sharing and an $186,000 increase in professional and service fees, primarily due to an increase in accounting and audit expenses of $90,000 and an $85,000 increase in general legal expense. This was offset in part by a $396,000 decrease in loan legal expenses from $322,000 at December 31, 2015 to a reimbursement of $74,000 at December 31, 2016, due primarily to recoveries of legal expenses previously incurred.

Income Tax Expense. We recorded a $2.4 million income tax expense for the year ended December 31, 2016 compared to a $1.5 million income tax expense for 2015, reflecting income of $6.8 million before income tax expense during 2016 versus income of $4.7 million before income tax expense during 2015. Our effective tax rate was 35.6% for 2016 compared to an effective tax rate of 32.6% for 2015.

Asset Quality

Other real estate owned totaled $86,000, or 0.02% of total assets, at December 31, 2016 as compared to $130,000, or 0.3% of total assets, at December 31, 2015. The largest relationship as of December 31, 2015 was $78,000 or 90.7% of other real estate owned, which consisted of 1-4 family property.

Non-performing assets, which includes non-performing loans, other real estate owned and troubled debt restructurings, totaled $6.5 million, or 1.5% of total assets, at December 31, 2016 as compared to $7.5 million, or 1.8% of total assets, at December 31, 2015.

The largest substandard relationship as of December 31, 2016 had a total balance of $3.0 million. Of the $7.6 million loans rated substandard, approximately $2.1 million are performing.

Average Balances and Yields

The following tables set forth average balance sheets, average yields and costs, and certain other information for the periods indicated. Tax-equivalent yield adjustments have not been made for tax-exempt securities. All average balances are based on month-end balances which management deems to be representative of operations. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense.

	For the Years Ended December 31,								
	2016			2015			2014		
	Average Outstanding Balance	Interest	Yield/Rate	Average Outstanding Balance	Interest	Yield/Rate	Average Outstanding Balance	Interest	Yield/Rate
	(Dollars in thousands)								
Interest-earning assets:									
Total loans	$323,625	$16,435	5.08%	$300,758	$15,372	5.11%	$285,465	$14,409	5.05%
Securities:									
U.S. Government and agency securities	498	3	0.60	500	1	0.19	25	1	4.73
FHLB Stock	2,700	119	4.41	2,700	127	4.68	3,183	136	4.28
Interest bearing deposits	18,021	148	0.82	9,726	51	0.53	0	0	0.00
Other	30,938	114	0.37	37,904	65	0.17	32,297	61	0.19
Total interest-earning assets	375,782	16,819	4.48	351,588	15,616	4.44	320,970	14,607	4.55
Non-interest-earning assets	7,307	-		7,519	-		7,777	-	
Total assets	$383,089	$16,819		$359,107	$15,616		$328,747	$14,607	
Interest-bearing liabilities:									
Regular savings accounts	$13,334	12	0.09	$12,985	13	0.10	$12,828	14	0.11
Checking accounts	33,562	8	0.02	34,305	10	0.03	33,855	13	0.04
Money market accounts	67,528	270	0.40	74,150	295	0.40	64,593	230	0.36
Certificates of deposit	151,281	1,743	1.15	116,704	1,133	0.97	102,082	849	0.83
Total interest-bearing deposits	265,705	2,033		238,144	1,451		213,358	1,106	
Federal Home Loan Bank advances	48,083	1,850	3.85	54,083	2,000	3.70	51,333	2,038	3.97
Federal funds purchased	3,167	12	0.39	2,000	-		-	-	
Total interest-bearing liabilities	316,955	3,896	1.23	294,227	3,451	1.17	264,691	3,144	1.19
Non-interest-bearing liabilities	3,937	-		3,225	-		2,975	-	
Total liabilities	320,892	3,896		297,452	3,451		267,666	3,144	
Equity	62,197	-		61,654	-		61,081	-	
Total liabilities and equity	$383,089	$3,883		$359,107	$3,451		$328,747	$3,144	
Net interest income		$12,936			$12,165			$11,463	
Net interest rate spread (1)			3.25%			3.27%			3.36%
Net interest-earning assets (2)	$58,827			$57,360			$56,279		
Net interest margin (3)			3.38%			3.39%			3.49%
Average interest-earning assets to interest-bearing liabilities			118.56%			119.50%			121.26%

(1) Net interest rate spread represents the difference between the yield on average interest earning assets and the cost of average interest-bearing liabilities.
(2) Net interest earning assets represents total interest earning assets less total interest-bearing liabilities.
(3) Net interest margin represents net interest income divided by average total interest earning assets.

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the fiscal years indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated to the changes due to rate and the changes due to volume in proportion to the relationship of the absolute dollar amounts of change in each.

	Years Ended December 31, 2016 vs. 2015			Years Ended December 31, 2015 vs. 2014		
	Increase (Decrease) Due to		Total Increase	Increase (Decrease) Due to		Total Increase
	Volume	Rate	(Decrease)	Volume	Rate	(Decrease)
			(In thousands)			
Interest earning assets:						
Loans	$ 1,162	$ (99)	$ 1,063	$ 780	$ 184	$ 964
Held to maturity securities	-	2	2	2	(2)	-
Other	(212)	350	138	74	(29)	45
Total interest earning assets	950	253	1,203	856	153	1,009
Interest bearing liabilities:						
Regular savings accounts	-	(1)	(1)	-	(1)	(1)
Checking accounts	-	(2)	(2)	-	(3)	(3)
Money market accounts	(26)	1	(25)	36	28	64
Certificates of deposit	374	237	611	132	153	285
Total interest-bearing deposits	348	235	583	168	177	345
Federal Home Loan Bank advances	(228)	65	(163)	106	(144)	(38)
Federal funds purchased	-	12	12	-	-	-
Total interest-bearing liabilities	120	312	432	274	33	307
Change in net interest income	$ 830	$ (59)	$ 771	$ 582	$ 120	$ 702

Management of Market Risk

General. Because the majority of our assets and liabilities are sensitive to changes in interest rates, our most significant form of market risk is interest rate risk. We are vulnerable to an increase in interest rates to the extent that our interest bearing liabilities mature or reprice more quickly than our interest earning assets. As a result, a principal part of our business strategy is to manage interest rate risk and limit the exposure of our net interest income to changes in market interest rates. Accordingly, our Board of Directors has established an internal Asset/Liability Management Committee pursuant to our Interest Rate Risk Management Policy that is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors.

Our interest rate sensitivity is monitored through the use of an interest rate risk model that reports Economic Value of Equity (EVE) and Earnings-at-Risk (EaR).

We have sought to manage our interest rate risk in order to control the exposure of our earnings and capital to changes in interest rates. As part of our ongoing asset-liability management, we currently use the following strategies to manage our interest rate risk:

(i) sell the majority of our long-term, fixed-rate one-to-four family residential mortgage loans that we originate;

(ii) lengthen the weighted average maturity of our liabilities through retail deposit pricing strategies;

(iii) invest in shorter-term investment securities, interest earning time deposits, and overnight deposits;

(iv) originate commercial mortgage loans, including multi-family loans and land loans, commercial loans and consumer loans, which tend to have shorter terms and higher interest rates than one-to-four family residential mortgage loans, and which generate customer relationships that can result in larger noninterest-bearing demand deposit accounts; and

(v) maintain adequate levels of capital.

Economic Value of Equity. Economic Value of Equity (EVE) report measures an institution's interest rate risk by focusing on changes in its economic value of equity. EVE is an estimate of the economic net worth of an institution's on- and off- balance sheet assets, and provides an indication of an institution's ability to withstand loss. Unlike book capital, however, because EVE is a present value measure, changes in economic value caused by changes in interest rates are recognized immediately. The economic value is determined for the base case for a set of yield curve shock scenarios. These scenarios include rate shocks -100bpt to + 400bpt. The Banks' model estimates the economic value of each type of asset, liability and off-balance-sheet contract under the assumption of instantaneous rate increases or decreases of 100 to 300 basis points in 100 basis point increments. An increase in interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the "Change In Rates" column below.

The table below sets forth, as of December 31, 2016, the calculation of the estimated changes in our economic value of equity that would result from the designated immediate changes in the yield curve.

At December 31, 2016					
				EVE as a Percentage of Present Value of Assets [3]	
Change in Interest Rates (basis points) [1]	Estimated EVE [2]	Estimated (Decrease) in EVE			Increase (Decrease)
		Amount	Percent	EVE Ratio [4]	(basis points)
		(Dollars in thousands)			
+300	$ 60,970	$ 467	0.77%	14.40%	13
+200	60,929	426	0.70%	14.27%	16
+100	60,716	213	0.35%	14.11%	16
0	60,503	–	–	13.95%	–
-100	60,633	130	0.21%	13.86%	(9)

(1) Assumes an instantaneous uniform change in interest rates at all maturities.
(2) EVE is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.
(3) Present value of assets represents the discounted present value of incoming cash flows on interest earning assets.
(4) EVE Ratio represents EVE divided by the present value of assets.

The table above indicates that at December 31, 2016, in the event of a 200 basis point increase in interest rates, we would experience a 0.70% increase in economic value of equity. In the event of a 100 basis point decrease in interest rates, we would experience a 0.21% increase in our economic value of equity.

Certain shortcomings are inherent in the methodologies used in determining interest rate risk through changes in economic value of equity. Modeling changes in economic value of equity require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the economic value of equity tables presented assume that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assume that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the economic value of equity tables provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

Earnings-at-Risk. The Earnings-at-Risk (EaR) report provides monthly projections of the Net Income and Net Interest Income over 24 months under a set of interest rate scenarios. Depending on the repricing of the funding and investment, the net income may have significant variations over time and over the scenarios. Therefore, this report provides valuable information in identifying any risk in future earnings. The maximum loss in earnings compared with the base case is called the Earnings-at-Risk.

Liquidity and Capital Resources

Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, loan sales and repayments, retail CDs and money markets with larger customers (i.e. municipalities, colleges and universities, nonprofits, medium businesses, etc.), and maturities of securities. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. Our Asset/Liability Management Committee is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. For the year ended December 31, 2016, our liquidity ratio averaged 17.6% of our total assets. We believe that we have enough sources of liquidity to satisfy our short- and long-term liquidity needs as of December 31, 2016.

We regularly monitor and adjust our investments in liquid assets based upon our assessment of: (i) expected loan demand; (ii) expected deposit flows; (iii) yields available on interest earning deposits and securities; and (iv) the objectives of our asset/liability management program. Excess liquid assets are invested generally in interest earning deposits and short- and medium-term securities.

Our most liquid assets are cash and cash equivalents. The levels of these assets are affected by our operating, financing, lending and investing activities during any given period. At December 31, 2016, cash and cash equivalents totaled $103.6 million.

Our cash flows are derived from operating activities, investing activities and financing activities as reported in our Statements of Cash Flows included in our financial statements.

At December 31, 2016, we had $6.1 million in loan commitments outstanding plus $6.3 million in unused lines of credit to borrowers and $0.1 million in standby letters of credit. Depending on market conditions, we may be required to pay higher rates on certificates of deposits or other borrowings than we currently pay on the certificates of deposit due on or before December 31, 2017 in order to retain the deposits. Moreover, it is our intention as we continue to grow our commercial real estate loan portfolio, to emphasize lower cost deposit relationships with these commercial customers and thereby replace higher cost certificates with lower cost deposits. We have the ability to attract and retain deposits by adjusting the interest rates offered.

Our primary investing activity is originating loans. During the years ended December 31, 2016 and 2015, we originated $105.4 million and $97.3 million of loans, respectively.

Financing activities consist primarily of activity in deposit accounts and Federal Home Loan Bank advances. We had a net decrease in total deposits of $1.2 million for the year ended December 31, 2016. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors, and by other factors.

Liquidity management is both a daily and long-term function of business management. If we require funds beyond our ability to generate them internally, borrowing agreements exist with the Federal Home Loan Bank of Indianapolis, which provides an additional source of funds. Federal Home Loan Bank advances were $60.0 million at December 31, 2016 and $47.0 million December 31, 2015. Federal Home Loan Bank advances have been used primarily to fund loan demand. At December 31, 2016, we had the ability to borrow up to an additional $35.9 million from the Federal Home Loan Bank of Indianapolis and had Federal Funds purchase limits of $27.0 million with four correspondent banks, of which we had $27.0 million in Federal Funds purchased as of December 31, 2016.

Wolverine Bank is subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At December 31, 2016, Wolverine Bank exceeded all regulatory capital requirements. Wolverine Bank is considered "well capitalized" under regulatory guidelines. See "Supervision and Regulation – Federal Banking Regulation – Capital Requirements" and Note 9 – Regulatory Matters of the notes to the financial statements included in this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. For additional information, see Note 12 – Commitments and Contingent Liabilities of the notes to the financial statements included in this Annual Report on Form 10-K.

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities.

Impact of Inflation and Changing Prices

Our financial statements and related notes have been prepared in accordance with U.S. GAAP. U.S. GAAP generally requires the measurement of financial position and operating results in terms of historical dollars without consideration of changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on performance than the effects of inflation.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

Not required for smaller reporting companies.

ITEM 8. Financial Statements and Supplementary Data

The Company's Consolidated Financial Statements are presented in this Annual Report on Form 10-K beginning at page F-1.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

(a) An evaluation was performed under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and the Chief Operating Officer and Treasurer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of December 31, 2016. Based on that evaluation, the Company's management, including the President and Chief Executive Officer and the Chief Operating Officer and Treasurer, concluded that the Company's disclosure controls and procedures were effective.

During the quarter ended December 31, 2016, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

(b) Management's annual report on internal control over financial reporting.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting.

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

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

Management, including the principal executive officer and principal financial officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework (2013)." Based on such assessment, management believes that, as of December 31, 2016, the Company's internal control over financial reporting is effective, based on those criteria.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to provisions of the Dodd-Frank Act that permit the Company to provide only management's report in this annual report.

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Wolverine Bancorp, Inc. has adopted a Code of Ethics that applies to Wolverine Bancorp, Inc.'s principal executive officer, principal financial officer and all other employees and directors. The Code of Ethics is available on our website at www.wolverinebank.com.

Information concerning directors and executive officers of Wolverine Bancorp, Inc. is incorporated herein by reference from the Proxy Statement, specifically the section captioned "Proposal I—Election of Directors."

ITEM 11. Executive Compensation

Information concerning executive compensation is incorporated herein by reference from the Proxy Statement, specifically the section captioned "Executive Compensation."

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information concerning security ownership of certain owners and management is incorporated herein by reference from the Proxy Statement, specifically the section captioned "Voting Securities and Principal Holder Thereof."

ITEM 13. Certain Relationships and Related Transactions and Director Independence

Information concerning relationships, transactions and director independence is incorporated herein by reference from the Proxy Statement, specifically the section captioned "Transactions with Certain Related Persons" and "Board Independence."

ITEM 14. Principal Accountant Fees and Services

Information concerning principal accountant fees and services is incorporated herein by reference from the Proxy Statement, specifically the section captioned "Proposal II-Ratification of Appointment of Auditor."

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

The documents filed as a part of this Form 10-K are:

(A) Report of Independent Registered Public Accounting Firm;

(B) Consolidated Balance Sheets - December 31, 2016 and 2015;

(C) Consolidated Statements of Income for the years ended December 31, 2016 and 2015;

(D) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2016 and 2015;

(E) Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015; and

(F) Notes to Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

All financial statement schedules have been omitted as the required information is inapplicable or has been included in the Notes to Consolidated Financial Statements.

(a)(3) Exhibits

3.1	Articles of Incorporation of Wolverine Bancorp, Inc.*
3.2	Bylaws of Wolverine Bancorp, Inc.*
4	Form of Common Stock Certificate of Wolverine Bancorp, Inc.*
10.1	Employment Agreement of David H. Dunn**
10.2	Employment Agreement of Rick A. Rosinski**
10.3	2002 Long Term Incentive Plan, as amended*
10.4	2006 Long Term Incentive Plan, as amended for Dunn*
10.5	2006 Long Term Incentive Plan, as amended for Rosinski*
10.6	2012 Equity Incentive Plan***
21	Subsidiaries
23	Consent of Independent Auditor
31.1	Certification required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Incorporated by reference to the Registration Statement on Form S-1 (file no. 333-169432), initially filed September 16, 2010.

** Incorporated by reference to the current Report on Form 8-K (file no. 001-35034) filed on July 8, 2011.

*** Incorporated by reference to the Proxy Statement filed on April 14, 2016

ITEM 16. Form 10-K Summary

None

Wolverine Bancorp, Inc.

Report of Independent Registered Public Accounting Firm and
Consolidated Financial Statements

December 31, 2016 and 2015

Wolverine Bancorp, Inc.

December 31, 2016 and 2015

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Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
Wolverine Bancorp, Inc.
Midland, Michigan

We have audited the accompanying consolidated balance sheets of Wolverine Bancorp, Inc. (Company) as of December 31, 2016 and 2015, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for the years then ended. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wolverine Bancorp, Inc. as of December 31, 2016, and 2015, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD, LLP

Indianapolis, Indiana
March 30, 2017

Wolverine Bancorp, Inc.
Consolidated Balance Sheets
December 31, 2016 and 2015
(Amounts in Thousands, except per share data)

Assets	December 31, 2016	December 31, 2015
Cash and due from banks	$ 318	$ 334
Interest-earning demand deposits	103,316	52,531
Cash and cash equivalents	103,634	52,865
Interest-earning time deposits	-	39,021
Investment securities held to maturity	499	500
Loans held for sale	238	581
Loans, net of allowance for loan losses of $9,326 and $10,061	320,606	314,613
Premises and equipment, net	1,127	1,285
Federal Home Loan Bank stock	2,700	2,700
Other real estate owned	86	130
Accrued interest receivable	846	967
Other assets	4,699	5,151
Total assets	$ 434,435	$ 417,813
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 280,548	$ 281,701
Federal Home Loan Bank advances	60,000	47,000
Federal funds purchased	27,000	24,000
Interest payable and other liabilities	5,913	4,632
Total liabilities	373,461	357,333
Commitments and Contingencies		
Stockholders' Equity		
Common Stock, $0.01 par value per share:		
Authorized – 100,000,000 shares		
Issued and outstanding – 2,106,153 and 2,158,034 at December 31, 2016 and December 31, 2015	21	22
Unearned employee stock ownership plan (ESOP)	(1,215)	(1,410)
Additional paid-in capital	15,577	16,401
Retained earnings	46,591	45,467
Total stockholders' equity	60,974	60,480
Total liabilities and stockholders' equity	$ 434,435	$ 417,813

Wolverine Bancorp, Inc.
Consolidated Statements of Income and Comprehensive Income
Years Ended December 31, 2016 and 2015
(Amounts in Thousands, except per share data)

	2016	2015
Interest and Dividend Income		
Loans	$ 16,435	$ 15,372
Investment securities and other	384	244
Total interest and dividend income	16,819	15,616
Interest Expense		
Deposits	2,033	1,451
Borrowings	1,850	2,000
Total interest expense	3,883	3,451
Net Interest Income	12,936	12,165
Provision (Credit) for Loan Losses	(760)	800
Net Interest Income After Provision for Loan Losses	13,696	11,365
Noninterest Income		
Service charges and fees	260	297
Net gain on loan sales	469	660
Net gain (loss) on sale of real estate owned	32	(116)
Other	296	382
Total noninterest income	1,057	1,223
Noninterest Expense		
Salaries and employee benefits	4,953	4,541
Net occupancy and equipment expense	818	811
Information technology expense	240	236
Federal deposit insurance corporation premiums	214	217
Professional and services fees	584	398
Other real estate owned expense	25	50
Loan legal expense (recovery)	(74)	322
Advertising expense	126	144
Michigan business tax	195	186
Other	915	953
Total noninterest expense	7,996	7,858
Income Before Income Tax	6,757	4,730
Provision for Income Taxes	2,404	1,544
Net Income and Comprehensive Income	$ 4,353	$ 3,186
Earnings Per Share:		
Basic	$ 2.20	$ 1.57
Diluted	$ 2.16	$ 1.55

Wolverine Bancorp, Inc.
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 2016 and 2015
(Amounts in Thousands, except per share data)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Shares	Retained Earnings	Total Stockholders' Equity
Balances at January 1, 2015	$ 23	$ 18,640	$ (1,564)	$ 44,439	$ 61,538
Net Income	-	-	-	3,186	3,186
Purchase of 112,814 shares of common stock	(1)	(2,795)	-	-	(2,796)
Share based compensation expense	-	319	-	-	319
ESOP shares earned	-	237	154	-	391
Dividends ($1.00 per share)	-	-	-	(2,158)	(2,158)
Balances at December 31, 2015	22	16,401	(1,410)	45,467	60,480
Net Income	-	-	-	4,353	4,353
Purchase of 57,557 shares of common stock	(1)	(1,517)	-	-	(1,518)
Exercised options	-	26	-	-	26
Share based compensation expense	-	334	-	-	334
ESOP shares earned	-	333	195	-	528
Dividends ($1.60 per share)	-	-	-	(3,229)	(3,229)
Balances at December 31, 2016	$ 21	$ 15,577	$ (1,215)	$ 46,591	$ 60,974

Wolverine Bancorp, Inc.
Consolidated Statements of Cash Flows
December 31, 2016 and 2015
(Amounts in Thousands, except per share data)

	2016	2015
Operating Activities		
Net income	$ 4,353	$ 3,186
Items not requiring (providing) cash		
Depreciation	223	232
Provision (credit) for loan losses	(760)	800
(Gain) loss on other real estate owned	(32)	116
Loans originated for sale	(17,309)	(20,073)
Deferred income taxes	348	(215)
Proceeds from loans sold	18,121	20,722
Net gain on sale of loans	(469)	(660)
Share based compensation	334	319
Earned ESOP shares	528	391
Changes in		
Interest receivable and other assets	225	249
Interest payable and other liabilities	210	429
Net cash provided by operating activities	5,772	5,496
Investing Activities		
Net change in interest-earning time deposits	39,021	(39,021)
Purchase of held to maturity securities	(499)	(500)
Proceeds from calls, maturities and pay-downs of held to maturity securities	500	-
Net change in loans	(5,425)	(19,111)
Proceeds from sale of real estate owned	268	272
Purchase of FHLB stock	-	(200)
Purchase of premises and equipment	(65)	(133)
Net cash provided by (used in) investing activities	33,800	(58,693)
Financing Activities		
Net change in demand deposits, money market, checking and savings accounts	35,413	3,499
Net change in certificates of deposit	(36,566)	54,673
Repayment of Federal Home Loan Bank advances	-	(13,000)
Proceeds from Federal Home Loan Bank advances	13,000	10,000
Net change in Fed funds purchased	3,000	24,000
Proceeds from stock options exercised	26	-
Purchase of common stock	(1,518)	(2,796)
Dividends paid	(2,158)	-
Net cash provided by financing activities	11,197	76,376
Change in Cash and Cash Equivalents	50,769	23,179
Cash and Cash Equivalents, Beginning of Period	52,865	29,686
Cash and Cash Equivalents, End of Period	$ 103,634	$ 52,865
Supplemental Disclosures of Cash Flows Information		
Interest paid	$ 3,937	$ 3,375
Income taxes paid	1,981	1,847
Loans transferred to real estate owned	192	176
Dividends declared, not paid	2,305	2,158

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Wolverine Bank (the "Bank"), a wholly owned subsidiary of Wolverine Bancorp, Inc. (the "Company"), is a federally chartered savings bank primarily engaged in providing a full range of banking and financial services to individual and business customers in the Great Lakes Bay Region and beyond. The Company is subject to competition from other financial institutions. The Company is subject to the regulation of the Federal Reserve Board and the Bank is subject to the regulation of the Officer of the Comptroller of the Currency, and both undergo periodic examinations.

The Bank's additional wholly owned subsidiaries, Wolserv Corporation, a Michigan corporation which has a membership interest in a title company, and Wolverine Commercial Holdings LLC, a Michigan LLC owned by Wolverine Bank which holds certain real estate, are included in the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of real estate acquired in connection with foreclosures or in satisfaction of loans and financial instruments.

Cash Equivalents

We consider all liquid investments with original maturities of three months or less to be cash equivalents.

Securities

Held-to-maturity securities, which include any security for which we have the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on securities are determined on the specific-identification method.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Generally, loans are placed on nonaccrual status at ninety days past due and interest is considered a loss, unless the loan is well-secured. Accrued interest for loans placed on nonaccrual status is reversed against interest income.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience and expected loss given default derived from our internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, we do not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line and accelerated methods over the estimated useful lives of the assets ranging from 3 to 39 years.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost, and evaluated for impairment.

Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Earnings Per Common Share

Basic earnings per common share ("EPS") excludes dilution and is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding for the year. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock (such as stock options) were exercised or converted into additional common shares that would then share in the earnings of the entity. Diluted EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding for the year, plus an incremental number of common-equivalent shares computed using the treasury stock method.

Unvested share-based payment awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered to participate with common stock in undistributed earnings for purposes of computing EPS. Accordingly, the Company is required to calculate basic and diluted EPS using the two-class method. Restricted stock awards granted by the Company are considered participating securities. Calculations of EPS under the two-class method (i) exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities and (ii) exclude from the denominator the dilutive impact of the participating securities.

Unearned ESOP shares, which are not vested, and unvested restricted stock awards are excluded from the computation of average shares outstanding.

Income Taxes

We account for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or

excess of deductions over revenues. We determine deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

We recognize interest and penalties on income taxes as a component of income tax expense.

We file consolidated income tax returns with our subsidiaries.

Recently Issued Accounting Standards

FASB Accounting Standards Updates No. 2017-04, Intangibles – Goodwill and Other (Topic 350)

The FASB has issued Accounting Standards Update (ASU) No. 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The new guidance is intended to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test.

The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, the income tax effects of tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. The amendments also eliminate the requirements for any reporting unit with a zero or negative carrying amount to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the qualitative impairment test is necessary. The amendments should be applied on a prospective basis. The nature of and reason for the change in accounting principle should be disclosed upon transition.

The amendments in this update should be adopted for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted on testing dates after January 1, 2017. The Company does not expect adoption of this ASU to have a material impact on its consolidated financial statements.

FASB Accounting Standards Updates No. 2017-01, Business Combinations (Topic 805)

The FASB has issued Accounting Standards Update (ASU) No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. The amendments in this update provide a more robust framework to use in determining when a set of assets and activities is a business. Because the current definition of a business is interpreted broadly and can be difficult to apply, stakeholders indicated that analyzing transactions is inefficient and costly and that the definition does not permit the use of reasonable judgment. The amendments provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable.

The amendments in this update become effective for annual periods and interim periods within those annual periods beginning after December 15, 2017. We are currently evaluating the impact of adopting the new guidance on the consolidated financial statements, but it is not expected to have a material impact.

FASB ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)

The FASB has issued Accounting Standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230)*. This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice of how certain cash receipts and cash payments are presented and classified in the statement of cash flow. In November 2016, the FASB issued ASU No. 2016-18, which gave clarification on how restricted cash was to be presented in the cash flow statement.

The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. Adoption of the ASU is not expected to have a significant effect on the Company’s consolidated financial statements.

FASB ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

The FASB has issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The main objective of this amendment is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date.

The ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates.

Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances.

The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements.

In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

For public business entities that are U.S. Securities and Exchange Commission (SEC) filers, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. All entities may adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company will be evaluating the impact of adopting this ASU and has not determined the anticipated impact on the consolidated financial statements.

FASB ASU No. 2016-09, Compensation—Stock Compensation (Topic 718)

The FASB issued ASU No. 2016-09, *Compensation–Stock Compensation* (Topic 718): *Improvements to Employee Share-Based Payment Accounting*.

The ASU is intended to improve the accounting for employee shared-base payments and affects all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including the income tax consequences, the classification of awards as either equity or liabilities, and the classification on the statement of cash flows. The amendments in this update became effective on January 1, 2017 and did not have a material impact on the consolidated financial statements.

For public business entities, the amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early adoption is permitted for any entity in any interim or annual period. The amendments in this update became effective on January 1, 2017 and did not have a material impact on the consolidated financial statements.

FASB ASU No. 2016-08, 2016-10, 2016-12, Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In March 2016, the FASB issued ASU 2016-08, "*Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*," which clarifies the guidance in determining revenue recognition as principal versus agent. In April 2016, the FASB issued ASU 2016-10, "*Identifying Performance Obligations and Licensing*," which provides guidance in accounting for immaterial performance obligations and shipping and handling. In May 2016, the FASB issued ASU 2016-12, "*Narrow-Scope Improvements and Practical Expedients*," which provides clarification on assessing the collectability criterion, presentation of sales taxes, measurement date for noncash consideration and completed contracts at transition. This ASU also provides a practical expedient for contract modifications.

For public business entities, the amendments are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods with that reporting period, as deferred by ASU 2015-14. Early application is permitted as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within the reporting period.

All other entities should apply the guidance to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early application is permitted for all other entities as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within annual reporting periods beginning one year after the annual reporting period in which the entity first applies the guidance in Update 2014-09. Adoption of the ASU is not expected to have a significant effect on the Company's consolidated financial statements.

FASB ASU No. 2016-07, Investments – Equity Method and Joint Ventures (Topic 323)

The amendments eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held.

The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required.

The amendments require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method.

The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The amendments should be applied prospectively upon their effective date to increases in the level of ownership interest or degree of influence that result in the adoption of the equity method. Earlier application is permitted. Adoption of the ASU is not expected to have a significant effect on the Company's consolidated financial statements.

FASB ASU No. 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments

The FASB has issued Accounting Standards Update (ASU) No. 2016-05, *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations and Existing Hedge Accounting Relationships*. The amendments apply to all reporting entities for which there is a change in the counterparty to a derivative instrument that has been designated as a hedging instrument.

The amendments clarify what steps are required when assessing whether the economic characteristics and risks of call (put) options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. Consequently, when a call (put) option is contingently exercisable, an entity does not have to assess whether the event that triggers the ability to exercise a call (put) option is related to interest rates or credit risks.

This standard will be effective for pubic business entities for fiscal year beginning after December 15, 2016 including interim periods within those fiscal years. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early application is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. Adoption of the ASU is not expected to have a significant effect on the Company's consolidated financial statements.

FASB ASU No. 2016-02 – Leases (Topic 842)

The FASB has issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and

- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, *Revenue from Contracts with Customers*.

The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

This standard will be effective for pubic business entities for fiscal year beginning after December 15, 2018 including interim periods within those fiscal years. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020.

Early application is permitted for all public business entities and all nonpublic business entities upon issuance.

Lessees (for capital and operating leases) and lessors (for sales-type, direct financing and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach.

Adoption of the ASU is not expected to have a significant effect on the Company's consolidated financial statements.

FASB Accounting Standards Updates No. 2016-01, *Financial Instruments – Overall* (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*

The FASB has issued Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* The new guidance is intended to improve the recognition and measurement of financial instruments. The ASU affects public and private companies, not-for-profit organizations, and employee benefit plans that hold financial assets or owe financial liabilities.

The new guidance makes targeted improvements to existing U.S. GAAP by:

- Requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income;

- Requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes;

- Requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements;

- Eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for organizations that are not public business entities;

- Eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and

- Requiring a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

(Amounts in Thousands, except per share data)

The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The new guidance permits early adoption of the own credit provision. In addition, the new guidance permits early adoption of the provision that exempts private companies and not-for-profit organizations from having to disclose fair value information about financial instruments measured at amortized cost. Adoption of the

ASU is not expected to have a significant effect on the Company's consolidated financial statements.

Note 2: Restriction on Cash and Due From Banks

We are required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 2016 was $459.

At December 31, 2016, the Company's cash accounts exceeded federally insured limits by approximately $391. Additionally, the Company had approximately $1,733 and $98,665 on deposit with the Federal Home Loan Bank of Indianapolis and Federal Reserve Bank of Chicago, as of December 31, 2016, which are not federally insured.

Note 3: Securities

The amortized cost and approximate fair values of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Held to Maturity Securities:				
December 31, 2016				
Treasury bond	$ 499	$ 1	$ –	$ 500
December 31, 2015				
Treasury bond	$ 500	$ –	$ –	$ 500

The treasury bond held at December 31, 2016 matured on January 5th, 2017.

There were no sales of securities during 2016 or 2015.

(Amounts in Thousands, except per share data)

Note 4: Loans and Allowance for Loan Losses

Categories of loans include:

	December 31, 2016	December 31, 2015
Real Estate		
One-to four-family	$ 35,389	$ 39,719
Home equity	4,031	5,459
Commercial mortgage loans		
Commercial real estate	195,924	183,934
Multifamily	54,827	58,804
Land	11,547	12,543
Construction	13,475	14,785
Commercial non-mortgage	20,047	14,826
Consumer	1,074	1,221
Total loans	336,314	331,291
Less		
Net deferred loan costs, premiums and discounts	563	567
Undisbursed portion of loan	5,819	6,050
Allowance for loan losses	9,326	10,061
Net Loans	$ 320,606	$ 314,613

The risk characteristics of each loan portfolio segment are as follows:

1-4 Family, Home Equity, and Consumer

With respect to residential loans that are secured by 1-4 family residences and are primarily owner occupied, we generally establish a maximum loan-to-value ratio and require PMI if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family residences, and consumer loans are typically secured by consumer assets such as automobiles or recreational vehicles. Some consumer loans are unsecured such as small installment loans. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties.

Home equity loans secured by second mortgages have greater risk than one-to-four family residential mortgage loans secured by first mortgages. We face the risk that the collateral will be insufficient to compensate us for loan losses and costs of foreclosure. When customers default on their loans, we attempt to foreclose on the property and resell the property as soon as possible to minimize foreclosure and carrying costs. However, the value of the collateral may not be sufficient to compensate us for the amount of the unpaid loan and we may be unsuccessful in recovering the remaining balance from those customers. Particularly with respect to our home equity loans, decreases in real estate values could adversely affect the value of property used as collateral for our loans.

Consumer and other loans generally have greater risk compared to longer-term loans secured by improved, owner-occupied real estate, particularly consumer loans that are secured by rapidly depreciable assets, such as automobiles. In these cases, any repossessed collateral for a defaulted loan may not provide an adequate source of repayment of the outstanding loan balance. As a result, consumer loan collections are dependent on the borrower's continuing financial stability and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy.

Commercial real estate and multi-family

Commercial real estate and multi-family loans generally have greater credit risk than the owner-occupied one-to-four family residential mortgage loans that we originate for retention in our loan portfolio. Repayment of these loans generally depends, in large part, on sufficient income from the property securing the loan or the borrower's business to cover operating expenses and debt service. These types of loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one-to-four family residential mortgage loans. Changes in economic conditions that are beyond the control of the borrower may affect the value of the security for the loan, the future cash flow of the affected property or business, or the marketability of a construction project with respect to loans originated for the acquisition and development of property. Additionally, due to declining property values in our primary market area and in Michigan, the loan to value ratios of many of our commercial real estate and multi-family have increased significantly from the loan to value ratios that were assigned to these loans at the time of origination.

Land

Land loans generally have greater credit risk than the owner-occupied one-to four-family residential mortgage loans that we originate for retention in our portfolio. Repayment of these loans generally depends, in large part, on the sale of the land.

The sale of land can either take place when the land is undeveloped, or developed. Generally, other cash flow sources of the borrower are utilized to make additional payments on land loans. Changes in economic conditions that are beyond the control of the borrower may affect the value of the security for the loan, the future cash flow of the affected property or business, or the marketability of a construction project with respect to loans originated for the acquisition and development of property. Additionally, due to declining property values in our primary market area and in Michigan, the loan to value ratios of many of our land loans have increased significantly from the loan to value ratios that were assigned to these loans at the time of origination.

Construction

Construction loans include those for one-to-four family residential properties and commercial properties, including multifamily loans and commercial "mixed-use" buildings and homes built by developers on speculation. Construction loans for one-to-four family residential properties are originated with a maximum loan to value ratio of 70% and are generally "interest-only" loans during the construction period which typically does not exceed nine months. Construction loans for commercial real estate are made in accordance with a schedule reflecting the cost of construction, and are generally limited to a 70% loan-to-completed appraised value ratio. For all construction loans, we generally require that a commitment for permanent financing be in place prior to closing the construction loan.

Repayment of one-to four-family residential property loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Repayment of commercial property loans and homes built by developers on speculation is normally expected from the property's eventual rental income, income from the borrower's operations, the personal resources of the guarantor, or the sale of the subject property. Generally, before making a commitment to fund a construction loan, we require an appraisal of the property by a state-certified or state-licensed appraiser. We review and inspect properties before disbursement of funds during the term of the construction loan.

Construction financing generally involves greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost is inaccurate, we may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project is inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment of the construction loan upon the sale of the property. Construction loans also expose us to the risk that improvements will not be completed on time in accordance with specifications and projected costs. In addition, the ultimate sale or rental of the property may not occur as anticipated.

Commercial non-mortgage

Commercial non-mortgage loans generally have a greater credit risk than residential mortgage loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment and other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial non-mortgage loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial non-mortgage loans may be substantially dependent on the success of the business itself. Further, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business.

In determining the appropriate level of allowance for loan loss, we analyze various components of our portfolio. The following components are analyzed: all substandard loans on an individual basis; all loans that are designated special mention or closely monitored; loans not classified according to purpose or collateral type; and overdrawn deposit account balances. We also factor in historical loss experience and qualitative considerations, including trends in charge offs and recoveries; trends in delinquencies and impaired/classified loans; effects of credit concentrations; changes in underwriting standards and loan review system; experience in lending staff; current industry conditions; current market conditions; and change in regional employment conditions.

In instances where risk and loss exposure is clearly identified with a particular asset, a specific valuation allowance will be established or the asset or a portion of the asset will be charged off.

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2016 and 2015:

(Amounts in Thousands, except per share data)

Loan Class	1-4 Family	Home Equity	Commercial Real Estate	Multifamily	Land	Construction	Commercial Non-Mortgage	Consumer	Total
Year to date analysis as of December 31, 2016									
Allowance for loan losses:									
Balance, beginning of period	$ 948	$ 108	$ 4,913	$ 1,515	$ 1,605	$ 604	$ 344	$ 24	$ 10,061
Provision charged to expense	(137)	(59)	555	(431)	(544)	(310)	180	(14)	(760)
Losses charged off	(67)	-	(85)	-	-	-	-	(1)	(153)
Recoveries	54	-	39	-	81	-	-	4	178
Balance, end of period	$ 798	$ 49	$ 5,422	$ 1,084	$ 1,142	$ 294	$ 524	$ 13	$ 9,326
Ending Balance: individually evaluated for impairment	$ -	$ -	$ 235	$ -	$ 550	$ -	$ -	$ -	$ 785
Ending balance: collectively evaluated for impairment	$ 798	$ 49	$ 5,187	$ 1,084	$ 592	$ 294	$ 524	$ 13	$ 8,541
Loans:									
Ending Balance	$ 35,389	$ 4,031	$ 195,924	$ 54,827	$ 11,547	$ 13,475	$ 20,047	$ 1,074	$336,314
Ending Balance: individually evaluated for impairment	$ 1,500	$ -	$ 8,103	$ 6,311	$ 1,061	$ -	$ -	$ -	$ 16,975
Ending balance: collectively evaluated for impairment	$ 33,889	$ 4,031	$ 187,821	$ 48,516	$ 10,486	$ 13,475	$ 20,047	$ 1,074	$319,339

(Amounts in Thousands, except per share data)

Loan Class	1-4 Family	Home Equity	Commercial Real Estate	Multifamily	Land	Construction	Commercial Non-Mortgage	Consumer	Total
Year to date analysis as of December 31, 2015									
Allowance for loan losses:									
Balance, beginning of period	$ 881	$ 100	$ 3,573	$ 1,391	$ 1,205	$ 539	$ 269	$ 18	$ 7,976
Provision (credit) charged to expense	79	8	72	124	374	65	75	3	800
Losses charged off	(45)	-	-	-	-	-	-	(1)	(46)
Recoveries	33	-	1,268	-	26	-	-	4	1,331
Balance, end of period	$ 948	$ 108	$ 4,913	$ 1,515	$ 1,605	$ 604	$ 344	$ 24	$ 10,061
Ending Balance: individually evaluated for impairment	$ -	$ -	$ 200	$ 100	$ 850	$ -	$ -	$ -	$ 1,150
Ending balance: collectively evaluated for impairment	$ 948	$ 108	$ 4,713	$ 1,415	$ 755	$ 604	$ 344	$ 24	$ 8,911
Loans:									
Ending Balance	$ 39,719	$5,459	$ 183,934	$ 58,804	$ 12,543	$ 14,785	$ 14,826	$ 1,221	$331,291
Ending Balance: individually evaluated for impairment	$ 1,504	$ -	$ 12,280	$ 7,877	$ 1,883	$ -	$ 295	$ -	$ 23,839
Ending balance: collectively evaluated for impairment	$ 38,215	$5,459	$ 171,654	$ 50,927	$ 10,660	$ 14,785	$ 14,531	$ 1,221	$307,452

Consistent with regulatory guidance, charge offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. Our policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined.

For all loan portfolio segments except one-to-four family residential loans and consumer loans, we promptly charge off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent, a partial charge off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

(Amounts in Thousands, except per share data)

We charge off one-to-four family residential and consumer loans, or portions thereof, when we reasonably determine the amount of the loss. We adhere to timeframes established by applicable regulatory guidance which provides for the charge off of one-to-four family first and junior lien mortgages to the net realizable value less costs to sell when the loan is 180 days past due, charge off of unsecured open-end loans when the loan is 180 days past due, and charge down to the net realizable value when other secured loans are 120 days past due. Loans at these respective delinquency thresholds for which we can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

The following table presents the credit risk profile of our loan portfolio based on rating category and payment activity as of December 31, 2016 and 2015:

	1-4 Family		Home Equity		Commercial Real Estate		Multifamily	
	2016	2015	2016	2015	2016	2015	2016	2015
Pass	$ 33,787	$ 36,941	$ 4,031	$ 5,459	$ 173,375	$ 150,122	$ 48,241	$ 46,230
Pass (Closely Monitored)	490	1,437	-	-	14,349	21,156	6,586	8,142
Special Mention	241	225	-	-	2,630	751	-	-
Substandard	871	1,116	-	-	5,570	11,905	-	4,432
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
	$ 35,389	$ 39,719	$ 4,031	$ 5,459	$ 195,924	$ 183,934	$ 54,827	$ 58,804

	Land		Construction		Commercial Non-Mortgage		Consumer		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Pass	$ 9,631	$ 9,462	$ 13,475	$ 14,785	$ 16,500	$ 9,626	$ 1,074	$ 1,221	$ 300,114	$ 273,846
Pass (Closely Monitored)	855	1,239	-	-	658	4,904	-	-	22,938	36,878
Special Mention	-	-	-	-	2,889	-	-	-	5,760	976
Substandard	1,061	1,842	-	-	-	296	-	-	7,502	19,591
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
	$ 11,547	$ 12,543	$ 13,475	$ 14,785	$ 20,047	$ 14,826	$ 1,074	$ 1,221	$ 336,314	$ 331,291

We categorize loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation and current economic trends, among other factors. We analyze loans individually by classifying the loans as to credit risk. This analysis is performed during the loan approval process and is updated as circumstances warrant.

The Pass asset quality rating encompasses assets that have performed as expected. These assets generally do not have delinquency or servicing issues. Loans assigned this rating include loans to borrowers possessing solid credit quality with acceptable risk. Borrowers in these grades are differentiated from higher grades on the basis of size (capital and/or revenue), leverage, asset quality, stability of the industry or specific market area and quality/coverage of collateral. These borrowers generally have a history of consistent earnings and reasonable leverage.

The Closely Monitored asset quality rating encompasses assets that have been brought to the attention of management and may, if not corrected, warrant a more serious quality rating by management. These assets are usually in the first phase of a deficiency situation and may possess similar criteria as Special Mention assets. This grade includes “pass grade” loans to borrowers which require special monitoring because of deteriorating financial results, declining credit ratings, decreasing cash flow, increasing leverage, marginal collateral coverage or industry stress that has resulted or may result in a changing overall risk profile.

The Special Mention asset quality rating encompasses assets that have potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution’s credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. This grade is intended to include loans to borrowers whose credit quality has clearly deteriorated and where risk of further decline is possible unless active measures are taken to correct the situation. Weaknesses are considered potential at this state and are not yet fully defined.

The Substandard asset quality rating encompasses assets that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any; assets having a well-defined weakness(es) based upon objective evidence; assets characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected; or the possibility that liquidation will not be timely. Loans categorized in this grade possess a well-defined credit weakness and the likelihood of repayment from the primary source is uncertain. Significant financial deterioration has occurred and very close attention is warranted to ensure the full repayment without loss. Collateral coverage may be marginal and the accrual of interest has been suspended.

The Doubtful asset quality rating encompasses assets that have all of the weaknesses of those classified as Substandard. In addition, these weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

The Loss asset quality rating encompasses assets that are considered uncollectible and of such little value that their continuance as assets of the bank is not warranted. A loss classification does not mean that an asset has no recovery or salvage value; instead, it means that it is not practical or desirable to defer writing off or reserving all or a portion of a basically worthless asset, even though partial recovery may be realized in the future.

(Amounts in Thousands, except per share data)

The following table is a summary of our past due and non-accrual loans as of December 31, 2016 and 2015:

As of December 31, 2016	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans >90 Days & Accruing	Total Nonaccrual
1-4 Family	$ 165	$ 94	$ 137	$ 396	$ 34,993	$ 35,389	$ -	$ 137
Home Equity	-	-	-	-	4,031	4,031	-	-
Commercial Real Estate	-	648	100	748	195,176	195,924	-	4,872
Multifamily	-	-	-	-	54,827	54,827	-	-
Land	-	-	1,061	1,061	10,486	11,547	-	1,061
Construction	-	-	-	-	13,475	13,475	-	-
Commercial Non-	-	-	-	-	20,047	20,047	-	-
Consumer	-	-	-	-	1,074	1,074	-	-
Total	$ 165	$ 742	$ 1,298	$ 2,205	$ 334,109	$ 336,314	$ -	$ 6,070

As of December 31, 2015	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans >90 Days & Accruing	Total Nonaccrual
1-4 Family	$ 151	$ 152	$ -	$ 303	$ 39,416	$ 39,719	$ -	$ 99
Home Equity	-	-	-	-	5,459	5,459	-	-
Commercial Real Estate	6	1,011	-	1,017	182,917	183,934	-	5,188
Multifamily	1,291	-	-	1,291	57,513	58,804	-	-
Land	-	-	1,842	1,842	10,701	12,543	-	1,842
Construction	-	-	-	-	14,785	14,785	-	-
Commercial Non-Mortgage	-	-	-	-	14,826	14,826	-	-
Consumer	-	-	-	-	1,221	1,221	-	-
Total	$ 1,448	$ 1,163	$ 1,842	$ 4,453	$ 326,838	$ 331,291	$ -	$ 7,129

Nonaccrual Loan and Past Due Loans. The accrual of interest is discontinued on all loan classes at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful. The entire balance of a loan is considered delinquent if the minimum payment contractually required to be made is not received by the specified due date

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Subsequent payments on non-accrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. We generally require a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable we will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. Interest income on loans individually classified as impaired is recognized on a cash basis after all past due and current principal payments have been made.

(Amounts in Thousands, except per share data)

The following table present impaired loans for the year ended December 31, 2016:

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	YTD Average Balance	YTD Interest Income
Loans without a specific valuation allowance:					
1-4 Family	$ 1,500	$ 1,620	$ -	$ 1,311	$ 70
Home Equity	-	-	-	-	-
Commercial real estate	7,494	9,669	-	8,296	426
Multi Family	6,311	7,125	-	6,884	402
Land	-	-	-	24	-
Construction	-	-	-	-	-
Commercial Non-Mortgage	-	-	-	-	-
Consumer	-	-	-	-	-
Loans with a specific valuation allowance:					
1-4 Family	$ -	$ -	$ -	$ -	$ -
Home Equity	-	-	-	-	-
Commercial real estate	609	695	235	385	41
Multi Family	-	-	-	-	-
Land	1,061	3,158	550	1,832	123
Construction	-	-	-	-	-
Commercial Non-Mortgage	-	-	-	-	-
Consumer	-	-	-	-	-
Totals					
1-4 Family	$ 1,500	$ 1,620	$ -	$ 1,311	$ 70
Home Equity	-	-	-	-	-
Commercial real estate	8,103	10,364	235	8,681	467
Multi Family	6,311	7,125	-	6,884	402
Land	1,061	3,158	550	1,856	123
Construction	-	-	-	-	-
Commercial Non-Mortgage	-	-	-	-	-
Consumer	-	-	-	-	-
Total	$ 16,975	$ 22,267	$ 785	$ 18,733	$ 1,062

(Amounts in Thousands, except per share data)

The following table present impaired loans for the year ended December 31, 2015:

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	YTD Average Balance	YTD Interest Income
Loans without a specific valuation allowance:					
1-4 Family	$ 1,504	$ 1,633	$ -	$ 1,791	$ 80
Home Equity	-	-	-	15	-
Commercial real estate	9,912	11,820	-	10,508	289
Multi Family	6,586	7,400	-	6,685	359
Land	41	96	-	371	22
Construction	-	-	-	-	-
Commercial Non-Mortgage	295	295	-	311	22
Consumer	-	-	-	-	-
Loans with a specific valuation allowance:					
1-4 Family	$ -	$ -	$ -	$ -	$ -
Home Equity	-	-	-	-	-
Commercial real estate	2,368	2,368	200	2,499	175
Multi Family	1,291	1,291	100	1,319	77
Land	1,842	3,640	850	2,115	-
Construction	-	-	-	-	-
Commercial Non-Mortgage	-	-	-	-	-
Consumer	-	-	-	-	-
Totals					
1-4 Family	$ 1,504	$ 1,633	$ -	$ 1,791	$ 80
Home Equity	-	-	-	15	-
Commercial real estate	12,280	14,188	200	13,007	464
Multi Family	7,877	8,691	100	8,004	436
Land	1,883	3,736	850	2,486	22
Construction	-	-	-	-	-
Commercial Non-Mortgage	295	295	-	311	22
Consumer	-	-	-	-	-
Total	$ 23,839	$ 28,543	$ 1,150	$ 25,614	$ 1,024

We have entered into transactions with certain executive officers, directors and their affiliates (related parties). In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Loans to related parties totaled $8,083 and $7,248 at December 31, 2016 and 2015, respectively. The increase was due to $3,148 in new loans and refinances and $2,313 in payoffs and repayments.

Troubled Debt Restructuring (TDR)

We may grant a concession or modification for economic or legal reasons related to a borrower's financial condition that we would not otherwise consider resulting in a modified loan which is then identified as a troubled debt restructuring. We may modify loans through rate reductions, short-term extensions of maturity, interest only payments, or payment modifications to better match the timing of cash flows due under the modified terms with the cash flows from the borrowers' operations. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

We identify loans for potential restructure primarily through direct communication with the borrower and evaluation of the borrower's financial statements, revenue projections, tax returns, and credit reports. Even if the borrower is not presently in default, management will consider the likelihood that cash flow shortages, adverse economic conditions, and negative trends may result in a payment default in the near future.

For one-to-four family residential and home equity lines of credit, a restructure often occurs with past due loans and may be offered as an alternative to foreclosure. There are other situations where borrowers, who are not past due, experience a sudden job loss, become over-extended with credit obligations, or other problems, have indicated that they will be unable to make the required monthly payment and request payment relief.

When considering a loan restructure, management will determine if: (i) the financial distress is short or long term; (ii) loan concessions are necessary; and (iii) the restructure is a viable solution.

When a loan is restructured, the new terms often require a reduced monthly debt service payment. No TDRs that were on non-accrual status at the time the concessions were granted have been returned to accrual status. For commercial loans, management completes an analysis of the operating entity's ability to repay the debt. If the operating entity is capable of servicing the new debt service requirements and the underlying collateral value is believed to be sufficient to repay the debt in the event of a future default, the new loan can be placed on accrual status after six months of performance with the new loan terms. To date, there have been no commercial loans restructured and immediately placed on accrual

For retail loans, an analysis of the individual's ability to service the new required payments is performed. If the borrower is capable of servicing the newly restructured debt and the underlying collateral value is believed to be sufficient to repay the debt in the event of a future default, the new loan can be placed on accrual status after six months of performance to the new loan terms. The reason for the TDR is also considered, such as paying past due real estate taxes or payments caused by a temporary job loss, when determining whether a retail TDR loan could be returned to accrual status. Retail TDRs remain on nonaccrual status until sufficient payments have been made to bring the past due principal and interest current and/or after six months of performance to the new loan terms at which point the loan could be transferred to accrual status.

The following tables summarize the loans that have been restructured as TDRs during the twelve months ended December 31, 2016 and 2015:

	Twelve Months Ended December 31, 2016		
	Count	Balance prior to TDR	Balance after TDR
	(Amounts in Thousands, except per share data)		
Commercial real estate	2	$ 826	$ 826
Total	2	$ 826	$ 826

	Twelve Months Ended December 31, 2015		
	Count	Balance prior to TDR	Balance after TDR
	(Amounts in Thousands, except per share data)		
Commercial real estate	3	$ 817	$ 817
Total	3	$ 817	$ 817

The TDRs described above for the twelve months ended December 31, 2016 did not have a material impact on the allowance for loan losses or a material charge-off.

(Amounts in Thousands, except per share data)

A default on a TDR occurs when a TDR is 90 days or more past due, transferred to nonaccrual status, or transferred to other real estate owned. The Company did not have any TDR loans default during the past 12 months. The Company had no TDR loans that defaulted in 2016.

The following tables summarize the loans that have been restructured as TDRs based on the type of modification or concession granted to the borrower during the twelve months ending December 31, 2016 and 2015:

As of December 31, 2016	Payment Extension		Rate Reduction		Combination		Totals
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**	
Commercial Real Estate	2	826	-	-	-	-	826
Total	2	$ 826	-	$ -	-	$ -	$ 826

As of December 31, 2015	Payment Extension		Rate Reduction		Combination		Totals
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**	
Commercial Real Estate	-	-	-	-	3	817	817
Total	-	$ -	-	$ -	3	$ 817	$ 817

(Amounts in Thousands, except per share data)

Management monitors the TDRs based on the type of modification or concession granted to the borrower. These types of modifications may include rate reductions, payment/term extensions, forgiveness of principal, forbearance, and other applicable actions. During the year ended December 31, 2016 and 2015, management predominantly utilized rate reductions and lower monthly payments, either from a longer amortization period or interest only repayment schedule, because these concessions provide needed payment relief without risking the loss of principal. Management will also agree to a forbearance agreement when it is deemed appropriate to avoid foreclosure.

Note 5: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	2016	2015
Land	$ 514	$ 514
Buildings and improvements	3,156	3,146
Furniture, fixtures, and equipment	3,021	3,308
	6,691	6,968
Less accumulated depreciation	(5,564)	(5,683)
Net premises and equipment	$ 1,127	$ 1,285

Note 6: Deposits

Deposits at year-end are summarized as follows:

	2016	2015
Savings accounts	$ 13,923	$ 13,626
Checking accounts	34,608	33,934
Money market accounts	104,798	70,356
Certificates of deposit	127,219	163,785
Total Deposits	$ 280,548	$ 281,701

Brokered certificates of deposit totaled $20,955 and $43,612 at December 31, 2016 and 2015.

(Amounts in Thousands, except per share data)

At December 31, 2016, scheduled maturities of certificates of deposit are as follows:

2017	75,405
2018	23,134
2019	17,749
2020	10,143
2021	676
Thereafter	112
Total	127,219

Time deposits of $250 or more were $33,402 and $39,061 at December 31, 2016 and 2015.

Note 7: Federal Home Loan Bank Advances

Federal Home Loan Bank advances totaled $60,000 and $47,000 at December 31, 2016 and 2015. At December 31, 2016, the advances are at fixed rates and bear interest at rates ranging from 0.90% to 5.25% and are secured by loans under a blanket collateral agreement as well as specific deposits at the Federal Home Loan Bank totaling $148,999. Advances are subject to restrictions or penalties in the event of prepayment.

Aggregate annual maturities of our Federal Home Loan Bank advances at December 31, 2016, are:

2017	$23,000,000
2018	5,000,000
2019	-
2020	10,000,000
2021	-
Thereafter	22,000,000
Total	$60,000,000

(Amounts in Thousands, except per share data)

Note 8: Income Taxes

The provision for income taxes includes these components:

	2016	2015
Taxes currently payable	$ 2,056	$ 1,759
Deferred income taxes	348	(215)
Income tax expense	$ 2,404	$ 1,544

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	2016	2015
Computed at the statutory rate (34%)	$ 2,297	$ 1,608
Increase (decrease) resulting from		
Tax exempt interest	(49)	(49)
Other	(156)	(15)
Actual tax expense	$ 2,404	$ 1,544

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets were:

	2016	2015
Deferred tax asset		
Allowance for loan losses	$ 2,725	$ 2,984
Depreciation	142	134
Deferred loan fees	195	195
Deferred compensation	186	197
Real estate owned	3	27
Other	-	62
	3,251	3,599
Deferred tax liabilities		
FHLB stock dividends	31	31
Net deferred tax asset	$ 3,220	$ 3,568

Retained earnings at December 31, 2016 include approximately $2,019 for which no deferred federal income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The deferred income tax liabilities on the preceding amounts that would have been recorded if they were expected to reverse into taxable income in the foreseeable future were approximately $686 at December 31, 2016.

ASC Topic 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides b on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company did not identify any uncertain tax positions that it believes should be recognized in the consolidated financial statements.

Note 9: Regulatory Matters

We are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Our capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Basel III Capital Rules

In July 2013, the three federal bank regulatory agencies jointly published final rules (the Basel III Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee's December 2010 framework known as "Basel III" for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. These rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, compared to the current U.S. risk-based capital rules. The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. These rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach with a more risk-sensitive approach.

The Basel III Capital Rules were effective for the Bank on January 1, 2015 (subject to a four-year phase-in period). The Basel III Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1" (CET1), (ii) specify that Tier 1 capital consist of CET1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments as compared to existing regulations. Under the Basel III Capital Rules, the initial minimum capital ratios as of January 1, 2015, will be as follows:

4.5% CET1 to risk-weighted assets
6.0% Tier 1 capital to risk-weighted assets
8.0% Total capital to risk-weighted assets
4.0% Minimum leverage ratio

(Amounts in Thousands, except per share data)

Implementation of the deductions and other adjustments to CET1 began on January 1, 2015, and will phase in over a four-year period (beginning at 40% on January 1, 2015, and an additional 20% per year thereafter). Under the new rule, in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, a banking organization must hold a capital conservation buffer composed of CET1 capital above its minimum risk-based capital requirements. The implementation of the capital conservation buffer began on January 1, 2016, at the 0.625% level and will phase in over a four-year period (increasing by that amount on each subsequent January 1 until it reaches 2.5% on January 1, 2019).

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios (set forth in the table below). Management believes, as of December 31, 2016 and 2015, that we meet all capital adequacy requirements to which we are subject including the capital conservation buffer.

Our actual capital amounts and ratios are also presented in the table.

	Actual		**For Capital Adequacy Purposes**		**To Be Well Capitalized Under Prompt Corrective Action Provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2016						
Total risk-based capital (to risk-weighted assets)	63,829	22.02%	23,188	8.0%	28,985	10.0%
Tier I capital (to risk-weighted assets)	60,131	20.75	17,391	6.0	23,188	8.0
Common equity tier 1 capital (to risk-weighted assets)	60,131	20.75	16,650	4.5	24,050	6.5
Tier I capital (to adjusted total assets)	60,131	16.25	14,800	4.0	18,500	5.0
As of December 31, 2015						
Total risk-based capital (to risk-weighted assets)	61,810	20.7%	23,848	8.0%	29,810	10.0%
Tier I capital (to risk-weighted assets)	57,990	19.45	17,886	6.0	23,848	8.0
Common equity tier 1 capital (to risk-weighted assets)	57,990	19.45	16,172	4.5	23,360	6.5
Tier I capital (to adjusted total assets)	57,990	16.14	14,375	4.0	17,969	5.0

(Amounts in Thousands, except per share data)

Dividend Restriction

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At December 31, 2016 the bank may not make a dividend declaration without prior regulatory approval.

Note 10: Employee Benefits

We have a retirement savings 401(k) plan covering substantially all employees. Employees may contribute up to 100% of their compensation with us matching 100% of the employee's contribution on the first 3% of the employee's compensation and 50% of the employee's contributions that exceed 3% but does not exceed 5%. Additionally, we can make discretionary contributions to our 401 (k) plan. Employer contributions charged to expense for the years ended 2016 and 2015 were $83 and $75 respectively.

Employee Stock Ownership Plan (ESOP)

As part of the conversion, we established an ESOP covering substantially all of our employees. The ESOP acquired 200,600 shares of WBKC common stock at $10.00 per share in the conversion with funds provided by a loan from the Company. Accordingly, $2,006 of common stock acquired by the ESOP reduced stockholders' equity. Shares are released to participants proportionately as the loan is repaid. Compensation expense is recorded equal to the fair market value of the stock when contributions, which are determined annually by our Board of Directors, are made to the ESOP. Dividends on allocated shares are recorded as dividends and charged to retained earnings. Dividends on unallocated shares are used to repay the loan.

ESOP expense for the years ended December 31, 2016 and 2015 was $555 and $391, respectively.

The ESOP shares as of December 31 were as follows:

	2016	2015
Allocated shares	73,220	55,665
Unearned shares	121,755	141,255
Total ESOP shares	194,975	196,920
Fair value of unearned shares at December 31	$ 3,847	$ 3,763

We are obligated at the option of each beneficiary to repurchase shares of the ESOP upon the beneficiary's termination or after retirement. At December 31, 2016 and 2015, the fair value of the 73,220 and 55,665 allocated shares held by the ESOP was $2,314 and $1,483.

Note 11: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets under the valuation hierarchy. We have no assets or liabilities measured at fair value on a recurring basis and no liabilities measured at fair value on a nonrecurring basis.

Impaired Loans (Collateral Dependent)

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value.

Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by management. Appraisals are reviewed for accuracy and consistency by management. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by management by comparison to historical results.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2016 and 2015:

(Amounts in Thousands, except per share data)

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Collateral-dependent Impaired loans	$ 885	$ –	$ –	$ 885

Unobservable (Level 3) inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements other than goodwill.

	Fair Value at December 31, 2016	Valuation Technique	Unobservable Inputs	Range
December 31, 2016 Collateral-dependent Impaired loans	$ 885	Market comparable properties	Marketability discount	3%-13% (6%)

There were no collateral-dependent impaired loans in the year ended December 31, 2015.

(Amounts in Thousands, except per share data)

Fair Value of Financial Instruments

The following table presents estimated fair values of the Company's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2016.

		Fair Value Measurements Using		
As of December 31, 2016	**Carrying Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial Assets				
Cash and cash equivalents	$ 103,634	$ 103,634	$ -	$ -
Held to maturity securities	499	-	500	-
Loans held for sale	238	-	239	-
Loans, net of allowance for loan losses	320,606	-	-	323,601
Federal Home Loan Bank stock	2,700	-	2,700	-
Interest receivable	846	-	846	-
Financial liabilities				
Deposits	$280,548	$ 153,290	$ -	$ 128,655
Federal Home Loan Bank advances	60,000	-	59,187	-
Federal funds purchased	27,000	-	27,000	-
Interest payable	249	-	249	-

(Amounts in Thousands, except per share data)

		Fair Value Measurements Using		
As of December 31, 2015	**Carrying Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial Assets				
Cash and cash equivalents	$ 52,865	$ 52,865	$ -	$ -
Interest-earning time deposits	39,021	39,021	-	-
Held to maturity securities	500	-	500	-
Loans held for sale	581	-	583	-
Loans, net of allowance for loan losses	314,613	-	-	318,525
Federal Home Loan Bank stock	2,700	-	2,700	-
Interest receivable	967	-	967	-
Financial liabilities				
Deposits	$281,701	$ 117,916	$ -	$ 165,657
Federal Home Loan Bank advances	47,000	-	46,390	-
Federal funds purchased	24,000	-	24,000	-
Interest payable	233	-	233	-

The following methods and assumptions were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value.

Cash and Cash Equivalents, Federal Home Loan Bank Stock, Federal Funds Purchased, Interest Receivable, and Interest Payable

The carrying amount approximates fair value.

Held to Maturity Securities

Fair values equal quoted market prices, if available. If quoted market prices are not available, fair value is estimated based on quoted market prices of similar securities.

Loans and Loans held for sale

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were aggregated for purposes of the calculations.

Deposits

Deposits include demand deposits, savings accounts, NOW accounts and certain money market deposits. The carrying amount approximates fair value. The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

Federal Home Loan Bank Advances

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Commitments to Originate Loans, Letters of Credit and Lines of Credit

Loan commitments and letters-of-credit generally have short-term, variable rate features and contain clauses which limit the Company's exposure to changes in customer credit quality. Accordingly, their carrying values, which are immaterial at the respective balance sheet dates, are reasonable estimates of fair value.

Note 12: Commitments and Contingent Liabilities

Some financial instruments, such as loan commitments, credit lines, letters of credit and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

At year-end, these financial instruments are summarized as follows:

	2016	2015
Commitments to extend credit	$6,111	$7,133
Unused portions of lines of credit	6,268	6,778
Standby letters of credit	787	990

Commitments to make loans generally expire within thirty to ninety days, while unused lines of credit expire at the maturity date of the individual loans.

Note 13: Earnings Per Share (In thousands except per share amounts)

Years ended December 31	**2016**	**2015**
Net Income	$ 4,353	$ 3,186
Dividends and undistributed earnings allocated to participating securities	(47)	(50)
Income attributable to common shareholders	4,306	3,136
Weighted average shares outstanding (in thousands)	2,132	2,200
Less: average unearned ESOP and unvested restricted stock	(171)	(203)
Average Shares	1,961	1,997
Effect of dilutive based awards	32	25
Average common and common-equivalent shares for diluted EPS (in thousands)	1,993	2,022
Basic EPS	$ 2.20	$ 1.57
Diluted EPS	$ 2.16	$ 1.55

(Amounts in Thousands, except per share data)

Note 14: Share Based Compensation

In May 2012, the Company's stockholders approved the Wolverine Bancorp, Inc. 2012 Equity Incentive Plan ("Plan") which provides for awards of stock options and restricted stock to key officers and outside directors. The cost of the Plan is based on the fair value of the awards on the grant date. The fair value of restricted stock awards is based on the closing price of the Company's stock on the grant date. The fair value of stock options is estimated using a Black-Scholes option pricing model using assumptions for dividend yield, stock price volatility, risk-free interest rate, and option term. These assumptions are based on management's judgments regarding future events, are subjective in nature, and contain uncertainties inherent in an estimate. The cost of the awards are being recognized on a straight-line basis over the five-year vesting period during which participants are required to provide services in exchange for the awards.

Until such time as awards of stock are granted and vest or options are exercised, shares of the Company's common stock under the Plan are authorized but unissued shares. The maximum number of shares authorized under the Plan is 351,050. Total share-based compensation expense pursuant to the Plan for the years ended December 31, 2016 and 2015 was $334 and $319, respectively.

Stock Options

The table below presents the stock option activity for the period shown:

	Options	Weighted average exercise price	Remaining contractual life (years)	Aggregate intrinsic value
Options outstanding at January 1, 2016	128,949	$ 17.91	7	$ 1,123
Granted	60,000	26.66	10	--
Exercised	(1,503)	17.30	--	--
Forfeited	(3,888)	19.58	--	--
Expired	(1,973)	18.42	--	--
Options outstanding at December 31, 2016	181,585	$ 20.76	7	$ 1,956
Exercisable at December 31, 2016	92,748	$ 17.44	6	$ 1,305

(Amounts in Thousands, except per share data)

The fair value of the Company's stock options granted on September 9, 2016 was determined using the Black-Scholes option pricing formula. The following assumptions were used in the formula:

Expected volatility	17.80%
Risk-free interest rate	1.59%
Expected dividend yield	5.00%
Expected life (in years)	7.50
Exercise price for the stock options	$ 26.75
Grant date fair value	$ 1.91

The fair value of the Company's stock options granted on December 15, 2016 was determined using the Black-Scholes option pricing formula. The following assumptions were used in the formula:

Expected volatility	18.10%
Risk-free interest rate	2.51%
Expected dividend yield	5.00%
Expected life (in years)	7.50
Exercise price for the stock options	$ 26.03
Grant date fair value	$ 2.58

Expected volatility — Based on the historical volatility of share price.

Risk-free interest rate — Based on the U.S. Treasury yield curve and expected life of the options at the time of grant.

Expected dividend yield — The Company currently has a Cash Dividend Policy whereby the Company expects to pay a cash dividend to shareholders on an annual basis. The expected dividend yield was estimated for the portion of the life of the options that the Company expects to pay a dividend.

Expected life — Based on an average of the five year vesting period and the ten year contractual term of the stock option plan.

Exercise price for the stock options — Based on the closing price of the Company's stock on the date of grant.

(Amounts in Thousands, except per share data)

As of December 31, 2016, the Bank had $179 of unrecognized compensation expense related to stock options. The cost is expected to be recognized over a weighted-average period of 8.96 years. The total fair value of options vested in the year ended December 31, 2016 was $768. Stock option expense for the years ended December 31, 2016 and 2015 was $62 and $62, respectively.

Restricted Stock Awards

Restricted stock awards are accounted for as fixed grants using the fair value of the Company's stock at the time of grant. Unvested restricted stock awards may not be disposed of or transferred during the vesting period. Restricted stock awards carry with them the right to receive dividends.

The table below presents the restricted stock award activity for the period shown:

	Service-Based Restricted stock awards	Weighted average grant date fair value
Non-vested at January 1, 2016	36,534	$ 19.16
Granted	7,500	28.61
Vested	(14,745)	18.14
Forfeited	(2,717)	19.02
Non-vested at December 31, 2016	26,572	22.38

As of December 31, 2016, the Company had $505 of unrecognized compensation expense related to restricted stock awards. The cost of the restricted stock awards will be amortized in monthly installments over the five-year vesting period. Restricted stock expense for the years ended December 31, 2016 and 2015 were $272 and $257, respectively.

(Amounts in Thousands, except per share data)

Note 15: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company:

Condensed Balance Sheets

Assets	**December 31, 2016**	**December 31, 2015**
Cash and cash equivalents	$ 3,190	$ 2,386
Investment in subsidiary	61,127	60,073
Other assets	205	199
Total assets	$ 64,522	$ 62,658
Liabilities - Other	$ 3,548	$ 2,178
Stockholders' Equity	60,974	60,480
Total liabilities and stockholders' equity	$ 64,522	$ 62,658

Wolverine Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2016 and 2015
(Amounts in Thousands, except per share data)

Condensed Statements of Income and Comprehensive Income

	December 31, 2016	December 31, 2015
Income - Dividends from subsidiary	$ 4,500	$ 4,500
Expense	344	260
Income Before Income Tax and Equity in Undistributed Income	4,156	4,240
Income Tax Benefit	5	73
Income (Loss) Before Equity in Undistributed Income	4,161	4,313
Equity in Undistributed Income (Distribution in Excess of	192	(1,127)
Net Income and Comprehensive Income	$ 4,353	$ 3,186

Wolverine Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2016 and 2015
(Amounts in Thousands, except per share data)

Condensed Statements of Cash Flows

	December 31, 2015		December 31, 2015	
Operating Activities				
Net income	$	4,353	$	3,186
Items not requiring (providing) cash:				
(Equity in undistributed income) distributions in excess of		(192)		1,127
Change in other assets		(6)		(74)
Change in other liabilities		299		(47)
Net cash provided by operating activities		4,454		4,192
Financing Activities				
Purchase of common stock		(1,518)		(2,796)
Dividends paid		(2,158)		-
Proceeds from stock options exercised		26		-
Net cash used in financing activities		(3,650)		(2,796)
Net Change in Cash and Cash Equivalents		804		1,396
Cash and Cash Equivalents, Beginning of Period		2,386		990
Cash and Cash Equivalents, End of Period	$	3,190	$	2,386

Supplemental Disclosures of Cash Flows Information

Dividends Declared, not paid	$	3,229	$	2,158

Signatures

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Wolverine Bancorp, Inc.

Date: March 31, 2017

By: /s/ David H. Dunn
David H. Dunn
President and Chief Executive Officer
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ David H. Dunn David H. Dunn	President, Chief Executive Officer and Director (Principal Executive Officer)	March 31, 2017
/s/ Rick A. Rosinski Rick A. Rosinski	Chief Operating Officer and Treasurer (Principal Financial and Accounting Officer)	March 31, 2017
/s/ Richard M. Reynolds Richard M. Reynolds	Chairman of the Board	March 31, 2017
/s/ Roberta N. Arnold Roberta N. Arnold	Director	March 31, 2017
/s/ Eric P. Blackhurst Eric P. Blackhurst	Director	March 31, 2017
/s/ James W. Fisher James W. Fisher	Director	March 31, 2017
/s/ J. Donald Sheets J. Donald Sheets	Director	March 31, 2017
/s/ Howard I. Ungerleider Howard I. Ungerleider	Director	March 31, 2017
/s/ Joseph M. VanderKelen Joseph M. VanderKelen	Director	March 31, 2017

EXHIBIT INDEX

3.1	Articles of Incorporation of Wolverine Bancorp, Inc.*
3.2	Bylaws of Wolverine Bancorp, Inc.*
4	Form of Common Stock Certificate of Wolverine Bancorp, Inc.*
10.1	Amended and Restated Employment Agreement of David H. Dunn**
10.2	Amended and Restated Employment Agreement of Rick A. Rosinski**
10.3	2002 Long Term Incentive Plan, as amended*
10.4	2006 Long Term Incentive Plan, as amended for Dunn*
10.5	2006 Long Term Incentive Plan, as amended for Rosinski*
10.6	2012 Equity Incentive Plan***
21	Subsidiaries
23	Consent of Independent Auditor
31.1	Certification required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	INS XBRL Instance
101	SCH XBRL Taxonomy Extension Schema
101	CAL XBRL Taxonomy Extension Calculation
101	DEF XBRL Taxonomy Extension Definition
101	LAB XBRL Taxonomy Extension Label
101	PRE XBRL Taxonomy Extension Presentation

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* Incorporated by reference to the Registration Statement on Form S-1 (file no. 333-169432), initially filed with the SEC on September 16, 2010.

** Incorporated by reference to the Current Report on Form 8-K filed with the SEC on July 8, 2011.

*** Incorporated by reference to the Proxy Statement filed on April 16, 2012.

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Subsidiary	Ownership	State of Incorporation
Wolverine Bank	100%	Federal

SUBSIDIARIES OF WOLVERINE BANK

Subsidiary	Ownership	State of Incorporation
Wolserv Corporation	100%	Michigan
Wolverine Commercial Holdings LLC	100%	Michigan

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement Form S-8, File Nos. 333-173448 and 333-182610, of our report dated March 31, 2017, on the consolidated financial statements of Wolverine Bancorp, Inc. as of and for the years ended December 31, 2016 and 2015, which report is incorporated by reference in the Annual Report on Form 10-K of Wolverine Bancorp, Inc. for the year ended December 31, 2016.

/s/ **BKD, LLP**

Indianapolis, Indiana
March 31, 2017

EXHIBITS 31.1 AND 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION
302 OF THE SARBANES-OXLEY ACT OF 2002

Certification of Chief Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David H. Dunn, certify that:

1. I have reviewed this annual report on Form 10-K of Wolverine Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 31, 2017	/s/ David H. Dunn
Date	David H. Dunn
	President and Chief Executive Officer

Certification of Chief Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Rick A. Rosinski, certify that:

1. I have reviewed this annual report on Form 10-K of Wolverine Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

March 31, 2017	/s/ Rick A. Rosinski
Date	Rick A. Rosinski
	Chief Operating Officer and Treasurer

EXHIBIT 32

CERTIFICATE PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Certification pursuant to
18 U.S.C. Section 1350,
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

David H. Dunn, President and Chief Executive Officer and Rick A. Rosinski, Chief Operating Officer and Treasurer of Wolverine Bancorp, Inc. (the "Company") each certify in their capacity as officers of the Company that they have reviewed the Annual Report of the Company on Form 10-K for the year ended December 31, 2016 and that to the best of their knowledge:

(1) the Report fully complies with the requirements of Sections 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 31, 2017	/s/ David H. Dunn
Date	David H. Dunn
	President and Chief Executive Officer
March 31, 2017	/s/ Rick A. Rosinski
Date	Rick A. Rosinski
	Chief Operating Officer and Treasurer

Shareholder Information

Shareholder General Inquiries

David H. Dunn, President and Chief Executive Officer
Rick A. Rosinski, Chief Operating Officer

Wolverine Bancorp, Inc.
5710 Eastman Avenue
Midland, MI 48640
800.968.4280

TRANSFER AGENT

Computershare, Inc.
P.O. Box 43078
Providence, RI 02940
800.942.5909

Wolverine Bancorp, Inc. Corporate Information

CORPORATE OFFICE

Wolverine Bancorp, Inc.
5710 Eastman Avenue
Midland, MI 48640

Telephone: 800.968.4280
Fax: 989.631.7610

Board of Directors

Richard M. Reynolds, Chairman of the Board
Roberta N. Arnold
Eric P. Blackhurst
David H. Dunn
James W. Fisher
J. Donald Sheets
Howard I. Ungerleider
Joseph M. VanderKelen

SPECIAL COUNSEL/WASHINGTON D.C

Luse Gorman, P.C.
5335 Wisconsin Avenue, NW, Suite 780
Washington, D.C. 20015

INDEPENDENT AUDITORS

BKD, LLP
201 North Illinois Street, Suite 700
Indianapolis, IN 46204

WOLVERINE BANCORP, INC.

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