

CONSUMERS BANCORP INC /OH/
Form 10-K
September 21, 2017

**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 year ended June 30, 2017

Commission File No. 033-79130

CONSUMERS BANCORP, INC.

(Exact name of registrant as specified in its charter)

OHIO 34-1771400
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

614 East Lincoln Way,

P.O. Box 256, Minerva, Ohio 44657

(330) 868-7701

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant Section 12(b) of the Act: None

Securities registered pursuant Section 12(g) of the Act: Common Shares, no par value

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 (§ 232.405 of this chapter) 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 the 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 (Do not check if small reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Based on the closing sales price on December 31, 2016, the aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately \$31,272,639.

The number of shares outstanding of the Registrant's common stock, without par value was 2,724,956 at September 13, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

Certain specifically designated portions of Consumers Bancorp, Inc.'s definitive Proxy Statement dated September 21, 2017 for its 2017 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1—BUSINESS

Business

Consumers Bancorp, Inc. (Corporation), is a bank holding company under the Bank Holding Company Act of 1956, as amended and is a registered bank holding company, and was incorporated under the laws of the State of Ohio in 1994. In February 1995, the Corporation acquired all the issued and outstanding capital stock of Consumers National Bank (Bank), a bank chartered under the laws of the United States of America. The Corporation's activities have been limited primarily to holding the common stock of the Bank.

Since 1965, the Bank's main office has been serving the Minerva, Ohio area from its location at 614 East Lincoln Way, Minerva, Ohio. The Bank's business involves attracting deposits from businesses and individual customers and using such deposits to originate commercial, mortgage and consumer loans in its market area, consisting primarily of Carroll, Columbiana, Jefferson, Stark, Summit, Wayne and contiguous counties in Ohio. The Bank currently has thirteen branch locations and two loan production offices. The Bank also invests in securities consisting primarily of obligations of U.S. government-sponsored entities, municipal obligations and mortgage-backed securities issued by Fannie Mae, Freddie Mac and Ginnie Mae.

Supervision and Regulation

The Corporation and the Bank are subject to regulation by the Securities and Exchange Commission (SEC), the Board of Governors of the Federal Reserve System (Federal Reserve Board), the Office of the Comptroller of the Currency (OCC) and other federal and state regulators. The regulatory framework is intended primarily for the protection of depositors, federal deposit insurance funds and the banking system as a whole and not for the protection of shareholders and creditors. Earnings and dividends of the Corporation are affected by state and federal laws and regulations and by policies of various regulatory authorities. Changes in applicable law or in the policies of various regulatory authorities could affect materially the business and prospects of the Corporation and the Bank. The following describes selected federal and state statutory and regulatory provisions that have, or could have, a material impact on the Corporation. The following discussion of supervision and regulation is qualified in its entirety by reference to the statutory and regulatory provisions discussed.

Regulation of the Corporation:

The Bank Holding Company Act: As a bank holding company, the Corporation is subject to regulation under the Bank Holding Company Act of 1956, as amended (BHCA) and the examination and reporting requirements of the Federal Reserve Board. Under the BHCA, the Corporation is subject to periodic examination by the Federal Reserve Board and required to file periodic reports regarding its operations and any additional information that the Federal Reserve Board may require.

The BHCA generally limits the activities of a bank holding company to banking, managing or controlling banks, furnishing services to or performing services for its subsidiaries and engaging in any other activities that the Federal Reserve Board has determined to be so closely related to banking or to managing or controlling banks as to be a proper incident to those activities. In addition, the BHCA requires every bank holding company to obtain the approval of the Federal Reserve Board prior to acquiring substantially all the assets of any bank, acquiring direct or indirect ownership or control of more than 5% of the voting shares of a bank or merging or consolidating with another bank holding company.

Under Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to each subsidiary bank and to commit resources to support those subsidiary banks. Under this policy, the Federal Reserve Board may require a bank holding company to contribute additional capital to an undercapitalized subsidiary bank and may disapprove of the payment of dividends to shareholders if the Federal Reserve Board believes the payment of such dividends would be an unsafe or unsound practice. The Federal Reserve Board has extensive enforcement authority over bank holding companies for violations of laws and regulations and unsafe or unsound practices.

Privacy Provisions of Gramm-Leach-Bliley Act: The Gramm-Leach-Bliley Act of 1999 contains extensive provisions on a customer's right to privacy of non-public personal information. Under these provisions, a financial institution must provide to its customers the institution's policies and procedures regarding the handling of customers' non-public personal information. Except in certain cases, an institution may not provide personal information to unaffiliated third parties unless the institution discloses that such information may be disclosed and the customer is given the opportunity to opt out of such disclosure. The Corporation and the Bank are also subject to certain state laws that deal with the use and distribution of non-public personal information.

Sarbanes-Oxley Act: The Sarbanes-Oxley Act of 2002 contains important requirements for public companies in the area of financial disclosure and corporate governance. In accordance with section 302(a) of the Sarbanes-Oxley Act, written certifications by the Corporation's Chief Executive Officer and Chief Financial Officer are required. These certifications attest that the Corporation's quarterly and annual reports filed with the SEC do not contain any untrue statement of a material fact or omit to state a material fact.

Regulation of the Bank:

As a national bank, Consumers National Bank is subject to regulation, supervision and examination by the OCC and by the Federal Deposit Insurance Corporation (FDIC). These examinations are designed primarily for the protection of the depositors of the Bank.

Dividend Restrictions: Dividends from the Bank are the primary source of funds for payment of dividends to our shareholders. However, there are statutory limits on the amount of dividends the Bank can pay without regulatory approval. Under regulations promulgated by the OCC, the Bank may not declare a dividend in excess of its undivided profits. Additionally, the Bank may not declare a dividend if the total amount of all dividends, including the proposed dividend, declared by the Bank in any calendar year exceeds the total of its retained net income of that year to date, combined with its retained net income of the two preceding years, unless the dividend is approved by the OCC. The Bank may not declare or pay any dividend if, after making the dividend, the Bank would be “undercapitalized,” as defined in the federal regulations.

FDIC: The FDIC is an independent federal agency, which insures the deposits of federally insured banks and savings associations up to certain prescribed limits and safeguards the safety and soundness of financial institutions. The deposits of the Bank are subject to the deposit insurance assessments of the Bank Insurance Fund of the FDIC. Under the FDIC’s deposit insurance assessment system, the assessment rate for any insured institution varies according to regulatory capital levels of the institution and other factors such as supervisory evaluations.

The FDIC is authorized to prohibit any insured institution from engaging in any activity that poses a serious threat to the insurance fund and may initiate enforcement actions against banks, after first giving the institution’s primary regulatory authority an opportunity to take such action. The FDIC may also terminate the deposit insurance of any institution that has engaged in or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, order or condition imposed by the FDIC.

Risk-Based Capital Requirements: The Federal Reserve Board and the OCC employ similar risk-based capital guidelines in their examination and regulation of bank holding companies and national banks. The Corporation meets the definition of a Small Bank Holding Company and, therefore, is exempt from consolidated risk-based and leverage capital adequacy guidelines for bank holding companies. The guidelines involve a process of assigning various risk weights to different classes of assets, then evaluating the sum of the risk-weighted balance sheet structure against the capital base. If capital falls below the minimum levels established by the guidelines, the bank holding company or bank may be denied approval to acquire or establish additional banks or non-bank businesses or to open new facilities. In addition, failure to satisfy capital guidelines could subject a banking institution to a variety of enforcement actions by federal bank regulatory authorities, including the termination of deposit insurance by the FDIC and a prohibition on the acceptance of “brokered deposits.”

Prior to January 1, 2015, the minimum requirement for the total risk-based capital ratio was 8% and the minimum requirement for the Tier I risk-based capital ratio and Tier I leverage ratio was 4%. On January 1, 2015, new Basel III capital requirements for U.S. banking organizations became effective. Under Basel III, the Bank is required to maintain a minimum common equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6%, a total capital ratio of 8%, and a Tier 1 leverage ratio of 4%. Basel III also established a “capital conservation buffer” of 2.5% above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier 1 capital and began being phased in beginning in January 2016 at 0.625% of risk-weighted assets and increase by that amount each year until fully implemented in January 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a common equity Tier 1 ratio to risk-weighted assets above the minimum but below the conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

The OCC and the FDIC may take various corrective actions against any undercapitalized bank and any bank that fails to submit an acceptable capital restoration plan or fails to implement a plan accepted by the OCC or the FDIC. These powers include, but are not limited to, requiring the institution to be recapitalized, prohibiting asset growth, restricting interest rates paid, requiring prior approval of capital distributions by any bank holding company that controls the institution, requiring divestiture by the institution of its subsidiaries or by the holding company of the institution itself, requiring new election of directors, and requiring the dismissal of directors and officers. The OCC’s final supervisory judgment concerning an institution’s capital adequacy could differ significantly from the conclusions that might be derived from the absolute level of an institution’s risk-based capital ratios. Therefore, institutions generally are expected to maintain risk-based capital ratios that exceed the minimum ratios. At June 30, 2017, the Bank exceeded minimum regulatory capital requirements to be considered well-capitalized.

Dodd-Frank Wall Street Reform and Consumer Protection Act: The Dodd-Frank Act created many new restrictions and an expanded framework of regulatory oversight for financial institutions, including depository institutions. The Dodd-Frank Act centralized responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau (CFPB), and giving it responsibility for implementing, examining and enforcing compliance with federal consumer protection laws. The CFPB has examination and enforcement authority over all banks with more than \$10 billion in assets, as well as their affiliates. Although the CFPB does not have direct supervisory authority over banks with less than \$10 billion in assets, the CFPB has broad rulemaking authority for a wide range of consumer financial laws that apply to all banks, including, among other things, the authority to prohibit “unfair, deceptive or abusive” acts and practices. Abusive acts or practices are defined as those that materially interfere with a consumer’s ability to understand a term or condition of a consumer financial product or service or take unreasonable advantage of a consumer’s (i) lack of financial savvy, (ii) inability to protect himself in the selection or use of consumer financial products or services, or (iii) reasonable reliance on a covered entity to act in the consumer’s interests. The Corporation is closely monitoring all relevant sections of the Dodd-Frank Act to ensure continued compliance with these regulatory requirements and assess their potential impact on our business.

Interstate Banking and Branching: The Interstate Banking and Branch Efficiency Act of 1995 has eased restrictions on interstate expansion and consolidation of banking operations by, among other things: (i) permitting interstate bank acquisitions regardless of host state laws, (ii) permitting interstate merger of banks unless specific states have opted out of this provision, and (iii) permitting banks to establish new branches outside the state provided the law of the host state specifically allows interstate bank branching.

Community Reinvestment Act: The Community Reinvestment Act requires depository institutions to assist in meeting the credit needs of their market areas, including low and moderate-income areas, consistent with safe and sound banking practices. Under this Act, each institution is required to adopt a statement for each of its market areas describing the depository institution’s efforts to assist in its community’s credit needs. Depository institutions are periodically examined for compliance and assigned ratings. Banking regulators consider these ratings when considering approval of a proposed transaction by an institution.

USA Patriot Act: In 2001, Congress enacted the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act) Act of 2001 (Patriot Act). The Patriot Act is designed to deny terrorists and criminals the ability to obtain access to the United States’ financial system and has significant implications for depository institutions, brokers, dealers, and other businesses involved in the transfer of money. The Patriot Act mandates financial services companies to implement additional policies and procedures with respect to additional measures designed to address any or all of the following matters: money laundering, terrorist financing, identifying and reporting suspicious activities and currency transactions, and currency crimes.

Employees

As of June 30, 2017, the Bank employed 110 full-time and 19 part-time employees. None of the employees are represented by a collective bargaining group. Management considers its relations with employees to be good.

Statistical Disclosure

The following statistical information is included on the indicated pages of this Report:

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Maturities And Weighted-Average Yield Of Securities	13
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Non-accrual, Past Due And Restructured Loans And Other Nonperforming Assets	15
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Available Information

The Corporation files annual, quarterly, and current reports, proxy statements, and other information with the SEC. These filings are available to the public over the Internet at the SEC's web site at www.sec.gov. Shareholders may also read and copy any document that the Corporation files at the SEC's public reference room located at 100 F Street, NE, Washington, DC 20549. Shareholders may call the SEC at 1-800-SEC-0330 for further information on the public reference room.

Shareholders may request a copy of any of the Corporation’s filings at no cost by writing or e-mailing the Corporation at the following address or e-mail address: Consumers Bancorp, Inc., Attn: Theresa J. Linder, 614 East Lincoln Way, Minerva, Ohio 44657 or e-mail to *shareholderrelations@consumersbank.com*.

The Corporation’s Code of Ethics Policy, which is applicable to all directors, officers and employees of the Corporation, and its Code of Ethics for Principal Financial Officers, which is applicable to the principal executive officer and the principal financial officer, are each available on the Investor Relations section under Corporate Governance of the Corporation’s website (www.consumersbank.com). Copies of either of the Code of Ethics Policies are also available in print to shareholders upon request, addressed to the Corporate Secretary at Consumers Bancorp, Inc., 614 East Lincoln Way, Minerva, Ohio 44657. The Corporation intends to post amendments to or waivers from either of its Code of Ethics on its website.

ITEM 1A—RISK FACTORS

Not applicable for Smaller Reporting Companies.

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 2—PROPERTIES

The Bank operates thirteen full service banking facilities and two loan production offices (LPO) as noted below:

Location	Address	Owned	Leased
Minerva	614 E. Lincoln Way, P.O. Box 256, Minerva, Ohio, 44657	X	
Salem	141 S. Ellsworth Avenue, P.O. Box 798, Salem, Ohio, 44460	X	
Waynesburg	8607 Waynesburg Drive SE, P.O. Box 746, Waynesburg, Ohio, 44688	X	
Hanoverton	30034 Canal Street, P.O. Box 178, Hanoverton, Ohio, 44423	X	
Carrollton	1017 Canton Road NW, Carrollton, Ohio, 44615		X
Alliance	610 West State Street, Alliance, Ohio, 44601		X

Lisbon	7985 Dickey Drive, Lisbon, Ohio 44432	X	
Louisville	1111 N. Chapel Street, Louisville, Ohio 44641	X	
East Canton	440 W. Noble, East Canton, Ohio, 44730	X	
Malvern	4070 Alliance Road, Malvern, Ohio 44644		X
Hartville	1215 W. Maple Street, Hartville, OH 44632	X	
Jackson-Belden	4026 Dressler Road NW, Canton, Ohio 44718	X	
Bergholz	256 2 nd Street, Bergholz, OH 43908		X
Stow LPO	3885 Darrow Road, Stow, Ohio 44224		X
Wooster LPO	146 East Liberty Street, Wooster, Ohio 44691		X

The Bank considers its physical properties to be in good operating condition and suitable for the purposes for which they are being used. In management's opinion, all properties owned and operated by the Bank are adequately insured.

ITEM 3—LEGAL PROCEEDINGS

The Corporation is not a party to any pending material legal or administrative proceedings, other than ordinary routine litigation incidental to the business of the Corporation. Further, there are no material legal proceedings in which any director, executive officer, principal shareholder or affiliate of the Corporation is a party or has a material interest that is adverse to the Corporation. No routine litigation in which the Corporation is involved is expected to have a material adverse impact on the financial position or results of operations of the Corporation.

ITEM 4—MINE SAFETY DISCLOSURES

None.

PART II**ITEM 5—MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The Corporation had 2,724,956 common shares outstanding on June 30, 2017 with 748 shareholders of record and an estimated 446 additional beneficial holders whose stock was held in nominee name. Attention is directed to Item 12 in this Form 10-K for information regarding the Corporation’s equity incentive plans, which information is incorporated herein by reference.

The common shares of Consumers Bancorp, Inc. are traded on the over-the-counter bulletin board. The following quoted market prices reflect inter-dealer prices, without adjustments for retail markups, markdowns, or commissions and may not represent actual transactions. The market prices represent highs and lows reported during the quarterly period.

<u>Quarter Ended</u>	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
High	\$ 16.65	\$ 17.25	\$18.75	\$19.37
Low	15.46	15.30	15.85	17.75
Cash dividends paid per share	0.12	0.12	0.12	0.12

<u>Quarter Ended</u>	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016
High	\$ 18.25	\$ 18.50	\$18.45	\$17.25
Low	17.15	17.27	16.10	15.67
Cash dividends paid per share	0.12	0.12	0.12	0.12

Management does not have knowledge of the prices paid in all transactions and has not verified the accuracy of those prices that have been reported. Because of the lack of an established market for the Corporation’s common shares, these prices may not reflect the prices at which the common shares would trade in an active market.

The Corporation’s management is currently committed to continuing to pay regular cash dividends; however, there can be no assurance as to future dividends because they are dependent on the Corporation’s future earnings, capital requirements and financial condition. The Corporation’s principal source of funds for dividend payment is dividends

received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. See Note 1 and Note 10 to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operation for dividend restrictions.

There were no repurchases of the Corporation's securities during the 2017 fiscal year.

ITEM 6—SELECTED FINANCIAL DATA

Not applicable for Smaller Reporting Companies.

ITEM 7—MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in thousands, except per share data)

General

The following is management’s analysis of the Corporation’s financial condition and results of operations as of and for the years ended June 30, 2017 and 2016. This discussion is designed to provide a more comprehensive review of the operating results and financial position than could be obtained from an examination of the financial statements alone. This analysis should be read in conjunction with the consolidated financial statements and related footnotes and the selected financial data included elsewhere in this report.

Overview

Consumers Bancorp, Inc., a bank holding company incorporated under the laws of the State of Ohio, owns all of the issued and outstanding capital stock of Consumers National Bank, a bank chartered under the laws of the United States of America. The Corporation’s activities have been limited primarily to holding the common stock of the Bank. The Bank’s business involves attracting deposits from businesses and individual customers and using such deposits to originate commercial, mortgage and consumer loans in its market area, consisting primarily of Carroll, Columbiana, Jefferson, Stark, Summit, Wayne and contiguous counties in Ohio. The Bank also invests in securities consisting primarily of U.S. government-sponsored entities, municipal obligations, mortgage-backed and collateralized mortgage obligations issued by Fannie Mae, Freddie Mac and Ginnie Mae.

Comparison of Results of Operations for the Years Ended June 30, 2017 and June 30, 2016

Net Income. Net income was \$2,994 for fiscal year 2017 compared with \$2,147 for fiscal year 2016. The following key factors summarize our results of operations for the year ended June 30, 2017 compared with the same prior year period:

loan loss provision expense in fiscal year 2017 declined by \$902 and totaled \$596 in 2017 compared with \$1,498 in 2016;

net interest income increased by \$754, or 5.5%, in fiscal year 2017, primarily as a result of an increase in average loans receivable;

total other income increased by \$262, or 8.8% in fiscal year 2017; and total other expenses increased by \$709, or 5.6% in fiscal year 2017.

Return on average equity and return on average assets were 6.89% and 0.67%, respectively, for the 2017 fiscal year-to-date period compared with 5.00% and 0.51%, respectively, for the same period last year.

Net Interest Income. Net interest income, the difference between interest income earned on interest-earning assets and interest expense incurred on interest-bearing liabilities, is the largest component of the Corporation's earnings. Net interest income is affected by changes in the volumes, rates and composition of interest-earning assets and interest-bearing liabilities. Net interest margin is calculated by dividing net interest income on a fully tax equivalent basis (FTE) by total interest-earning assets. FTE income includes tax-exempt income, restated to a pre-tax equivalent, based on the statutory federal income tax rate. All average balances are daily average balances. Non-accruing loans are included in average loan balances.

<u>Net Interest Income Year ended June 30,</u>	2017	2016
Net interest income	\$ 14,459	\$ 13,705
Taxable equivalent adjustments to net interest	769	738
Net interest income, fully taxable equivalent	\$ 15,228	\$ 14,443
Net interest margin	3.51 %	3.49 %
Taxable equivalent adjustment	0.18	0.20
Net interest margin, fully taxable equivalent	3.69 %	3.69 %

FTE net interest income for the 2017 fiscal year was \$15,228, an increase of \$785 or 5.4%, from \$14,443 in the 2016 fiscal year. The Corporation's tax equivalent net interest margin for the years ended June 30, 2017 and 2016 was 3.69%. FTE interest income for the 2017 fiscal year was \$16,336, an increase of \$991, or 6.5%, from \$15,345 in the 2016 fiscal year. Growth of \$26,818, or 11.1%, in average loans receivable positively impacted interest income as well as an increase in the yield on average interest-earning assets. Interest expense for the 2017 fiscal year was \$1,108, an increase of \$206, or 22.8%, from \$902 in the 2016 fiscal year. This was mainly the result of a \$15,241, or 5.5%, growth in total interest bearing liabilities and the result of an increase in short-term rates impacting the rates paid on savings, short-term borrowings and time deposits. The Corporation offers an interest-bearing demand checking account product that pays a higher rate of interest to customers who meet certain qualifications, with one of the main qualifications being the frequent use of a debit card. As a result, the average rate paid on the interest-bearing demand checking account product was 0.15% and 0.14% for the 2017 and 2016 fiscal years, respectively.

For the 2017 fiscal year, net charge-offs were \$1,076, or 0.40% of average total loans compared with \$364, or 0.14% of average total loans, for the same period last year. Net charge-offs for the 2017 fiscal year were primarily within the commercial real estate portfolio and included a partial charge-off of \$700 for one credit for which a specific valuation allowance was reserved for in the 2016 fiscal year. The Bank is currently pursuing all legal avenues against the borrowers and expects it may result in a recovery of a portion of the loss in future periods. The allowance for loan losses as a percentage of loans was 1.13% at June 30, 2017 and 1.39% at June 30, 2016.

Non-performing loans were \$1,187 as of June 30, 2017 and represented 0.44% of total loans. This compared with \$6,034, or 2.35% of total loans, at June 30, 2016. Non-performing loans declined from June 30, 2016 primarily as a result of the full payoff of one loan relationship with a recorded investment of \$2,516 and the receipt of proceeds from the liquidation of collateral and the partial charge-off from another credit that totaled \$1,820. Non-performing loans have been considered in management's analysis of the appropriateness of the allowance for loan losses. Management and the Board of Directors closely monitor these loans and believe the prospect for recovery of principal, less identified specific reserves, are favorable.

Other Income. Total other income increased by \$262, or 8.8%, to \$3,250 for the 2017 fiscal year.

Debit card interchange income increased by \$213, or 22.5% in 2017 to \$1,161; however, debit card processing expenses increased by \$173 over the same period.

Gain on sale of mortgage loans increased by \$72, or 38.7%, from the same period last year primarily as a result of an increase in volume.

Bank owned life insurance income increased by \$53, or 27.5%, from the same period last year primarily as a result of the earnings on the investment of \$2,000 in additional insurance policies.

Other Expenses. Total other expenses were \$13,478 for the year ended June 30, 2017; an increase of \$709, or 5.6%, from \$12,769 for the year ended June 30, 2016.

Salaries and employee benefit expenses increased \$203, or 2.9%, during the fiscal year ended June 30, 2017 mainly due to normal merit increases that went into effect on October 1, 2016.

Occupancy and equipment expenses increased by \$276, or 17.1%, during the fiscal year ended June 30, 2017 primarily as a result of an increase in building-related expenses associated with the new main branch office and corporate facility in Minerva, Ohio that was completed during the third fiscal quarter of 2016.

Professional and director fees increased by \$161, to \$608 during the 2017 fiscal year from the same period last year primarily as a result of an increase legal and consulting fees.

Loan and collection expenses decreased by \$42, to \$155 during the 2017 fiscal year from the same period last year primarily as a result of the resolution of two large credits that were classified as non-performing loans.

Income Tax Expense. The provision for income taxes totaled \$641 and \$279 for the years ended June 30, 2017 and 2016, respectively. The effective tax rates were 17.6% and 11.5%, respectively. The effective tax rate differed from the federal statutory rate principally as a result of tax-exempt income from obligations of states and political subdivisions, loans and earnings on bank owned life insurance.

Financial Condition

Total assets at June 30, 2017 were \$457,883 compared to \$430,390 at June 30, 2016, an increase of \$27,493, or 6.4%. The growth in total assets was mainly attributed to an increase of \$16,589, or 6.5%, in total loans and an increase of \$8,717, or 6.5%, in available-for-sale securities. This growth was funded by an increase of \$27,823, or 8.0%, in total deposits.

Securities. Total securities increased by \$9,482 to \$146,345 at June 30, 2017, of which \$142,086 were classified as available-for-sale and \$4,259 were classified as held-to-maturity. The securities portfolio is mainly comprised of residential mortgage-backed securities and collateralized mortgage obligations issued by Fannie Mae, Freddie Mac and Ginnie Mae, state and political subdivisions and obligations of government-sponsored enterprises.

		Gains	Losses		
June 30, 2016					
Obligations of state and political subdivisions	\$ 3,494	\$ 125	\$	—	\$3,619
Total held-to-maturity securities	\$ 3,494	\$ 125	\$	—	\$3,619

The weighted average interest rates are based on coupon rates for securities purchased at par value and on effective yields considering amortization or accretion if the securities were purchased at a premium or discount. The weighted average yield on tax-exempt obligations has been calculated on a tax equivalent basis. Average yields are based on amortized cost balances. The effective yield on the pooled trust preferred security was 25.04% due to the other-than-temporary impairment charges taken in prior years which reduced the amortized cost along with principal and interest payments being received during the 2017 fiscal year.

At June 30, 2017, there were no holdings of securities of any one issuer, other than the U.S. government-sponsored entities and agencies, with an aggregate book value which exceeds 10% of shareholders' equity.

Foreign Outstandings—there were no foreign outstandings during the periods presented. There are no concentrations of loans greater than 10% of total loans, which are not otherwise disclosed as a category of loans.

Allowance for Loan Losses. The allowance for loan losses balance and the provision charged to expense are judgmentally determined by management based upon a periodic review of the loan portfolio, an analysis of impaired loans, past loan loss experience, current economic conditions, collateral value assumptions for collateral-dependent loans and various other circumstances which are subject to change over time. Probable incurred losses are estimated by stratifying the total loan portfolio into pools of homogenous loans by ownership, collateral type and loan purpose and applying the Bank's two-year historical loss ratio, increased for more recent trends in loss experience, to each loan pool. Also, the local unemployment rate is monitored and additional reserves are applied to all loans that are not assigned a specific reserve if there is an increase in the local unemployment rate. Specific reserves are determined by management's review of delinquent loans, impaired loans, non-accrual loans, loans classified as substandard, watch list loans, loans to industries experiencing economic difficulties and other selected large loans. The collectability of these loans is evaluated after considering the current financial position of the borrower, the estimated market value of the collateral, guarantees and the Corporation's collateral position versus other creditors. Judgments, which are necessarily subjective, as to the probability of loss and the amount of such loss, are formed on these loans, as well as other loans in the aggregate.

Failure to receive principal and interest payments when due on any loan results in efforts to restore such loan to a current status. Loans are classified as non-accrual when, in the opinion of management, full collection of principal and accrued interest is not expected. The loans must be brought and kept current for six sustained payments before being considered for removal from non-accrual status. Commercial and commercial real estate loans are classified as impaired if management determines that full collection of principal and interest, in accordance with the terms of the loan documents, is not probable. If a loan is impaired, a portion of the allowance is allocated so the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected from the collateral. Loans are evaluated for impairment when payments are delayed, typically 90 days or more, or when it is probable that not all principal and interest amounts will be collected according to the original terms of the loan. As of June 30, 2017, impaired loans totaled \$2,234, of which \$1,152 are included in non-accrual loans. Continued unsuccessful collection efforts generally lead to initiation of foreclosure or other legal proceedings.

Total recoveries	72	31
Net charge offs	1,076	364
Provision for loan losses charged to operations	596	1,498
Allowance for loan losses at end of year	\$3,086	\$3,566

	Amount	Rate	Amount	Rate
Non-interest bearing demand deposit	\$ 103,017	—	\$ 95,469	—
Interest bearing demand deposit	49,832	0.15 %	47,643	0.14 %
Savings	141,279	0.13	136,442	0.09
Certificates and other time deposits	66,761	0.79	65,225	0.75
Total	\$ 360,889	0.22 %	\$ 344,779	0.20 %

The following table summarizes time deposits issued in amounts of \$100 thousand or more as of June 30, 2017 by time remaining until maturity:

Maturing in:	
Under 3 months	\$ 2,457
Over 3 to 6 months	7,206
Over 6 to 12 months	7,844
Over 12 months	10,489
Total	\$ 27,966

See Note 6—Short-Term Borrowings to the Consolidated Financial Statements, for information concerning short-term borrowings.

Capital Resources

Total shareholders' equity decreased by \$258 from \$43,793 at June 30, 2016 to \$43,535 at June 30, 2017. The decrease was primarily the result of a net reduction of \$1,944 in accumulated other comprehensive income from a decline in unrealized gains on the mark-to-market of available-for-sale securities and cash dividends paid of \$1,308. These decreases were partially offset by net income of \$2,994 for the current fiscal year.

deposit interest rates continued to remain low during the 2017 fiscal year. Compared to our peers, the Corporation's core deposits consist of a larger percentage of non-interest bearing demand deposits resulting in the cost of funds remaining at a low level of 0.38%.

Jumbo time deposits (those with balances of \$250 thousand and over) were \$14,252 and \$14,176 at June 30, 2017 and 2016, respectively. These deposits are monitored closely by the Bank and typically priced on an individual basis. When these deposits are from a municipality, certain bank-owned securities are pledged to guarantee the safety of these public fund deposits as required by Ohio law. The Corporation has the option to use a fee paid broker to obtain deposits from outside its normal service area as an additional source of funding. However, these deposits are not relied upon as a primary source of funding. The Bank had no brokered deposits at June 30, 2017.

Dividends from the Bank are the primary source of funds for payment of dividends to our shareholders. However, there are statutory limits on the amount of dividends the Bank can pay without regulatory approval. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. Additionally, the Bank may not declare or pay any dividend if, after making the dividend, the Bank would be "undercapitalized," as defined in the federal regulations. As of June 30, 2017 the Bank could, without prior approval, declare a dividend of approximately \$3,612.

Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in accordance with U.S. generally accepted accounting principles, which require the measurement of financial position and results of operations primarily in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all of the assets and liabilities of the Corporation are monetary in nature. Therefore, as a financial institution, interest rates have a more significant impact on the Corporation's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. The liquidity, maturity structure and quality of the Corporation's assets and liabilities are critical to the maintenance of acceptable performance levels.

the nature, extent, and timing of government and regulatory actions.

The risks and uncertainties identified above are not the only risks we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial also may adversely affect us. Should any known or unknown risks and uncertainties develop into actual events, those developments could have material adverse effects on our business, financial condition and results of operations.

ITEM 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable for Smaller Reporting Companies.

Cleveland, Ohio

September 21, 2017

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Total shareholders' equity	43,535	43,793
Total liabilities and shareholders' equity	\$457,883	\$430,390

See accompanying notes to consolidated financial statements.

Income tax expense	641	279
Net income	\$2,994	\$2,147
Basic and diluted earnings per share	\$1.10	\$0.79

See accompanying notes to consolidated financial statements.

Dividends paid	(1,308)	(1,310)
Net cash flows from financing activities	26,411	22,674
Decrease in cash and cash equivalents	(269)	(363)
Cash and cash equivalents, beginning of year	10,181	10,544
Cash and cash equivalents, end of year	\$9,912	\$10,181

See accompanying notes to consolidated financial statements.

loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received on loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when the customer has exhibited the ability to repay and demonstrated this ability over at least a consecutive six-month period and future payments are reasonably assured.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when funded.

Concentrations of Credit Risk: The Bank grants consumer, real estate and commercial loans primarily to borrowers in Carroll, Columbiana, Jefferson, Stark, Summit and Wayne counties. Therefore, the Corporation's exposure to credit risk is significantly affected by changes in the economy in these counties. Automobiles and other consumer assets, business assets and residential and commercial real estate secure most loans.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. 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. Management estimates the allowance balance required based on past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

Long-term Assets: Premises, equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Repurchase Agreements: Substantially all repurchase agreement liabilities, which are classified as short-term borrowings, represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

Retirement Plans: The Bank maintains a 401(k) savings and retirement plan covering all eligible employees and matching contributions are expensed as made. Salary continuation plan expense allocates the benefits over years of service.

Income Taxes: The Corporation files a consolidated federal income tax return. Income tax expense is the sum of the current-year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. The Corporation applies a more likely than not recognition threshold for all tax uncertainties in accordance with U.S. generally accepted accounting principles. A tax position is recognized as a benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit greater than 50% likely of being realized on examination. The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense.

Recently Issued Accounting Pronouncements Not Yet Effective: In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU creates a new topic, Topic 606, to provide guidance on revenue recognition for entities that enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additional disclosures are required to provide quantitative and qualitative information regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new guidance is effective for annual reporting periods, and interim reporting periods within those annual periods, beginning after December 15, 2017. The adoption of ASU 2014-09 as it relates to non-interest income, such as service charges and debit card interchange income, is not expected to have a material effect on the Corporation's financial statements.

In June 2016, FASB Issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU adds a new Topic 326 to the Codification and removes the thresholds that companies apply to measure credit losses on financial instruments measured at amortized cost, such as loans, receivables, and held-to-maturity debt securities. Under current U.S. GAAP, companies generally recognize credit losses when it is probable that the loss has been incurred. The revised guidance will remove all current loss recognition thresholds and will require companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the corporation expects to collect over the instrument's contractual life. ASU 2016-13 also amends the credit loss measurement guidance for available-for-sale debt securities and beneficial interests in securitized financial assets. The guidance in ASU 2016-13 is effective for "public business entities," as defined, that are SEC filers for fiscal years and for interim periods with those fiscal years beginning after December 15, 2019. Early adoption of the guidance is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Management is currently evaluating the impact of the adoption of this guidance on the Corporation's consolidated financial statements, and are in the midst of gathering critical data to evaluate the impact. However, it is too early to estimate the impact.

In March 2017, FASB issued ASU 2017-08, *Receivables-Nonrefundable Fees and Oher Costs: Premium Amortization on Purchased Callable Debt Securities*. The ASU amends the guidance related to amortization for certain callable debt securities held at a premium, requiring the premium to be amortized to the earliest call date. The adoption of ASU 2017-08 will not have a material impact on the Corporation's financial statements.

Major classifications of loans were as follows as of June 30:

	2017	2016
Commercial	\$46,380	\$43,207
Commercial real estate:		
Construction	5,604	7,783
Other	158,225	153,097
1 – 4 Family residential real estate:		
Owner occupied	41,411	31,012
Non-owner occupied	14,415	14,471
Construction	1,988	1,256
Consumer	5,138	5,812
Subtotal	273,161	256,638
Less: Deferred loan fees and costs	(294)	(360)
Allowance for loan losses	(3,086)	(3,566)
Net loans	\$269,781	\$252,712

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Loans collectively evaluated for impairment	42,219	155,734	46,166	5,816	249,935
Total ending loans balance	\$ 43,248	\$ 160,839	\$ 46,924	\$ 5,816	\$256,827

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Owner occupied	175	174	—	357	2	2
Non-owner occupied	722	407	—	435	—	—
With an allowance recorded:						
Commercial real estate:						
Other	2,802	2,615	868	1,103	8	8
1-4 Family residential real estate:						
Owner occupied	177	177	6	149	—	—
Non-owner occupied	—	—	—	115	—	—
Total	\$ 7,416	\$ 6,892	\$ 874	\$ 4,650	\$ 10	\$ 10

1-4 Family residential:

Owner occupied	13	—	74	87	41,605	41,692	
Non-owner occupied	—	—	—	—	14,416	14,416	
Construction	—	—	—	—	1,996	1,996	
Consumer	22	—	—	22	5,122	5,144	
Total	\$35	\$	—	\$ 239	\$274	\$273,174	\$273,448

The above table of past due loans includes the recorded investment in non-accrual loans of \$239 in the 90 days or greater category and \$948 in the loans not past due category.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Credit Quality Indicators:

The Corporation categorizes 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, public information, and current economic trends, among other factors. The Corporation analyzes loans individually by classifying the loans as to credit risk. This analysis includes loans with a total outstanding loan relationship greater than \$100 and non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed on a monthly basis. The Corporation uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass rated loans. Loans listed as not rated are either less than \$100 or are included in groups of homogeneous loans. These loans are evaluated based on delinquency status, which was discussed previously.

As of June 30, 2017, and based on the most recent analysis performed, the recorded investment by risk category of loans by class of loans is as follows:

	Pass	Special Mention	Substandard	Doubtful	Not Rated
Commercial	\$44,435	\$ 907	\$ 642	\$ —	\$453

2021	25
Total	\$222

Rent expense incurred was \$158 and \$159 during the years ended June 30, 2017 and 2016, respectively.

NOTE 5—DEPOSITS

The aggregate amount of time deposits, each with a minimum denomination of \$250 was \$14,252 and \$14,176 as of June 30, 2017 and 2016, respectively.

Scheduled maturities of time deposits at June 30, 2017 were as follows:

<u>Twelve Months Ending June 30</u>	
2018	\$34,935
2019	17,962
2020	5,948
2021	3,789
2022	3,172
Thereafter	705
	\$66,511

Related party deposits totaled \$4,828 as of June 30, 2017 and \$5,386 as of June 30, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6—SHORT-TERM BORROWINGS

Short-term borrowings consisted of repurchase agreements and federal fund purchased. Securities sold under agreements to repurchase are utilized to facilitate the needs of our customers. Physical control is maintained for all securities pledged to secure repurchase agreements. Information concerning all short-term borrowings at June 30, 2017 and 2016, maturing in less than one year is summarized as follows:

	2017		2016	
Balance at June 30	\$23,986		\$19,129	
Average balance during the year	21,053		21,196	
Maximum month-end balance	28,073		25,759	
Average interest rate during the year	0.43	%	0.18	%
Weighted average rate, June 30	0.82	%	0.20	%

Securities available-for-sale pledged for repurchase agreements as of June 30, 2017 and 2016 are presented in the following table.

	Overnight and Continuous	
	2017	2016
U.S. government-sponsored entities and agencies pledged	\$2,015	\$2,066
Residential mortgage-backed securities pledged	20,923	16,864
Collateralized mortgage obligations pledged	2,355	1,510
Total pledged	\$25,293	\$20,440
Repurchase agreements	\$23,986	\$19,129

Total interest expense on short-term borrowings was \$90 and \$39 for the years ended June 30, 2017 and 2016, respectively.

NOTE 7—FEDERAL HOME LOAN BANK ADVANCES

A summary of Federal Home Loan Bank (FHLB) advances were as follows:

Advance Type	June 30, 2017				June 30, 2016		
	Stated Interest Rate		Weighted Average		Weighted Average		
	Range From	To	Amount	Rate	Amount	Rate	
Fixed-rate, amortizing	4.30%	4.30%	\$120	4.30	% \$181	4.30	%
Fixed-rate	0.43	3.24	12,200	1.47	17,100	1.45	

Each fixed rate advance has a prepayment penalty equal to the present value of 100% of the lost cash flow based upon the difference between the contract rate on the advance and the current rate on a comparable new advance. The following table is a summary of the scheduled principal payments for all advances:

<u>Twelve Months Ending June 30</u>	<u>Principal Payments</u>
2018	\$ 570
2019	2,050
2020	1,500
2021	1,500
2022	1,700
Thereafter	5,000
Total	\$ 12,320

Pursuant to collateral agreements with the FHLB, advances are secured by all the stock invested in the FHLB and certain qualifying first mortgage and multi-family loans. The advances were collateralized by \$49,023 of first mortgage and multi-family loans and \$28,085 of first mortgage loans under a blanket lien arrangement at June 30, 2017 and 2016, respectively. Based on this collateral and the Corporation's holdings of FHLB stock, the Bank was eligible to borrow up to a total of \$14,325 in additional advances at June 30, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8—EMPLOYEE BENEFIT PLANS

The Bank maintains a 401(k) savings and retirement plan that permits eligible employees to make before- or after-tax contributions to the plan, subject to the dollar limits from Internal Revenue Service regulations. The Bank matches 100% of the employee's voluntary contributions to the plan based on the amount of each participant's contributions up to a maximum of 4% of eligible compensation. All regular full-time and part-time employees who complete six months of service and are at least 21 years of age are eligible to participate. Amounts charged to operations were \$190 and \$181, for the years ended June 30, 2017 and 2016, respectively.

The Bank maintains a nonqualified Salary Continuation Plan (SCP) to reward and encourage certain Bank executives to remain employees of the Bank. The SCP is considered an unfunded plan for tax and Employee Retirement Income Security Act (ERISA) purposes and all obligations arising under the SCP are payable from the general assets of the Corporation. The estimated present value of future benefits to be paid to certain current and former executives totaled \$2,152 as of June 30, 2017 and \$2,020 as of June 30, 2016 and is included in other liabilities. For purposes of calculating the present value of future benefits, the discount rate in effect at June 30, 2017 and 2016 was 4.5%. For the years ended June 30, 2017 and 2016, \$196 and \$191, respectively, have been charged to expense in connection with the SCP. Distributions to participants were \$64 for each of the years ending June 30, 2017 and 2016.

The 2010 Omnibus Incentive Plan (2010 Plan) is a nonqualified share based compensation plan. The 2010 Plan was established to promote alignment between key employee's performance and the Corporation's shareholder interests by motivating performance through the award of stock-based compensation. The 2010 Plan is intended to attract, retain and motivate talented employees and as a means to compensate outside directors for their service to the Corporation. The 2010 Plan has been approved by the Corporation's shareholders. The Compensation Committee of the Corporation's Board of Directors has sole authority to select the employees, establish the awards to be issued, and approve the terms and conditions of each award contract.

Under the 2010 Plan, the Corporation may grant, among other things, nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, or any combination thereof to any employee and outside director. Each award is evidenced by an award agreement that specifies the number of shares awarded, the vesting period, the performance requirements, and such other provisions as the Compensation Committee determines. Upon a change-in-control of the Corporation, as defined in the 2010 Plan, all outstanding awards immediately vest.

The Corporation has granted restricted stock awards to certain employees and directors. Restricted stock awards are issued at no cost to the recipient, and can be settled only in shares at the end of the vesting period. Over a four-year

period, a portion of these awards vest on each anniversary date of the award if certain specified net income performance targets as established by the Compensation Committee are achieved. Restricted stock awards provide the holder with full voting rights and dividends during the vesting period. Cash dividends are reinvested into shares of stock and are subject to the same restrictions and vesting as the initial award. All dividends are forfeitable in the event the shares do not vest. The fair value of the restricted stock awards, which is used to measure compensation expense, is the closing market price of the Corporation's common stock on the date of the grant and compensation expense is recognized over the vesting period of the awards. Restricted stock awarded during the period presented vest under a graduated schedule over a four-year period.

The following table summarizes the status of the restricted stock awards:

	Restricted Stock Awards	Weighted-Average Grant Date Fair Value Per Share
Outstanding at June 30, 2016	3,564	\$ 15.33
Expired	(2,135)	15.05
Non-vested at June 30, 2017	1,429	15.75

There was no expense recognized in the 2016 and 2017 fiscal years in connection with the restricted stock awards since grants scheduled to vest expired due to not meeting the performance targets. The 1,429 non-vested awards outstanding as of June 30, 2017 expired with the issuance of the Corporation's financial statements.

	2017	2016
Income taxes computed at the statutory rate on pretax income	\$1,236	\$825
Tax exempt income	(498)	(491)
Cash surrender value income	(83)	(65)
Tax credit	(25)	—
Other	11	10
	\$641	\$279

At June 30, 2017 and June 30, 2016, the Corporation had no unrecognized tax benefits recorded. The Corporation does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months. There were no interest or penalties recorded for the years ended June 30, 2017 and 2016 and there were no amounts accrued for interest and penalties at June 30, 2017 and 2016.

The Corporation and the Bank are subject to U.S. federal income tax as an income-based tax and a capital-based franchise tax in the state of Ohio. The Corporation and the Bank are no longer subject to examination by taxing authorities for years before 2013.

NOTE 10—REGULATORY MATTERS

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective-action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors and the regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the financial statements. Management believes as of June 30, 2017, the Bank has met all capital adequacy requirements to which it is subject.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, under-capitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required.

As of fiscal year-end 2017 and 2016, the Corporation met the definition of a small bank holding company and, therefore, was exempt from consolidated risk-based and leverage capital adequacy guidelines for bank holding companies. The Basel III Capital Rules became effective for the Bank on January 1, 2015 and certain provisions are subject to a phase-in period. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will be phased in over a four -year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019). The capital conservation buffer for 2017 is 1.250%. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets above the minimum but below the conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital.

The following table presents actual and required capital ratios as of June 30, 2017 and June 30, 2016 for the Bank.

	Actual		Minimum Capital Required For Capital Adequacy Purposes		Minimum Required To Be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2017						
Common equity Tier 1 to risk-weighted assets Bank	\$41.4	13.21 %	\$18.0	4.50 %	\$20.4	6.50 %
Tier 1 capital to risk weighted assets Bank	41.4	13.21	22.7	6.00	25.1	8.00
Total Capital to risk weighted assets Bank	44.5	14.20	29.0	8.00	31.4	10.00
Tier 1 capital to average assets Bank	41.4	9.06	18.3	4.00	22.9	5.00
	Actual		Minimum Capital		Minimum Required	

			Required - Basel III		To Be Considered Well		
	Amount		Ratio		Capitalized Amount		
					Ratio		
June 30, 2016							
Common equity Tier 1 to risk-weighted assets Bank	\$39.4	13.37%	\$15.1	4.50%	\$19.1	6.50%	
Tier 1 capital to risk weighted assets Bank	39.4	13.37	19.5	6.00	23.6	8.00	
Total Capital to risk weighted assets Bank	42.9	14.58	25.4	8.00	29.4	10.00	
Tier 1 capital to average assets Bank	39.4	9.25	17.0	4.00	21.3	5.00	

As of the latest regulatory examination, the Bank was categorized as well capitalized. There are no conditions or events since that examination that management believes may have changed the Bank's category.

The Corporation's principal source of funds for dividend payment is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. As of June 30, 2017 the Bank could, without prior approval, declare a dividend of approximately \$3,612.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11—COMMITMENTS WITH OFF-BALANCE SHEET RISK

The Bank is a party to commitments to extend credit in the normal course of business to meet the financing needs of its customers. Commitments are agreements to lend to customers providing there are no violations of any condition established in the contract. Commitments to extend credit have a fixed expiration date or other termination clause. These instruments involve elements of credit and interest rate risk more than the amount recognized in the statements of financial position. The Bank uses the same credit policies in making commitments to extend credit as it does for on-balance sheet instruments.

The Bank evaluates each customer's credit on a case by case basis. The amount of collateral obtained is based on management's credit evaluation of the customer. The amount of commitments to extend credit and the exposure to credit loss for non-performance by the customer was \$53,029 and \$46,696 as of June 30, 2017 and 2016, respectively. Of the June 30, 2017 commitments, \$41,167 carried variable rates and \$11,862 carried fixed rates of interest ranging from 2.45% to 6.50% with maturity dates from July 2017 to June 2048. Of the June 30, 2016 commitments, \$44,228 carried variable rates and \$2,468 carried fixed rates of interest ranging from 3.10% to 5.99%. Financial standby letters of credit were \$713 as of June 30, 2017 and \$1,032 as of June 30, 2016. In addition, commitments to extend credit of \$8,121 and \$7,829 as of June 30, 2017 and 2016, respectively, were available to checking account customers related to the overdraft protection program. Since some loan commitments expire without being used, the amount does not necessarily represent future cash commitments.

NOTE 12—FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other 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.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Financial assets and financial liabilities measured at fair value on a recurring basis include the following:

Securities available-for-sale: When available, the fair values of available-for-sale securities are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). For securities where quoted market prices are not available, fair values are calculated based on market prices of similar securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other unobservable inputs (Level 3 inputs).

Assets and liabilities measured at fair value on a recurring basis are summarized below, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

					Fair Value		
					Measurements at		
					June 30, 2017		
					Using		
		Balance					
at		at		Level	Level 2	Level	
		June 30,		1		3	
		2017					
Assets:							
Securities available-for-sale:							
Obligations of government-sponsored entities	\$12,587	\$—	\$12,587	\$	—	\$	—
Obligations of states and political subdivisions	57,460	—	57,460	—	—	—	—
Mortgage-backed securities - residential	63,838	—	63,838	—	—	—	—
Mortgage-backed securities - commercial	1,458	—	1,458	—	—	—	—
Collateralized mortgage obligations	6,211	—	6,211	—	—	—	—
Pooled trust preferred security	532	—	532	—	—	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Fair Value Measurements at			
	June 30, 2016 Using			
Balance at June 30, 2016	Level 1	Level 2	Level 3	
Securities available-for-sale:				
Obligations of government-sponsored entities	\$10,044	\$—	\$10,044	\$ —
Obligations of states and political subdivisions	55,954	—	55,954	—
Mortgage-backed securities - residential	59,596	—	59,596	—
Mortgage-backed securities - commercial	1,526	—	1,526	—
Collateralized mortgage obligations	5,820	—	5,820	—
Pooled trust preferred security	429	—	429	—

There were no transfers between Level 1 and Level 2 during the 2016 or the 2017 fiscal year.

Certain financial assets and financial liabilities are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. Financial assets and financial liabilities measured at fair value on a non-recurring basis include the following:

Impaired Loans: At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive specific allocations of the allowance for loan losses or are charged down to their fair value. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Real estate owned properties are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Financial assets and financial liabilities measured at fair value on a non-recurring basis are summarized below:

		Fair Value Measurements at		
		June 30, 2017		
	Balance at	Using		
	June 30, 2017	Level 1	Level 2	Level 3
Impaired loans:				
Commercial Real Estate - Other	\$ 130	\$ —	\$ —	\$ 130
Other Real Estate Owned:				
1-4 Family residential real estate	71	\$ —	\$ —	71

		Fair Value Measurements at		
		June 30, 2016		
	Balance at	Using		
	June 30, 2016	Level 1	Level 2	Level 3
Impaired loans:				
Commercial Real Estate - Other	\$ 1,206	\$ —	\$ —	\$ 1,206
1-4 Family residential real estate – Non-owner occupied	197	—	—	197

Impaired loans, measured for impairment using the fair value of the collateral, had a recorded investment of \$130, with no valuation allowance at June 30, 2017. The resulting impact to the provision for loan losses was an increase of \$314 being recorded for the year ended June 30, 2017. Collateral dependent impaired loans had a recorded investment of \$2,150, with a valuation allowance of \$747 at June 30, 2016. The resulting impact to the provision for loan losses was an increase of \$1,010 being recorded for the year ended June 30, 2016.

Other real estate owned which is measured at the lower of carrying or fair value less costs to sell, had a net carrying amount of \$71, which was made up of the outstanding balance of \$103, net of a valuation allowance of \$32 at June 30, 2017, resulting in a provision for other real estate owned losses of \$32 for the year ended June 30, 2017. There were no other real estate owned being carried at fair value as of June 30, 2016.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at June 30, 2017:

	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Impaired loans:					
Commercial Real Estate – Other	\$ 130	Bid Indication	N/A	0.0 %	0.0 %
Other Real Estate Owned:					
1-4 Family residential real estate	\$ 71	Bid Indication	N/A	0.0 %	0.0 %

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at June 30, 2016:

	Fair Value	Valuation Technique	Unobservable Inputs	Range	Weighted Average
Impaired loans:					
Commercial Real Estate – Other	\$ 459	Settlement Contract	N/A	0.0 %	0.0 %
Commercial Real Estate – Other	\$ 127	Bid Indications	N/A	0.0 %	0.0 %
Commercial Real Estate – Other	\$ 620	Bid Indications	N/A	0.0 %	0.0 %
1-4 Family residential real estate – Non-owner occupied	\$ 197	Bid Indications	N/A	0.0 %	0.0 %

The following table shows the estimated fair values of financial instruments that are reported at amortized cost in the Corporation’s consolidated balance sheets, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

2017	Estimated Fair Value	2016	Estimated Fair Value
Carrying Amount		Carrying Amount	

Financial Assets:

Level 1 inputs:

Cash and cash equivalents	\$9,912	\$9,912	\$10,181	\$10,181
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Level 2 inputs:

Certificates of deposits in other financial institutions	3,921	3,927	5,906	5,906
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Loans held for sale	1,252	1,286	1,048	1,067
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Accrued interest receivable	1,212	1,212	1,077	1,077
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Level 3 inputs:

Securities held-to-maturity	4,259	4,329	3,494	3,619
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Loans, net	269,781	266,041	252,712	253,155
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Financial Liabilities:

Level 2 inputs:

Demand and savings deposits	307,960	307,960	281,640	281,640
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Time deposits	66,511	66,535	65,008	65,111
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Short-term borrowings	23,986	23,986	19,129	19,129
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Federal Home Loan Bank advances	12,320	12,054	17,281	17,486
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Accrued interest payable	40	40	40	40
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The assumptions used to estimate fair value are described as follows:

Cash and cash equivalents: The carrying value of cash, deposits in other financial institutions and federal funds sold were considered to approximate fair value resulting in a Level 1 classification.

Certificates of deposits in other financial institutions: Fair value of certificates of deposits in other financial institutions was estimated using current rates for deposits of similar remaining maturities resulting in a Level 2 classification.

Accrued interest receivable and payable, demand and savings deposits and short-term borrowings: The carrying value of accrued interest receivable and payable, demand and savings deposits and short-term borrowings were considered to approximate fair value due to their short-term duration resulting in a Level 2 classification.

Loans held for sale: The fair value of loans held for sale is estimated based upon binding contracts and quotes from third party investors resulting in a Level 2 classification.

Loans: Fair value for loans was estimated for portfolios of loans with similar financial characteristics. For adjustable rate loans that reprice at least annually and for fixed rate commercial loans with maturities of six months or less which possess normal risk characteristics, carrying value was determined to be fair value. Fair value of other types of loans (including adjustable rate loans which reprice less frequently than annually and fixed rate term loans or loans which possess higher risk characteristics) was estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for similar anticipated maturities resulting in a Level 3 classification. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Securities held-to-maturity: The held-to-maturity securities are general obligation and revenue bonds issued by local municipalities. The fair value of these securities are calculated using a spread to the applicable municipal fair market curve resulting in a Level 3 classification.

Time deposits: Fair value of fixed-maturity certificates of deposit was estimated using the rates offered at June 30, 2017 and 2016, for deposits of similar remaining maturities, resulting in Level 2 classification. Estimated fair value does not include the benefit that result from low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market.

Federal Home Loan Bank advances: Fair value of Federal Home Loan Bank advances was estimated using current rates at June 30, 2017 and 2016 for similar financing resulting in a Level 2 classification.

Federal bank and other restricted stocks, at cost: Federal bank and other restricted stocks include stock acquired for regulatory purposes, such as Federal Home Loan Bank stock and Federal Reserve Bank stock that are accounted for at cost due to restrictions placed on their transferability; and therefore, are not subject to the fair value disclosure requirements.

Off-balance sheet commitments: The Corporation's lending commitments have variable interest rates and "escape" clauses if the customer's credit quality deteriorates. Therefore, the fair values of these items are not significant and are not included in the above table.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13—PARENT COMPANY FINANCIAL STATEMENTS

Condensed financial information of Consumers Bancorp. Inc. (parent company only) follows:

	June 30, 2017	June 30, 2016
Condensed Balance Sheets		
Assets		
Cash	\$36	\$46
Securities, available-for-sale	1,651	2,050
Other assets	61	50
Investment in subsidiary	41,843	41,708
Total assets	\$43,591	\$43,854
Liabilities		
Other liabilities	\$56	\$61
Shareholders' equity	43,535	43,793
Total liabilities & shareholders' equity	\$43,591	\$43,854

	Year Ended June 30, 2017	Year Ended June 30, 2016
Condensed Statements of Income and Comprehensive Income		
Cash dividends from Bank subsidiary	\$ 1,065	\$ 1,425
Other income	51	46
Other expense	213	206
Income before income taxes and equity in undistributed net income of subsidiary	903	1,265
Income tax benefit	(53)	(50)
Income before equity in undistributed net income of Bank subsidiary	956	1,315
Equity in undistributed net income of subsidiary	2,038	832
Net income	\$ 2,994	\$ 2,147
Comprehensive income	\$ 1,050	\$ 3,637

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Statements of Cash Flows	Year Ended June 30, 2017	Year Ended June 30, 2016
Cash flows from operating activities		
Net income	\$2,994	\$2,147
Equity in undistributed net income of Bank subsidiary	(2,038)	(832)
Securities amortization and accretion, net	(10)	(11)
Gain on sale of securities	(11)	—
Change in other assets and liabilities	6	(2)
Net cash flows from operating activities	941	1,302
Cash flows from investing activities		
Proceeds from the sale of available-for-sale securities	357	—
Net cash flows from investing activities	357	—
Cash flows from financing activities		
Dividend paid	(1,308)	(1,310)
Net cash flows from financing activities	(1,308)	(1,310)
Change in cash and cash equivalents	(10)	(8)
Beginning cash and cash equivalents	46	54
Ending cash and cash equivalents	\$36	\$46

Note 14 – EARNINGS PER SHARE

Basic earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period and is equal to net income divided by the weighted average number of shares outstanding during the period. Diluted earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares that may be issued upon the vesting of restricted stock awards. The following table details the calculation of basic and diluted earnings per share:

	For the year Ended June 30, 2017		2016
Basic:			
Net income available to common shareholders	\$2,994	\$2,147	
Weighted average common shares outstanding	2,724,293	2,725,276	
Basic income per share	\$1.10	\$0.79	

Diluted:

Net income available to common shareholders	\$2,994	\$2,147
Weighted average common shares outstanding	2,724,293	2,725,276
Dilutive effect of restricted stock	32	103
Total common shares and dilutive potential common shares	2,724,325	2,725,379
Dilutive income per share	\$1.10	\$0.79

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income related to unrealized gains and losses on available-for-sale securities for the periods ended June 30, 2017 and June 30, 2016, were as follows:

	Pretax	Tax Effect	<u>After-tax</u>	Affected Line Item in Consolidated Statements of Income
Balance as of June 30, 2015	\$1,363	\$(464)	\$899	
Unrealized holding loss on available-for-sale securities arising during the period	2,460	(837)	1,623	
Amounts reclassified from accumulated other comprehensive income	(202)	69	(133)	(a)(b)
Net current period other comprehensive gain	2,258	(768)	1,490	
Balance as of June 30, 2016	3,621	(1,232)	2,389	
Unrealized holding gain on available-for-sale securities arising during the period	(2,737)	931	(1,806)	
Amounts reclassified from accumulated other comprehensive income	(209)	71	(138)	(a)(b)
Net current period other comprehensive loss	(2,946)	1,002	(1,944)	
Balance as of June 30, 2017	\$675	\$(230)	\$445	

(a) Securities gain, net

(b) Income tax expense

ITEM 9—CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A—CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

With the participation of the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the Corporation's disclosure controls and procedures (as defined under Rule 13a-15(e) of the Securities Exchange Act of 1934) was performed, as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

The management of Consumers Bancorp, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2017 based on the criteria for effective internal control over financial reporting established in "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in 2013. Based on that assessment, we have concluded that, as of June 30, 2017, our internal control over financial reporting is effective based on those criteria.

This annual report does not include an attestation report of the Corporation's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Corporation's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that

permit the Corporation to provide only management's report in this annual report.

Changes In Internal Control Over Financial Reporting

There were no changes in the Corporation's internal controls over financial reporting that occurred during the fourth quarter of fiscal year 2017 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

ITEM 9B—OTHER INFORMATION

None.

PART III

ITEM 10—DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is set forth in the Corporation's Proxy Statement dated September 21, 2017 under the captions "Election of Directors," "Directors and Executive Officers," "The Board of Directors and its Committees," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Certain Transactions and Relationships and Legal Proceedings," and is incorporated herein by reference.

The Corporation's Code of Ethics Policy, which is applicable to all directors, officers and employees of the Corporation, and its Code of Ethics for Principal Financial Officers, which is applicable to the principal executive officer and the principal financial officer, are each available on the Investor Relations section under Corporate Governance of the Corporation's website (www.consumersbank.com). Copies of either of the Code of Ethics Policies are also available in print to shareholders upon request, addressed to the Corporate Secretary at Consumers Bancorp, Inc., 614 East Lincoln Way, Minerva, Ohio 44657. The Corporation intends to post amendments to or waivers from either of its Code of Ethics on its website.

ITEM 11—EXECUTIVE COMPENSATION

The information required by this item is set forth in the Corporation's Proxy Statement dated September 21, 2017 under the captions "Director Compensation," "Executive Compensation," "Defined Contribution Plan," "Outstanding Equity Awards at Fiscal Year-End," and "Salary Continuation Program," and is incorporated herein by reference.

ITEM 12—SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Equity Compensation Plan Information

The following table sets forth information about common stock authorized for issuance, segregated between stock-based compensation plans approved by shareholders and stock-based compensation plans not approved by shareholders, as of June 30, 2017. Additional information regarding stock-based compensation plans is presented in Note 8 - Employee Benefit Plans to the Consolidated Financial Statements located elsewhere in this report.

<u>Plan Category</u>	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining
			available for future issuance under equity compensation plans (excluding securities issuable under options, warrants and rights)⁽¹⁾
Plans approved by shareholders	—	—	97,880
Plans not approved by shareholders	—	—	—
Total	—	—	97,880

⁽¹⁾Securities remaining available for future issuance excludes 1,429 shares of restricted stock that will expire on September 21, 2017 with the issuance of the Corporation's financial statements.

The remaining information required by this item is set forth in the Corporation's Proxy Statement dated September 21, 2017 under the caption "Security Ownership of Certain Beneficial Owners and Management," and is incorporated herein by reference.

ITEM 13—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is set forth in the Corporation's Proxy Statement dated September 21, 2017 under the caption "Certain Transactions and Relationships and Legal Proceedings," and is incorporated herein by reference.

ITEM 14—PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is set forth in the Corporation's Proxy Statement dated September 21, 2017 under the caption "Principal Accounting Fees and Services," and is incorporated herein by reference.

PART IV

ITEM 15—EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

(1) The report of independent registered accounting firm and the consolidated financial statements appearing in Item 8.

(2) Financial statement schedules are omitted as they are not required or are not applicable, or the required information is included in the financial statements.

(3) The exhibits required by this item are listed in the Exhibit Index of this Form 10-K.

(b) The exhibits to this Form 10-K begin on page 56 of this report.

(c) See Item 15(a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONSUMERS BANCORP, INC.

Date: September 21, 2017 By: /s/ Ralph J. Lober, II

President and Chief Executive Officer

(principal executive officer)

By: /s/ Renee K. Wood
Chief Financial Officer and Treasurer

(principal financial officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on September 21, 2017.

Signatures

Signatures

/s/ Laurie L. McClellan

Laurie L. McClellan

Chairman of the Board of Directors

/s/ Ralph J. Lober, II

Ralph J. Lober, II

President, Chief Executive Officer and Director

(principal executive officer)

/s/ Renee K. Wood

Renee K. Wood

Chief Financial Officer and Treasurer

(principal financial officer)

/s/ John P. Furey

John P. Furey

Director

/s/ Bradley Goris
Bradley Goris

Director

/s/ James V. Hanna
James V. Hanna

Director

/s/ David W. Johnson
David W. Johnson

Director

/s/ Richard T. Kiko, Jr.
Richard T. Kiko, Jr.

Director

/s/ Thomas M. Kishman
Thomas M. Kishman

Director

/s/ Phillip R. Mueller
Phillip R. Mueller

Director

/s/ Frank L. Paden
Frank L. Paden

Director

/s/ Harry W. Schmuck, Jr.
Harry W. Schmuck, Jr.

Director

EXHIBIT INDEX

Exhibit Number	Description of Document
3.1	<u>Amended and Restated Articles of Incorporation of the Corporation. Reference is made to Form 10-K (File No. 033-79130) of the Corporation filed September 22, 2010, which is incorporated herein by reference.</u>
3.2	<u>Amended and Restated Code of Regulations of the Corporation. Reference is made to Form 10-K (File No. 033-79130) of the Corporation filed September 15, 2008, which is incorporated herein by reference.</u>
4	<u>Form of Certificate of Common Shares. Reference is made to Form 10-KSB (File No. 033-79130) of the Corporation filed September 30, 2002, which is incorporated herein by reference.</u>
10.1	<u>Amendment No. 3, October 3, 2016 to the Salary Continuation agreement entered into with Mr. Lober on February 11, 2011. Reference is made to Form 10-Q of the Corporation filed February 14, 2017, which is incorporated herein by reference.</u>
10.2	<u>Salary Continuation agreement entered into with Mr. Dodds on November 4, 2016. Reference is made to Form 8-K of the Corporation filed November 9, 2016, which is incorporated herein by reference.</u>
10.3	<u>Lease Agreement entered into between Furey Holdings, LLC and Consumers National Bank on December 23, 2005. Reference is made to Form 10-Q (File No. 033-79130) of the Corporation filed February 14, 2006, which is incorporated herein by reference.</u>
10.6	<u>2011 Amendment and Restatement of Salary Continuation agreement entered into with Mr. Lober on February 11, 2011. Reference is made to Form 10-Q (File No. 033-79130) of the Corporation filed February 11, 2011, which is incorporated herein by reference.</u>
10.8	<u>Consumers Bancorp 2010 Omnibus Incentive Plan Form of Restricted Stock Award Agreement. Reference is made to Form 8-K (File No. 033-79130) of the Corporation filed September 16, 2011, which is incorporated herein by reference.</u>
10.9	<u>Salary Continuation Agreement with Ms. Wood on December 30, 2015. Reference is made to Form 8-K of the Corporation filed on December 30, 2015, which is incorporated herein by reference.</u>
11	<u>Computation of Earnings per Share. Reference is made to this Annual Report on Form 10-K Note 14 to the Consolidated Financial Statements, which is incorporated herein by reference.</u>
21	<u>Subsidiaries of Consumers Bancorp, Inc. Filed with this Annual Report on Form 10-K.</u>
23	<u>Consent of Crowe Horwath LLP</u>
31.1	

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer and Treasurer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following material from Consumers Bancorp, Inc.'s Form 10-K Report for the year ended June 30, 2017, formatted in XBRL (Extensible Business Reporting Language) includes: (1) Consolidated Balance Sheets, (2) Consolidated Statements of Income, (3) Consolidated Statements of Comprehensive Income, (4) Consolidated Statement of Changes in Shareholders' Equity, (5) Consolidated Statements of Cash Flows, and (6) the Notes to Consolidated Financial Statements.

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