

CONSUMERS BANCORP INC /OH/
Form 10-Q
February 14, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2018

Commission File No. 033-79130

CONSUMERS BANCORP, INC.

(Exact name of registrant as specified in its charter)

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

614 East Lincoln Way, P.O. Box 256, Minerva, Ohio 44657
(Address of principal executive offices) (Zip
Code)

(330) 868-7701

(Registrant's telephone number)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer 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 Exchange Act). Yes
No

There were 2,733,845 shares of Registrant’s common stock, no par value, outstanding as of February 12, 2019.

CONSUMERS BANCORP, INC.

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QUARTER ENDED December 31, 2018

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PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

CONSUMERS BANCORP, INC.

CONSOLIDATED BALANCE SHEETS (Unaudited)

	December 31, 2018	June 30, 2018
(Dollars in thousands, except per share data)		
ASSETS		
Cash on hand and noninterest-bearing deposits in financial institutions	\$9,579	\$7,615
Federal funds sold and interest-bearing deposits in financial institutions	170	157
Total cash and cash equivalents	9,749	7,772
Certificates of deposit in other financial institutions	2,473	2,973
Securities, available-for-sale	143,833	144,028
Securities, held-to-maturity (fair value of \$3,852 at December 31, 2018 and \$4,048 at June 30, 2018)	3,824	4,024
Federal bank and other restricted stocks, at cost	1,459	1,459
Loans held for sale	1,068	1,448
Total loans	333,562	318,509
Less allowance for loan losses	(3,569)	(3,422)
Net loans	329,993	315,087
Cash surrender value of life insurance	9,472	9,335
Premises and equipment, net	13,473	13,315
Accrued interest receivable and other assets	2,611	3,178
Total assets	\$517,955	\$502,619
LIABILITIES		
Deposits		
Noninterest-bearing demand	\$111,888	\$107,919
Interest bearing demand	83,197	81,299
Savings	155,208	162,204
Time	92,237	78,541
Total deposits	442,530	429,963
Short-term borrowings		
Federal Home Loan Bank advances	3,777	13,367
Accrued interest and other liabilities	20,922	11,756
Total liabilities	3,830	3,772
Commitments and contingent liabilities	471,059	458,858

SHAREHOLDERS' EQUITY

Preferred stock (no par value, 350,000 shares authorized, none outstanding)	—	—
Common stock (no par value, 3,500,000 shares authorized; 2,854,133 shares issued as of December 31, 2018 and June 30, 2018)	14,628	14,630
Retained earnings	35,154	32,342
Treasury stock, at cost (120,288 and 124,489 common shares as of December 31, 2018 and June 30, 2018, respectively)	(1,515)	(1,576)
Accumulated other comprehensive loss	(1,371)	(1,635)
Total shareholders' equity	46,896	43,761
Total liabilities and shareholders' equity	\$ 517,955	\$ 502,619

See accompanying notes to consolidated financial statements

CONSUMERS BANCORP, INC.**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

	Three Months ended		Six Months ended	
(Dollars in thousands, except per share amounts)	December 31, 2018	2017	December 31, 2018	2017
Interest and dividend income				
Loans, including fees	\$4,059	\$3,437	\$8,008	\$6,665
Securities, taxable	549	441	1,075	931
Securities, tax-exempt	399	367	774	734
Federal bank and other restricted stocks	22	18	44	39
Federal funds sold and other interest bearing deposits	34	28	57	65
Total interest and dividend income	5,063	4,291	9,958	8,434
Interest expense				
Deposits	618	253	1,132	501
Short-term borrowings	14	57	28	112
Federal Home Loan Bank advances	57	54	125	108
Total interest expense	689	364	1,285	721
Net interest income	4,374	3,927	8,673	7,713
Provision for loan losses	(775)	60	(660)	150
Net interest income after provision for loan losses	5,149	3,867	9,333	7,563
Noninterest income				
Service charges on deposit accounts	321	301	637	609
Debit card interchange income	369	325	727	648
Bank owned life insurance income	68	68	137	136
Securities gains (losses), net	(27)	—	560	38
Other	213	145	378	280
Total noninterest income	944	839	2,439	1,711
Noninterest expenses				
Salaries and employee benefits	2,099	1,966	4,074	3,776
Occupancy and equipment	515	465	1,003	920
Data processing expenses	157	147	307	295
Debit card processing expenses	189	188	383	368
Professional and director fees	171	122	341	239
FDIC assessments	38	46	76	92
Franchise taxes	88	84	177	168
Marketing and advertising	131	61	235	139
Telephone and network communications	64	75	136	157
Other	428	406	832	799

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Total noninterest expenses	3,880	3,560	7,564	6,953
Income before income taxes	2,213	1,146	4,208	2,321
Income tax expense	364	489	686	735
Net income	\$1,849	\$657	\$3,522	\$1,586
Basic and diluted earnings per share	\$0.68	\$0.24	\$1.29	\$0.58

See accompanying notes to consolidated financial statements

CONSUMERS BANCORP, INC.**Consolidated statements of comprehensive income****(Unaudited)**

(Dollars in thousands)

	Three Months ended		Six Months ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Net income	\$1,849	\$657	\$3,522	\$1,586
Other comprehensive income (loss), net of tax:				
Net change in unrealized gains (losses) on securities available-for-sale:				
Unrealized gains (losses) arising during the period	1,787	(631)	894	(527)
Reclassification adjustment for (gains) losses included in income	27	—	(560)	(38)
Net unrealized gains (losses)	1,814	(631)	334	(565)
Income tax effect	(382)	215	(70)	193
Other comprehensive income (loss)	1,432	(416)	264	(372)
Total comprehensive income	\$3,281	\$241	\$3,786	\$1,214

See accompanying notes to consolidated financial statements.

CONSUMERS BANCORP, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****(Unaudited)**

(Dollars in thousands, except per share data)

	Three Months ended		Six Months ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Balance at beginning of period	\$43,970	\$44,271	\$43,761	\$43,535
Net income	1,849	657	3,522	1,586
Other comprehensive income (loss)	1,432	(416)	264	(372)
4,201 and 6,321 shares issued associated with stock awards during the six months ended December 31, 2018 and 2017, respectively	—	—	61	90
204 Dividend reinvestment plan shares associated with forfeited and expired restricted stock awards retired to treasury stock during the six months ended December 31, 2017	—	—	(2)	—
Common cash dividends	(355)	(341)	(710)	(668)
Balance at the end of the period	\$46,896	\$44,171	\$46,896	\$44,171
Common cash dividends per share	\$0.13	\$0.125	\$0.26	\$0.245

See accompanying notes to consolidated financial statements.

CONSUMERS BANCORP, INC.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	Six Months Ended	
(Dollars in thousands)	December 31, 2018	2017
Cash flows from operating activities		
Net cash from operating activities	\$4,043	\$3,484
Cash flow from investing activities		
Securities available-for-sale		
Purchases	(13,979)	(5,101)
Maturities, calls and principal pay downs	9,746	8,848
Proceeds from sales	4,898	1,586
Securities held-to-maturity		
Principal pay downs	200	198
Net decrease in certificate of deposit in other financial institutions	500	—
Net increase in loans	(14,321)	(20,967)
Acquisition of premises and equipment	(543)	(129)
Sale of other real estate owned	—	71
Net cash from investing activities	(13,499)	(15,494)
Cash flow from financing activities		
Net increase in deposit accounts	12,567	8,518
Net change in short-term borrowings	(9,590)	(1,479)
Proceeds from Federal Home Loan Bank advances	9,200	5,400
Repayments of Federal Home Loan Bank advances	(34)	(532)
Dividends paid	(710)	(668)
Net cash from financing activities	11,433	11,239
Increase (decrease) in cash or cash equivalents	1,977	(771)
Cash and cash equivalents, beginning of period	7,772	9,912
Cash and cash equivalents, end of period	\$9,749	\$9,141
Supplemental disclosure of cash flow information:		
Cash paid during the period:		
Interest	\$1,261	\$709
Federal income taxes	395	405
Non-cash items:		
Transfer from loans to other real estate owned	—	57

Transfer from loans held for sale to portfolio	75	172
Issuance of treasury stock for stock awards	59	90
Expired and forfeited dividend reinvestment plan shares associated with restricted stock awards that were retired to treasury stock	—	4

See accompanying notes to consolidated financial statements.

CONSUMERS BANCORP, INC.

Notes to the Consolidated Financial Statements

(Unaudited)

(Dollars in thousands, except per share amounts)

Note 1 – Summary of Significant Accounting Policies:

Nature of Operations: Consumers Bancorp, Inc. (the Corporation) is a bank holding company headquartered in Minerva, Ohio that provides, through its banking subsidiary, Consumers National Bank (the Bank), a broad array of products and services throughout its primary market area of Carroll, Columbiana, Jefferson, Stark, Summit, Wayne and contiguous counties in 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 primary market area.

Basis of Presentation: The consolidated financial statements for interim periods are unaudited and reflect all adjustments (consisting of only normal recurring adjustments), which, in the opinion of management, are necessary to present fairly the financial position and results of operations and cash flows for the periods presented. The unaudited financial statements are presented in accordance with the requirements of Form 10-Q and do *not* include all disclosures normally required by accounting principles generally accepted in the United States of America. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Corporation's Form 10-K for the year ended *June 30, 2018*. The results of operations for the interim period disclosed herein are *not* necessarily indicative of the results that *may* be expected for a full year.

The consolidated financial statements include the accounts of the Corporation and the Bank. All significant inter-company transactions and accounts have been eliminated in consolidation.

Segment Information: The Corporation is a bank holding company engaged in the business of commercial and retail banking, which accounts for substantially all the revenues, operating income, and assets. Accordingly, all its operations are recorded in *one* segment, banking.

Reclassifications: Certain items in prior financial statements have been reclassified to conform to the current presentation. Any reclassifications had *no* impact on prior year net income or shareholders' equity.

Recently Issued Accounting Pronouncements Not Yet Effective: 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. generally accepted accounting principles, 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 in the guidance, that are SEC filers for fiscal years and for interim periods within 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 is in the midst of gathering critical data to evaluate the impact. However, it is too early to estimate the impact.

In *February 2016*, FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU will require all organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. Additional qualitative and quantitative disclosures will be required so that users can understand more about the nature of an entity's leasing activities. The new guidance is effective for annual reporting periods, and interim reporting periods within those annual periods, beginning after *December 15, 2018*. Early adoption is permitted. The Corporation has several lease agreements, such as branch locations, which are currently considered operating leases, and therefore, *not* recognized on the Corporation's consolidated condensed statements of financial condition. The Corporation expects the new guidance to require these lease agreements to now be recognized on the consolidated condensed statements of financial condition as a right-of-use asset and a corresponding lease liability. Therefore, the Corporation's preliminary evaluation indicates the provisions of ASU *No. 2016-02* are expected to impact the Corporation's consolidated condensed statements of financial condition, along with our regulatory capital ratios. The definition of a lease and the cash flows required to be evaluated will change. The Corporation continues to evaluate the extent of the potential impact the new guidance will have on the Corporation's consolidated financial statements. At *December 31, 2018*, the Corporation had contractual operating lease commitments of approximately \$500, before considering renewal options that are generally present.

CONSUMERS BANCORP, INC.**Notes to the Consolidated Financial Statements****(Unaudited) (continued)**

(Dollars in thousands, except per share amounts)

Note 2 – Securities

<u>Available –for-Sale</u>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2018				
Obligations of U.S. government-sponsored entities and agencies	\$ 18,431	\$ 58	\$ (241)	) \$18,248
Obligations of state and political subdivisions	57,619	427	(544)	) 57,502
U.S. Government-sponsored mortgage-backed securities–residential	61,239	75	(1,392)	) 59,922
U.S. Government-sponsored mortgage-backed securities–commercial	1,418	—	(12)	) 1,406
U.S. Government-sponsored collateralized mortgage obligations–residential	6,861	44	(150)	) 6,755
Total available-for-sale securities	\$ 145,568	\$ 604	\$ (2,339)	) \$143,833

<u>Held-to-Maturity</u>	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
December 31, 2018				
Obligations of state and political subdivisions	\$ 3,824	\$ 28	\$ —	\$3,852
Total held-to-maturity securities	\$ 3,824	\$ 28	\$ —	\$3,852

<u>Available–for-Sale</u>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2018				
Obligations of U.S. government-sponsored entities and agencies	\$ 16,488	\$ 6	\$ (372)	) \$16,122
Obligations of state and political subdivisions	56,964	339	(713)	) 56,590
	65,062	6	(1,660)	) 63,408

U.S. Government-sponsored mortgage-backed securities – residential				
U.S. Government-sponsored mortgage-backed securities – commercial	1,432	—	(17)	) 1,415
U.S. Government-sponsored collateralized mortgage obligations - residential	5,973	9	(216)	) 5,766
Pooled trust preferred security	178	549	—	727
Total available-for-sale securities	\$ 146,097	\$ 909	\$ (2,978)	) \$144,028

Held-to-Maturity

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
June 30, 2018				
Obligations of state and political subdivisions	\$ 4,024	\$ 24	\$ —	\$4,048
Total held-to-maturity securities	\$ 4,024	\$ 24	\$ —	\$4,048

CONSUMERS BANCORP, INC.**Notes to the Consolidated Financial Statements****(Unaudited) (continued)**

(Dollars in thousands, except per share amounts)

Proceeds from the sale of available-for-sale securities were as follows:

	Three Months Ended		Six Months Ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Proceeds from sales	\$2,325	\$ —	\$4,898	\$1,586
Gross realized gains	1	—	594	39
Gross realized losses	28	—	34	1

The income tax benefit related to net realized losses amounted to \$6 for the *three* months ended *December 31, 2018*. The income tax provision related to the net realized gains amounted to \$118 and \$13 for the *six-month* periods ended *December 31, 2018* and *2017*, respectively.

The amortized cost and fair values of debt securities at *December 31, 2018*, by expected maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers *may* have the right to call or prepay obligations with or without call or prepayment penalties. Securities *not* due at a single maturity date, primarily mortgage-backed securities are shown separately.

	Amortized Cost	Estimated Fair Value
<u>Available-for-Sale</u>		
Due in one year or less	\$ 620	\$623
Due after one year through five years	22,265	22,225
Due after five years through ten years	26,715	26,644
Due after ten years	26,450	26,258
Total	76,050	75,750

U.S. Government-sponsored mortgage-backed and related securities	69,518	68,083
Total available-for-sale securities	\$ 145,568	\$ 143,833

Held-to-Maturity

Due after five years through ten years	489	497
Due after ten years	3,335	3,355
Total held-to-maturity securities	\$ 3,824	\$ 3,852

The following table summarizes the securities with unrealized losses at *December 31, 2018* and *June 30, 2018*, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

<u>Available-for-sale</u>	Less than 12 Months		12 Months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2018						
Obligations of US government-sponsored entities and agencies	\$3,485	\$ (18)	\$9,658	\$ (223)	\$13,143	\$ (241)
Obligations of states and political subdivisions	14,081	(105)	16,076	(439)	30,157	(544)
Mortgage-backed securities – residential	13,348	(72)	40,944	(1,320)	54,292	(1,392)
Mortgage-backed securities – commercial	—	—	1,406	(12)	1,406	(12)
Collateralized mortgage obligations – residential	—	—	4,535	(150)	4,535	(150)
Total temporarily impaired	\$30,914	\$ (195)	\$72,619	\$ (2,144)	\$103,533	\$ (2,339)

CONSUMERS BANCORP, INC.

Notes to the Consolidated Financial Statements

(Unaudited) (continued)

(Dollars in thousands, except per share amounts)

<u>Available-for-sale</u>	Less than 12 Months		12 Months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
June 30, 2018						
Obligations of US government-sponsored entities and agencies	\$12,400	\$ (224)	\$2,747	\$ (148)	\$15,147	\$ (372)
Obligations of states and political subdivisions	26,775	(369)	7,975	(344)	34,750	(713)
Mortgage-backed securities – residential	31,038	(581)	29,716	(1,079)	60,754	(1,660)
Mortgage-backed securities – commercial	1,415	(17)	—	—	1,415	(17)
Collateralized mortgage obligation – residential	—	—	4,821	(216)	4,821	(216)
Total temporarily impaired	\$71,628	\$ (1,191)	\$45,259	\$ (1,787)	\$116,887	\$ (2,978)

Management evaluates securities for other-than-temporary impairment (OTTI) on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. The securities portfolio is evaluated for OTTI by segregating the portfolio into *two* general segments and applying the appropriate OTTI model. Investment securities are generally evaluated for OTTI under FASB ASC Topic 320, *Accounting for Certain Investments in Debt and Equity Securities*.

In determining OTTI under the ASC Topic 320 model, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity has the intent to sell the debt security or more likely than *not* will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

The unrealized losses within the securities portfolio as of *December 31, 2018* have *not* been recognized into income because the decline in fair value is *not* attributed to credit quality and management does *not* intend to sell, and it is *not* likely that management will be required to sell, the securities prior to their anticipated recovery. The decline in fair value within the securities portfolio is largely due to changes in interest rates and the fair value is expected to recover as the securities approach maturity. The mortgage-backed securities and collateralized mortgage obligations were

primarily issued by Fannie Mae, Freddie Mac and Ginnie Mae, institutions which the government has affirmed its commitment to support. The Corporation does *not* own any private label mortgage-backed securities.

CONSUMERS BANCORP, INC.**Notes to the Consolidated Financial Statements****(Unaudited) (continued)**

(Dollars in thousands, except per share amounts)

Note 3 – Loans

Major classifications of loans were as follows:

	December 31, 2018	June 30, 2018
Commercial	\$64,162	\$60,995
Commercial real estate:		
Construction	6,303	5,394
Other	189,635	183,383
1 – 4 Family residential real estate:		
Owner occupied	51,641	47,433
Non-owner occupied	14,613	15,516
Construction	2,426	1,171
Consumer	5,019	4,873
Subtotal	333,799	318,765
Net Deferred loan fees and costs	(237)	(256)
Allowance for loan losses	(3,569)	(3,422)
Net Loans	\$329,993	\$315,087

The following table presents the activity in the allowance for loan losses by portfolio segment for the *three* months ended *December 31, 2018*:

	Commercial Real	1-4 Family Residential Real
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	Commercial	Estate	Estate	Consumer	Total
Allowance for loan losses:					
Beginning balance	\$ 602	\$ 2,378	\$ 507	\$ 51	\$3,538
Provision for loan losses	20	(793)	(12)	10	(775)
Loans charged-off	—	(55)	—	(14)	(69)
Recoveries	—	867	1	7	875
Total ending allowance balance	\$ 622	\$ 2,397	\$ 496	\$ 54	\$3,569

The following table presents the activity in the allowance for loan losses by portfolio segment for the six months ended *December 31, 2018*:

	Commercial	Commercial Real Estate	1-4 Family Residential Real Estate	Consumer	Total
Allowance for loan losses:					
Beginning balance	\$ 586	\$ 2,277	\$ 499	\$ 60	\$3,422
Provision for loan losses	36	(693)	(7)	4	(660)
Loans charged-off	—	(55)	—	(21)	(76)
Recoveries	—	868	4	11	883
Total ending allowance balance	\$ 622	\$ 2,397	\$ 496	\$ 54	\$3,569

CONSUMERS BANCORP, INC.**Notes to the Consolidated Financial Statements****(Unaudited) (continued)**

(Dollars in thousands, except per share amounts)

The following table presents the activity in the allowance for loan losses by portfolio segment for the *three* months ended *December 31, 2017*:

	Commercial	Commercial Real Estate	1-4 Family Residential Real Estate	Consumer	Total
Allowance for loan losses:					
Beginning balance	\$ 572	\$ 2,081	\$ 473	\$ 68	\$3,194
Provision for loan losses	(17)	57	20	—	60
Loans charged-off	—	—	(33)	(5)	(38)
Recoveries	—	6	1	2	9
Total ending allowance balance	\$ 555	\$ 2,144	\$ 461	\$ 65	\$3,225

The following table presents the activity in the allowance for loan losses by portfolio segment for the *six* months ended *December 31, 2017*:

	Commercial	Commercial Real Estate	1-4 Family Residential Real Estate	Consumer	Total
Allowance for loan losses:					
Beginning balance	\$ 518	\$ 2,038	\$ 473	\$ 57	\$3,086
Provision for loan losses	35	82	20	13	150
Loans charged-off	—	—	(33)	(8)	(41)
Recoveries	2	24	1	3	30
Total ending allowance balance	\$ 555	\$ 2,144	\$ 461	\$ 65	\$3,225

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of *December 31, 2018*. Included in the recorded investment in loans is \$784 of accrued interest receivable.

	Commercial	Commercial Real Estate	1-4 Family Residential Real Estate	Consumer	Total
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	\$ —	\$ 7	\$ —	\$ —	\$ 7
Collectively evaluated for impairment	622	2,390	496	54	3,562
Total ending allowance balance	\$ 622	\$ 2,397	\$ 496	\$ 54	\$ 3,569
Recorded investment in loans:					
Loans individually evaluated for impairment	\$ 114	\$ 1,379	\$ 377	\$ —	\$ 1,870
Loans collectively evaluated for impairment	64,120	194,547	68,785	5,024	332,476
Total ending loans balance	\$ 64,234	\$ 195,926	\$ 69,162	\$ 5,024	\$ 334,346

CONSUMERS BANCORP, INC.**Notes to the Consolidated Financial Statements****(Unaudited) (continued)**

(Dollars in thousands, except per share amounts)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of *June 30, 2018*. Included in the recorded investment in loans is \$732 of accrued interest receivable.

	Commercial	Commercial Real Estate	1-4 Family Residential Real Estate	Consumer	Total
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	\$ —	\$ 29	\$ —	\$ —	\$ 29
Collectively evaluated for impairment	586	2,248	499	60	3,393
Total ending allowance balance	\$ 586	\$ 2,277	\$ 499	\$ 60	\$ 3,422
Recorded investment in loans:					
Loans individually evaluated for impairment	\$ 100	\$ 1,562	\$ 398	\$ —	\$ 2,060
Loans collectively evaluated for impairment	60,979	187,191	64,135	4,876	317,181
Total ending loans balance	\$ 61,079	\$ 188,753	\$ 64,533	\$ 4,876	\$ 319,241

The following table presents information related to unpaid principal balance, recorded investment and interest income associated with loans individually evaluated for impairment by class of loans as of *December 31, 2018* and for the *six* months ended *December 31, 2018*:

	As of December 31, 2018		Six Months ended December 31, 2018		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Interest Recorded Investment Recognized	Cash Basis Interest Recognized
With no related allowance recorded:					
Commercial	\$ 112	\$ 114	\$ —	\$ 92	\$ 3

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Commercial real estate:						
Other	1,340	1,153	—	1,255	19	19
1-4 Family residential real estate:						
Owner occupied	127	97	—	98	—	—
Non-owner occupied	304	280	—	287	—	—
With an allowance recorded:						
Commercial real estate:						
Other	225	226	7	229	7	7
Total	\$2,108	\$ 1,870	\$ 7	\$1,961	\$ 29	\$ 29

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CONSUMERS BANCORP, INC.

Notes to the Consolidated Financial Statements

(Unaudited) (continued)

(Dollars in thousands, except per share amounts)

The following table presents information related to average recorded investment and interest income associated with loans individually evaluated for impairment by class of loans for the *three* months ended *December 31, 2018*:

	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance recorded:			
Commercial	\$ 113	\$ 2	\$ 2
Commercial real estate:			
Other	1,140	8	8
1-4 Family residential real estate:			
Owner occupied	97	—	—
Non-owner occupied	283	—	—
With an allowance recorded:			
Commercial real estate:			
Other	227	4	4
Total	\$ 1,860	\$ 14	\$ 14

The following table presents information related to unpaid principal balance, recorded investment and interest income associated with loans individually evaluated for impairment by class of loans as of *June 30, 2018* and for the *six* months ended *December 31, 2017*:

	As of June 30, 2018		Six Months ended December 31, 2017		
	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Interest Recorded Investment	Cash Basis Interest Recognized
With no related allowance recorded:					
Commercial	\$ 100	\$ 100	\$ —	\$ 117	\$ 3
Commercial real estate:					
Other					

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Other	1,330	1,330	—	1,057	16	16
1-4 Family residential real estate:						
Owner occupied	101	101	—	80	—	—
Non-owner occupied	297	297	—	322	—	—
With an allowance recorded:						
Commercial real estate:						
Other	231	232	29	337	5	5
Total	\$2,059	\$ 2,060	\$ 29	\$1,913	\$ 24	\$ 24

CONSUMERS BANCORP, INC.**Notes to the Consolidated Financial Statements****(Unaudited) (continued)**

(Dollars in thousands, except per share amounts)

The following table presents information related to average recorded investment and interest income associated with loans individually evaluated for impairment by class of loans for the *three* months ended *December 31, 2017*:

	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance recorded:			
Commercial	\$ 120	\$ 1	\$ 1
Commercial real estate:			
Other	1,061	6	6
1-4 Family residential real estate:			
Owner occupied	318	—	—
Non-owner occupied	58	—	—
With an allowance recorded:			
Commercial real estate:			
Other	330	5	5
Total	\$ 1,887	\$ 12	\$ 12

The following table presents the recorded investment in non-accrual and loans past due over 90 days still on accrual by class of loans as of *December 31, 2018* and *June 30, 2018*:

	December 31, 2018		June 30, 2018	
	Loans Past Due Over 90 Days Still Non-accruing		Loans Past Due Over 90 Days Still Non-accruing	
Commercial real estate:				
Other	\$ 531	\$ —	\$ 702	\$ —

1 – 4 Family residential:

Owner occupied	88	—	90	—
Non-owner occupied	280	—	298	—
Total	\$ 899	\$ —	\$ 1,090	\$ —

Non-accrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans.

The following table presents the aging of the recorded investment in past due loans as of *December 31, 2018* by class of loans:

	Days Past Due			Total	Loans Not Past Due	Total
	30 - 59 Days	60 - 89 Days	90 Days or Greater			
Commercial	\$—	\$ —	\$ —	\$ —	\$64,234	\$64,234
Commercial real estate:						
Construction	—	—	—	—	6,281	6,281
Other						