



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 29, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Wolverine Bank, Federal Savings Bank
Charter Number 702620

5710 Eastman Avenue
Midland, MI 48640

Office of the Comptroller of the Currency

200 Public Square, Suite 1610
Cleveland, OH 44114-2301

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Wolverine Bank has a satisfactory record of addressing community credit needs. The factors supporting the bank's rating include:

- A majority of loans are within the bank's assessment areas.
- Wolverine's geographic distribution of residential real estate loans is reasonable.
- Wolverine's record of lending to borrowers of different income levels is reasonable.
- Wolverine has an excellent Loan-to-Deposit ratio.
- Wolverine's community development performance, through its record of community development loans, qualified investments, and community development services, demonstrates adequate responsiveness to community development needs in its assessment areas.

Scope of Examination

The evaluation period for this examination is March 17, 2008 through May 29, 2012. Community development loans, investments, and services from this period are considered. The bank's primary lending product during this evaluation period was one-to-four family residential real estate, and we analyzed the data using the Home Mortgage Disclosure Act – Loan Application Registers (HMDA-LAR) for 2008, 2009, 2010 and 2011. Mortgage loan data was tested prior to this review and found to be reliable for the purposes of our analysis. Full scope procedures were used to evaluate the bank's performance in both of the bank's two assessment areas (AAs). We also considered information from members of the local community. We performed three community contacts to better assess community needs and the performance of financial institutions in the AAs.

Description of Institution

Wolverine Bank is a federal savings bank headquartered in Midland, Michigan. Wolverine Bank is a wholly owned subsidiary of Wolverine Bancorp, a single bank holding company also headquartered in Midland.

The bank has four offices and one loan production office. Three offices are located in Midland County and one office is located in Saginaw County. The loan production office is located in Kochville, which is in Saginaw County, but not within either of the bank's AAs.

As of December 31, 2011, Wolverine reported total assets of \$294 million and tier one capital of \$53 million. The bank's loan portfolio totaled \$245 million, or 83 percent of total assets. The bank offers a wide range of deposit and loan products. The primary loan product is residential real estate loans. The bank also offers commercial real estate loans, and commercial and industrial loans. Real estate loans represent 96 percent of the loan portfolio; commercial loans

represent 3 percent, and consumer loans represent 1 percent of the loan portfolio. Wolverine Bank has a six percent deposit market share within the Midland and Saginaw County area. Wolverine Bank ranks sixth among 17 financial institutions servicing these counties, based on June 2011 FDIC Deposit Market Share Report.

There are no pending legal or financial impediments limiting Wolverine's ability to meet credit needs in the assessment area. A 'satisfactory' rating was assigned at the most recent CRA evaluation with a public evaluation dated March 17, 2008.

Description of Assessment Area(S)

Wolverine Bank has two AAs. When drawing conclusions regarding the bank's overall performance, we gave greater consideration to the Midland County AA. Each of the AAs meets the requirements of the regulation. They consist of contiguous geographies, and low- and moderate-income areas are not arbitrarily excluded.

Midland County AA

The Midland County AA consists of the entire county and includes 18 census tracts. This county is not located in a metropolitan statistical area. The AA is comprised one moderate-income census tract, ten middle-income census tracts and seven upper-income census tracts.

Midland County population is 82,874 according to the 2010 U.S. Census. Midland County is predominately business based and headquarters for two fortune 500 companies and a minor league baseball team. Over five thousand businesses are located in this county. Health, education, services and retail comprise the majority of other businesses. There is a small agricultural population along the outskirts of the county. Major employers include Dow Chemical, Dow Corning, Dow Kokum Factory, Hemlock Semi-Conductor, and Mid-Michigan Health.

Although Michigan as a whole continues to experience difficulties relating to the economic downturn, Midland County has not been as negatively impacted due to the continued growth of Dow Chemical and Dow Corning. There are several community and large banks serving the county, providing for a competitive banking environment.

The following table highlights some additional demographics of the AA:

Table 1 - Demographic Information for the Midland County Assessment Area					
Demographic Characteristics	#	Low Income (%)	Moderate Income (%)	Middle Income (%)	Upper Income (%)
Geographies (Census Tracts)	18	0.00	5.6	55.6	38.9
Population by Geography	82,874	0.00	3.07	53.58	43.35
Owner-Occupied Housing by	33,796	0.00	2.45	53.12	44.44

Table 1 - Demographic Information for the Midland County Assessment Area					
Geography					
Businesses by Geography	5,015	0.00	5.78	53.04	41.18
Farms by Geography	224	0.00	0.45	72.77	26.79
Family Distribution by Income Level	22,764	0.00	2.89	53.32	43.79
Median Family Income HUD Adjusted =	\$51,400	Median Housing Value =		\$103,619	
Median Family Income for 2011 =	\$51,400	Unemployment Rates - (November 2010 unadjusted)			
Households Below the Poverty Level =	8.59%	United States =		8.5%	
		State of Michigan =		9.3%	
		Midland County =		2.52%	

Saginaw County AA

The Saginaw County AA is comprised of three census tracts within the eastern portion of Saginaw County. This AA is within the Saginaw Township, North MSA (#40980). Two of the census tracts are middle-income, with the third being upper-income. The Frankenmuth branch is located in the upper-income census tract. Saginaw County population is 200,169 according to the 2010 U.S. Census. Population within Wolverine’s AA totals 15,092. Saginaw County has close to 1,200 businesses consisting primarily of manufacturing, health-care, technology and retailers. Dow Chemical and Dow Corning in Midland County, employs many residents of Saginaw County. Major employers include Mid-Michigan Health, and Covenant Medical Center, Saginaw County, and AT&T. There are a small number of farms within the AA.

The following table highlights some additional demographics of the AA:

Table 2 - Demographic Information for the Saginaw County Assessment Area					
Demographic Characteristics	#	Low Income (%)	Moderate Income (%)	Middle Income (%)	Upper Income (%)
Geographies (Census Tracts)	3	0.00	0.00	66.67	33.33
Population by Geography	15,092	0.00	0.00	54.37	45.63
Owner-Occupied Housing by Geography	4,651	0.00	0.00	55.21	44.79
Businesses by Geography	1,189	0.00	0.00	51.30	48.70
Farms by Geography	113	0.00	0.45	52.21	47.79
Family Distribution by Income Level	4,317	9.15	14.01	20.80	56.03

Table 2 - Demographic Information for the Saginaw County Assessment Area	
Median Family Income HUD Adjusted =	\$54,800
Median Family Income for 2011 =	\$46,489
Households Below the Poverty Level =	5%
Median Housing Value =	\$130,745
Unemployment Rates - (November 2010 unadjusted)	
United States =	8.5%
State of Michigan =	9.3%
Saginaw County =	2.14%

Conclusions with Respect to Performance Tests

This evaluation concentrated on the bank’s primary loan product of residential real estate loans. Residential real estate loans include home purchase, refinance, and improvement loans for the purpose of this analysis. Wolverine has an excellent loan-to-deposit ratio and a majority of loans originated were within the AAs. The borrower distribution of loans reflects reasonable penetration among borrowers of different incomes. The geographic distribution of residential real estate loans reflects reasonable dispersion in the AAs.

LENDING TEST

Wolverine’s performance under the lending test is rated Satisfactory.

Loan-to-Deposit Ratio

Wolverine’s loan-to-deposit (LTD) is more than reasonable. Wolverine’s quarterly loan-to-deposit (LTD) averaged 130.87 percent during the 15 quarters from April 1, 2008 through December 31, 2011. The maximum LTD ratio during the evaluation period was 152.79 percent and the minimum was 120.28 percent. Historically, Wolverine has maintained a high LTD ratio due to a reliance on Federal Home Loan Bank (FHLB) borrowings to fund loan activity.

We compared Wolverine’s average LTD ratio to the average LTD ratio of peer banks, during the same evaluation period. The average LTD ratio of the peer banks, during the same evaluation period, is 86.53 percent. Peer banks were local small community banks similar in asset size and product characteristics.

Lending in Assessment Area

A majority of loans Wolverine originated are in the bank’s AAs and includes residential real estate loans secured by the primary residence as reported by HMDA data from 2008 through 2011. Table 1 below indicates 54.71 percent of the number of loans and 48.59 percent of the loan dollar amount were made in the bank’s AA.

Table 3 - Lending in the Midland and Saginaw Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	257	50.39	253	49.61	510	36,005	48.34	38,484	51.66	74,489
Other Home	533	57.07	401	42.93	934	83,190	48.70	87,632	51.30	170,822
Totals	790	54.71	654	45.29	1,444	119,195	48.59	126,116	51.41	245,311

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank’s dispersion of home mortgage loans to borrowers of different income levels is reasonable.

Midland County AA

The dispersion of home mortgage loans in Midland County is reasonable. The percentage of home purchase loans to low income borrowers is slightly below the AA demographic. No home improvement loans were made to low income borrowers due to the difficulties in qualifying these borrowers. Home refinance loans made to low income borrowers were significantly below the number of low- income families in the AA. This is not a concern given the bank’s conservative lending standards. The percentage of home purchase loans made to moderate income borrowers exceeds the percentage of moderate income families located within the AA. The percentage of home improvement loans to moderate income families is excellent. As a result, we concluded the bank’s home mortgage borrower distribution is reasonable for the Midland County AA.

Table 4 - Borrower Distribution of Residential Real Estate Loans in Midland County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase Loans	13.28	12.24	15.62	17.30	18.13	18.99	52.97	51.48
Home Improvement Loans	13.28	0.00	15.62	30.77	18.13	7.69	52.97	61.54
Refinance	13.28	4.64	15.62	9.07	18.13	15.82	52.97	70.46

Saginaw County AA

The dispersion of home mortgage loans in Saginaw County is reasonable. The percentage of home purchase loans to low income borrowers significantly exceeds the percentage of low income families in the AA. There were no home improvement loans made to low income

families but this is not a concern given the banks' lending standards. The percentage of home refinance loans to low income borrowers was slightly below the percentage of low income families. This is not a concern given the banks' lending standards. The percentage of home purchase loans exceeds the percentage of moderate income families. The percentage of home purchase loans significantly exceeds the percentage of moderate income families. The percentage of refinance loans was slightly below the percentage of moderate income families. There were not as many opportunities to refinance moderate income homeowners given the lending criteria. As a result, we concluded the bank's home mortgage borrower distribution is reasonable for the Saginaw County AA.

Table 4A - Borrower Distribution of Residential Real Estate Loans in Saginaw MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase Loans	9.15	25.00	14.01	0.00	20.80	25.00	56.03	50.00
Home Improvement Loans	9.15	0.00	14.01	0.00	20.80	0.00	56.03	100.00
Refinance	9.15	6.67	14.01	13.33	20.80	10.00	56.03	70.00

Geographic Distribution of Loans

Wolverine Bank's geographic distribution of residential real estate loans reflects a reasonable dispersion of loans throughout the two AAs. As of the 2010 U.S. Census, the Midland County AA had no low-income census tracts, and one moderate-income census tract. The Saginaw County AA had no low-income or moderate-income census tracts. In evaluating geographic distribution, more weight is placed on lending in low and moderate-income tracts with emphasis on the bank's primary lending product. Our conclusion also factors in the bank's strategy in the Saginaw County AA to delay staffing until management identified qualified staff.

Wolverine Bank's dispersion of residential real estate loans to geographies of different income levels in Midland County is reasonable, given lending opportunities and the bank's performance context. The percentage of loans made in the one moderate-income census tract exceeds the percentage of owner occupied housing in that tract.

Table 5 - Geographic Distribution of Residential Real Estate Loans in Midland County AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans

Home Purchase	0.00	0.00	2.45	1.21	53.12	41.53	44.44	57.26
Home Improvement	0.00	0.00	2.45	7.69	53.12	69.23	44.44	23.08
Refinance	0.00	0.00	2.45	1.24	53.12	40.62	44.44	58.14

The Saginaw County AA has no low or moderate-income owner occupied housing, so a meaningful analysis could not be performed.

Responses to Complaints

There have been no consumer complaints relating to the bank's CRA performance during this evaluation period.

COMMUNITY DEVELOPMENT TEST

Wolverine's performance under the community development test is rated satisfactory.

While there were no designated community development loans during the evaluation period, Wolverine made qualified investments during the period. Below, we discuss bank services and products designed to assist low – to moderate – income borrowers.

Number and Amount of Qualified Investments

During the evaluation period, Wolverine Bank made 24 donations to various institutions, 15 of which qualified as community development donations totaling \$91,950. All funds are specifically targeted to benefit low- and moderate-income persons, and the one low- and moderate-income census tract within the AA, or support organizations whose major purpose is providing economic development, revitalizing central business districts, and offering assistance to attract, expand and retain small business entities, payrolls and job levels throughout the AA.

Bank Services

Wolverine Bank has several products geared specifically towards lending to low-moderate income persons:

Federal Home Loan Bank (FHLB Home Opportunity Program (HOP)): The Homeownership Opportunities Program (HOP) is a grant program in conjunction with the FHLB of Indianapolis designed to give first time home buyers grant monies up to \$7,500 to be used towards down payment and closing costs. The money does not have to be repaid as long as the borrower owns the home for at least 5 years. During the evaluation period, Wolverine made 122 HOP loans totaling \$528 thousand. Program guidelines significantly changed after 2008 causing the program to be used less.

Michigan State Housing Development Authority (MSHDA): Wolverine Bank funded thirty-nine loans totaling approximately \$3.5 million. This state-run program offers homeownership opportunities by offering affordable mortgage loan products to low- and moderate-income

homebuyers, featuring below-market fixed-rate loans. With some loan programs no down payment is required or down payment assistance is provided.

The USDA Rural Development Loan is geared towards lower income families with no down payment requirements and no mortgage insurance requirements.

Wolverine also offers FHA 203K rehabilitation loans which can be used to renovate properties. Minimum down payment of 3.5 percent required and many repairs are eligible.

The bank has four branches. Three branches are located in the Midland County assessment area and one branch is located in Frankenmuth, which is in the Saginaw County AA. There is one moderate income census tract in the Midland County AA and one branch is located in the northwestern corner of that census tract. Each branch has a full service ATM.

In addition to Wolverine's full-service branches, the bank offers on-line banking, providing transaction and account opening capabilities. Consumers can access accounts, check balances, view statements and cancelled checks, and transfer funds between accounts. Besides providing the services stated above for consumers, business customers can also make loan payments, ACH and wire transfer requests, and have various corporate entities linked with the parent organization. Wolverine offers free checking accounts to all its customers and includes the following features: unlimited check writing, direct deposit options, no minimum monthly balance, free bill pay, and check safekeeping. There is a loan production office in Kochville, MI (Saginaw County AA) that until recently has not been fully staffed.

Wolverine is involved in a variety of community development services. Senior management and front line employees participate in civic and professional organizations that provide services for low- and moderate-income individuals or economic development for small businesses. Senior management is actively involved in several economic development organizations including the local Chamber of Commerce and the Planning Commission.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.