

CONSUMERS BANCORP INC /OH/  
Form 10-Q  
May 14, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended March 31, 2012

Or

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

for the transition period from to

Commission File 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.05 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 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.

Large accelerated filer

Accelerated filer

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value Outstanding at May 7, 2012  
2,053,097 Common Shares



**CONSUMERS BANCORP, INC.**

**FORM 10-Q**

**QUARTER ENDED March 31, 2012**

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**PART 1 – FINANCIAL INFORMATION****Item 1 – Financial Statements (unaudited)****CONSUMERS BANCORP, INC.****CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except per share data)

	March 31, 2012	June 30, 2011
<b>ASSETS</b>		
Cash on hand and noninterest-bearing deposits in other banks	\$ 6,041	\$ 5,944
Interest-bearing deposits in other banks	14,336	7,884
Total cash and cash equivalents	20,377	13,828
Certificates of deposit in other financial institutions	3,430	4,900
Securities, available-for-sale	109,773	91,889
Federal bank and other restricted stocks, at cost	1,186	1,186
Total loans	184,075	177,551
Less allowance for loan losses	(2,214 )	(2,101 )
Net loans	181,861	175,450
Cash surrender value of life insurance	5,559	5,411
Premises and equipment, net	5,610	4,776
Intangible assets	—	89
Other real estate owned	—	76
Accrued interest receivable and other assets	1,977	2,535
Total assets	\$ 329,773	\$ 300,140
<b>LIABILITIES</b>		
Deposits		
Non-interest bearing demand	\$ 63,917	\$ 64,657
Interest bearing demand	34,047	14,829
Savings	97,791	79,816
Time	83,549	88,944
Total deposits	279,304	248,246
Short-term borrowings		
Federal Home Loan Bank advances	14,467	17,012
Accrued interest and other liabilities	6,477	7,535
Total liabilities	2,049	2,023
	302,297	274,816
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock (no par value, 350,000 shares authorized, none outstanding)	—	—
Common stock (no par value, 3,500,000 shares authorized; 2,183,493 and 2,180,315 shares issued as of March 31, 2012 and June 30, 2011, respectively)	5,156	5,114
Retained earnings	22,368	20,881

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Treasury stock, at cost (130,442 common shares)	(1,659 )	(1,659 )
Accumulated other comprehensive income	1,611	988
Total shareholders' equity	27,476	25,324
Total liabilities and shareholders' equity	\$ 329,773	\$ 300,140

See accompanying notes to consolidated financial statements

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

(Dollars in thousands, except per share amounts)	Three Months ended		Nine Months ended		
	March 31, 2012	2011	March 31, 2012	2011	
Interest income					
Loans, including fees	\$2,540	\$2,517	\$7,637	\$7,690	
Securities, taxable	445	391	1,400	1,189	
Securities, tax-exempt	267	227	761	658	
Federal funds sold and other interest bearing deposits	12	15	42	38	
Total interest income	3,264	3,150	9,840	9,575	
Interest expense					
Deposits	289	373	924	1,270	
Short-term borrowings	5	9	23	33	
Federal Home Loan Bank advances	51	60	180	195	
Total interest expense	345	442	1,127	1,498	
Net interest income	2,919	2,708	8,713	8,077	
Provision for loan losses	11	100	170	344	
Net interest income after provision for loan losses	2,908	2,608	8,543	7,733	
Non-interest income					
Service charges on deposit accounts	338	301	1,061	963	
Debit card interchange income	187	160	545	467	
Bank owned life insurance income	48	47	148	136	
Securities gains (losses), net	(37	) —	118	70	
Other-than-temporary loss					
Total impairment loss	—	(327	) —	(358	)
Loss recognized in other comprehensive income	—	177	—	158	
Net impairment loss recognized in earnings	—	(150	) —	(200	)
Gain (loss) on sale of other real estate owned	—	—	(53	) 2	
Other	49	44	135	152	
Total non-interest income	585	402	1,954	1,590	
Non-interest expenses					
Salaries and employee benefits	1,421	1,234	4,060	3,598	
Occupancy and equipment	268	263	784	774	
Data processing expenses	143	137	422	413	
Professional and director fees	80	80	271	265	
FDIC Assessments	48	77	147	233	
Franchise taxes	69	61	198	178	
Marketing and advertising	81	71	210	161	
Telephone and network communications	60	57	176	167	
Debit card processing expenses	97	84	284	252	
Amortization of intangible	8	40	89	121	
Other	336	315	1,032	999	
Total non-interest expenses	2,611	2,419	7,673	7,161	
Income before income taxes	882	591	2,824	2,162	



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Income tax expense	196	109	660	473
Net Income	\$686	\$482	\$2,164	\$1,689
Average common shares – basic	2,051,024	2,044,179	2,050,390	2,041,402
Average common shares – diluted	2,051,558	2,044,179	2,050,835	2,041,402
Basic and diluted earnings per share	\$0.33	\$0.24	\$1.06	\$0.83

See accompanying notes to consolidated financial statements

**CONSUMERS BANCORP, INC.**

## Consolidated statements of comprehensive income

**(Unaudited)**

(Dollars in thousands)

	Three Months ended March 31,		Nine Months ended March 31,	
	2012	2011	2012	2011
Net Income	\$ 686	\$ 482	\$ 2,164	\$ 1,689
Other comprehensive income (loss), net of tax:				
Net change in unrealized gains (losses):				
Other-than-temporarily impaired securities:				
Unrealized losses on other-than-temporarily impaired securities	—	(327 )	—	(358 )
Reclassification adjustment for losses included in income	—	150	—	200
Net unrealized gain	—	(177 )	—	(158 )
Income tax effect	—	60	—	54
	—	(117 )	—	(104 )
Available-for-sale securities:				
Unrealized gains (losses) arising during the period	199	346	1,062	(824 )
Reclassification adjustment for (gains) losses included in income	37	—	(118 )	(70 )
Net unrealized gain (losses)	236	346	944	(894 )
Income tax effect	80	118	321	(303 )
	156	228	623	(591 )
Other comprehensive income (loss)	156	111	623	(695 )
Total comprehensive income	\$ 842	\$ 593	\$ 2,787	\$ 994

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 March 31,		Nine Months ended March 31,	
	2012	2011	2012	2011
Balance at beginning of period	\$ 26,817	\$ 23,778	\$ 25,324	\$ 23,716
Comprehensive income				
Net Income	686	482	2,164	1,689
Other comprehensive income (loss)	156	111	623	(695 )
Total comprehensive income	842	593	2,787	994
Common stock issued for dividend reinvestment and stock purchase plan (3,178 shares for three and nine months in 2012 and 3,117 shares and 8,786 shares for the three and nine months in 2011, respectively)	42	38	42	106
Common cash dividends	(225 )	(205 )	(677 )	(612 )
Balance at the end of the period	\$ 27,476	\$ 24,204	\$ 27,476	\$ 24,204
Common cash dividends per share	\$ 0.11	\$ 0.10	\$ 0.33	\$ 0.30

See accompanying notes to consolidated financial statements.

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

(Dollars in thousands)	Nine Months Ended March 31,	
	2012	2011
Cash flows from operating activities		
Net cash from operating activities	\$3,735	\$3,037
Cash flow from investing activities		
Securities available-for-sale		
Purchases	(45,105)	(36,572)
Maturities, calls and principal pay downs	15,801	11,822
Proceeds from sales of available-for-sale securities	11,485	5,123
Net (increase) decrease in certificates of deposits in other financial institutions	1,470	(3,185 )
Net increase in loans	(6,581 )	(3,134 )
Purchase of Bank owned life insurance	—	(431 )
Acquisition of premises and equipment	(1,099 )	(1,172 )
Sale of other real estate owned	23	27
Net cash from investing activities	(24,006)	(27,522)
Cash flow from financing activities		
Net increase in deposit accounts	31,058	25,565
Net change in short-term borrowings	(2,545 )	1,131
Repayments of Federal Home Loan Bank advances	(1,058 )	(719 )
Proceeds from dividend reinvestment and stock purchase plan	42	106
Dividends paid	(677 )	(612 )
Net cash from financing activities	26,820	25,471
Increase in cash or cash equivalents	6,549	986
Cash and cash equivalents, beginning of period	13,828	13,806
Cash and cash equivalents, end of period	\$20,377	\$14,792
Supplemental disclosure of cash flow information:		
Cash paid during the period:		
Interest	\$1,142	\$1,525
Federal income taxes	475	680

See accompanying notes to consolidated financial statements.



**CONSUMERS BANCORP, INC.**

**Notes to the Consolidated Financial Statements**

**(Unaudited) (continued)**

(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 Stark, Columbiana, Carroll 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, 2011. 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:** Consumers Bancorp, Inc. is a bank holding company engaged in the business of commercial and retail banking, which accounts for substantially all of the revenues, operating income, and assets. Accordingly, all of its operations are recorded in one segment, banking.

**Reclassifications:** Certain items in prior financial statements have been reclassified to conform to the current presentation.

**Newly Issued Accounting Standards:** In May, 2011, the Financial Accounting Standards Board (FASB) issued an amendment to achieve common fair value measurement and disclosure requirements between U.S. and International accounting principles. Overall, the guidance is consistent with existing U.S. accounting principles; however, there are some amendments that change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The amendments in this guidance are effective for interim and annual reporting periods beginning after December 15, 2011. The effect of adopting this standard did not have a material effect on the Corporation's operating results or financial condition, but the additional disclosures are included in Note 4.

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

(Dollars in thousands, except per share amounts)

In June 2011, the FASB amended existing guidance and eliminated the option to present the components of other comprehensive income as part of the statement of changes in shareholders' equity. The amendment requires that comprehensive income be presented in either a single continuous statement or in two separate consecutive statements. The amendments in this guidance are effective as of the beginning of a fiscal reporting year, and interim periods within that year, that begins after December 15, 2011. Early adoption is permitted. The adoption of this amendment had no impact on the consolidated financial statements as the prior presentation of comprehensive income was in compliance with this amendment.

**Note 2 – Securities**

Description of Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2012				
U.S. government-sponsored entities and agencies	\$ 9,553	\$ 86	\$ —	\$9,639
Obligations of state and political subdivisions	32,821	1,479	(93 )	34,207
Mortgage-backed securities – residential	49,580	1,171	(18 )	50,733
Collateralized mortgage obligations	15,176	51	(97 )	15,130
Trust preferred security	202	—	(138 )	64
Total securities	\$ 107,332	\$ 2,787	\$ (346 )	\$ 109,773
June 30, 2011				
U.S. government-sponsored entities and agencies	\$ 16,185	\$ 98	\$ (23 )	\$ 16,260
Obligations of state and political subdivisions	24,725	584	(211 )	25,098
Mortgage-backed securities - residential	29,424	1,172	—	30,596
Collateralized mortgage obligations	19,856	74	(62 )	19,868
Trust preferred security	202	—	(135 )	67
Total securities	\$ 90,392	\$ 1,928	\$ (431 )	\$ 91,889



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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Proceeds from sales	\$ 4,153	\$ —	\$ 11,485	\$ 5,123
Gross realized gains	16	—	171	97
Gross realized losses	53	—	53	27

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

(Dollars in thousands, except per share amounts)

The amortized cost and fair values of available-for-sale securities at March 31, 2012, 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, collateralized mortgage obligations and the trust preferred security are shown separately.

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$4,517	\$ 4,542
Due after one year through five years	5,530	5,617
Due after five years through ten years	8,674	9,074
Due after ten years	23,653	24,613
Total	42,374	43,846
Mortgage-backed securities – residential	49,580	50,733
Collateralized mortgage obligations	15,176	15,130
Trust preferred security	202	64
Total	\$ 107,332	\$ 109,773

The following table summarizes the securities with unrealized losses at March 31, 2012 and June 30, 2011, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

Description of Securities	Less than 12 Months		12 Months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
March 31, 2012						
Obligations of states and political subdivisions	\$ 2,934	\$ (90 )	\$ 357	\$ (3 )	\$3,291	\$ (93 )
Mortgage-backed securities - residential	9,400	(18 )	—	—	9,400	(18 )
Collateralized mortgage obligations	11,462	(97 )	—	—	11,462	(97 )
Trust preferred security	—	—	64	(138 )	64	(138 )
Total temporarily impaired	\$ 23,796	\$ (205 )	\$ 421	\$ (141 )	\$24,217	\$ (346 )

Description of Securities	Less than 12 Months		12 Months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
June 30, 2011						
U.S. government-sponsored entities and agencies	\$ 3,088	\$ (23 )	\$ —	\$ —	\$3,088	\$ (23 )
Obligations of states and political subdivisions	3,656	(81 )	1,221	(130 )	4,877	(211 )
Collateralized mortgage obligations	9,665	(62 )	—	—	9,665	(62 )
Trust preferred security	—	—	67	(135 )	67	(135 )
Total temporarily impaired	\$ 16,409	\$ (166 )	\$ 1,288	\$ (265 )	\$17,697	\$ (431 )

**CONSUMERS BANCORP, INC.**

**Notes to the Consolidated Financial Statements**

**(Unaudited) (continued)**

(Dollars in thousands, except per share amounts)

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*. However, the trust preferred security is evaluated using the model outlined in FASB ASC Topic 325, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests that Continue to be Held by a Transfer in Securitized Financial Assets*.

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.

Unrealized losses on obligations of state and political subdivisions, residential mortgage-backed securities and collateralized mortgage obligations have not been recognized into income because the decline in fair value is not attributed to credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The fair value is expected to recover as the securities approach maturity.

Under the ASC Topic 325 model, the present value of the remaining cash flows as estimated at the preceding evaluation date are compared to the current expected remaining cash flows. An OTTI is deemed to have occurred if there has been an adverse change in the remaining expected future cash flows. The analysis of the trust preferred security falls within the scope of ASC Topic 325.

The Corporation owns a trust preferred security, which represents collateralized debt obligations (CDOs) issued by other financial and insurance companies. The security is part of a pool of issuers that support a more senior tranche of

securities. Due to the illiquidity in the market, it is unlikely the Corporation would be able to recover its investment in this security if the Corporation sold the security at this time.

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

(Dollars in thousands, except per share amounts)

Due to an increase in principal and/or interest deferrals by the issuers of the underlying securities, the cash interest payments for the trust preferred security are being deferred. On March 31, 2012, the lowest credit rating on this security was Fitch's rating of C, which is defined as highly speculative. The issuers in this security are primarily banks, bank holding companies and a limited number of insurance companies. The investment security is evaluated using a model to compare the present value of expected cash flows to prior periods expected cash flows to determine if there has been an adverse change in cash flows during the period. The discount rate used to calculate the cash flows is the coupon rate of the security, based on the forward LIBOR curve. The OTTI model considers the structure and term of the CDO and the financial condition of the underlying issuers. Specifically, the model details interest rates, principal balances of note classes and underlying issuers, the timing and amount of interest and principal payments of the underlying issuers, and the allocation of the payments to the note classes. The current estimate of expected cash flows is based on the most recent trustee reports and any other relevant market information including announcements of interest payment deferrals or defaults of underlying trust preferred securities. Assumptions used in the model include expected future default rates and prepayments. We assume no recoveries on defaults and all interest payment deferrals are treated as defaults with an assumed recovery rate of 15% on deferrals. In addition we use the model to "stress" the CDO, or make assumptions more severe than expected activity, to determine the degree to which assumptions could deteriorate before the CDO could no longer fully support repayment of the Corporation's note class. According to the March 31, 2012 analysis, the expected cash flows were above the recorded amortized cost of the trust preferred security. The accumulated other-than-temporary impairment loss that has been recognized in earnings was \$780 at March 31, 2012 and June 30, 2011. If there is further deterioration in the underlying collateral of this security, other-than-temporary impairments may also occur in future periods.

**Note 3 – Loans**

Major classifications of loans were as follows:

	March 31, 2012	June 30, 2011
Commercial	\$ 18,928	\$ 19,297
Commercial real estate:		
Construction	597	1,057

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Other	103,337	97,403
1 – 4 Family residential real estate:		
Owner occupied	34,820	34,488
Non-owner occupied	17,890	19,098
Construction	330	597
Consumer	8,396	5,874
Subtotal	184,298	177,814
Less:Net deferred loan fees	(223 )	(263 )
Allowance for loan losses	(2,214 )	(2,101 )
Net Loans	\$ 181,861	\$ 175,450

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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 the activity in the allowance for loan losses by portfolio segment for the three months ending March 31, 2012:

	Commercial	Commercial Real Estate	1-4 Family Residential Real Estate	Consumer	Total
Allowance for loan losses:					
Beginning balance	\$ 118	\$ 965	\$ 900	\$ 143	\$2,126
Provision for loan losses	4	3	2	2	11
Loans charged-off	—	—	—	(27 )	(27 )
Recoveries	—	65	—	39	104
Total ending allowance balance	\$ 122	\$ 1,033	\$ 902	\$ 157	\$2,214

The following table presents the activity in the allowance for loan losses by portfolio segment for the nine months ending March 31, 2012:

	Commercial	Commercial Real Estate	1-4 Family Residential Real Estate	Consumer	Total
Allowance for loan losses:					
Beginning balance	\$ 179	\$ 882	\$ 947	\$ 93	\$2,101
Provision for loan losses	(57 )	86	19	122	170
Loans charged-off	—	—	(69 )	(127 )	(196 )
Recoveries	—	65	5	69	139
Total ending allowance balance	\$ 122	\$ 1,033	\$ 902	\$ 157	\$2,214

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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 the activity in the allowance for loan losses by portfolio segment for the three months ended March 31, 2011:

	Commercial	Commercial Real Estate	1-4 Family Residential Real Estate	Consumer	Total
Allowance for loan losses:					
Beginning balance	\$ 80	\$ 1,110	\$ 1,007	\$ 69	\$2,266
Provision for loan losses	54	14	6	26	100
Loans charged-off	(9 )	(238 )	—	(36 )	(283 )
Recoveries	—	—	—	18	18
Total ending allowance balance	\$ 125	\$ 886	\$ 1,013	\$ 77	\$2,101

A summary of activity in the allowance for loan losses for the nine months ended March 31, 2011, was as follows:

	Nine Months Ended March 31, 2011
Beginning of period	\$ 2,276
Provision	344
Charge-offs	(568 )
Recoveries	49
Balance at March 31,	\$ 2,101

**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 March 31, 2012. Included in the recorded investment in loans is \$(223) of net deferred loan fees and \$463 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	\$ 46	\$ 99	\$ 275	\$ —	\$420
Collectively evaluated for impairment	76	934	627	157	1,794
Total ending allowance balance	\$ 122	\$ 1,033	\$ 902	\$ 157	\$2,214
Recorded investment in loans:					
Loans individually evaluated for impairment	\$ 152	\$ 1,083	\$ 1,443	\$ —	\$2,678
Loans collectively evaluated for impairment	18,816	102,877	51,723	8,444	181,860
Total ending loans balance	\$ 18,968	\$ 103,960	\$ 53,166	\$ 8,444	\$184,538

**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, 2011. Included in the recorded investment in loans is \$(263) of net deferred loan fees and \$472 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	\$ 13	\$ 126	\$ 293	\$ —	\$ 432
Collectively evaluated for impairment	166	756	654	93	1,669
Total ending allowance balance	\$ 179	\$ 882	\$ 947	\$ 93	\$ 2,101
Recorded investment in loans:					
Loans individually evaluated for impairment	\$ 82	\$ 1,405	\$ 1,042	\$ —	\$ 2,529
Loans collectively evaluated for impairment	19,254	97,093	53,279	5,868	175,494
Total ending loans balance	\$ 19,336	\$ 98,498	\$ 54,321	\$ 5,868	\$ 178,023

**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 loans individually evaluated for impairment by class of loans as of and for the nine months ended March 31, 2012:

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance recorded:						
Commercial	\$ 13	\$ 13	\$ —	\$ 25	\$ —	\$ —
Commercial real estate:						
Other	207	207	—	491	67	67
1-4 Family residential real estate:						
Owner occupied	90	90	—	94	2	2
Non-owner occupied	64	65	—	57	3	3
With an allowance recorded:						
Commercial	139	139	46	88	2	2
Commercial real estate:						
Other	876	876	99	797	12	12
1-4 Family residential real estate:						
Owner occupied	323	324	14	255	2	2
Non-owner occupied	963	964	261	929	10	10
Total	\$ 2,675	\$ 2,678	\$ 420	\$ 2,736	\$ 98	\$ 98

**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 March 31, 2012:

	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance recorded:			
Commercial	\$ 13	\$ —	\$ —
Commercial real estate:			
Other	208	64	64
1-4 Family residential real estate:			
Owner occupied	90	—	—
Non-owner occupied	65	1	1
With an allowance recorded:			
Commercial	141	2	2
Commercial real estate:			
Other	869	1	1
1-4 Family residential real estate:			
Owner occupied	328	2	2
Non-owner occupied	968	4	4
Total	\$ 2,682	\$ 74	\$ 74

**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 loans individually evaluated for impairment by class of loans as of June 30, 2011 and for the nine months ended March 31, 2011:

	As of June 30, 2011		Allowance for Loan Losses Allocated	Nine Months ended March 31, 2011		
	Unpaid Principal Balance	Recorded Investment		Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance recorded:						
Commercial	\$ 18	\$ 18	\$ —	\$ 21	\$ —	\$ —
Commercial real estate:						
Other	413	412	—	516	—	—
With an allowance recorded:						
Commercial	64	64	13	59	—	—
Commercial real estate:						
Other	997	993	126	1,274	32	32
1-4 Family residential real estate:						
Owner occupied	320	319	3	296	5	5
Non-owner occupied	724	723	290	743	—	—
Total	\$2,536	\$ 2,529	\$ 432	\$ 2,909	\$ 37	\$ 37

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 March 31, 2011:

	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
With no related allowance recorded:			
Commercial	\$ 18	\$ —	\$ —
Commercial real estate:			
Other	550	—	—
With an allowance recorded:			
Commercial	70	—	—

Commercial real estate:			
Other	1,220	8	8
1-4 Family residential real estate:			
Owner occupied	324	2	2
Non-owner occupied	727	—	—
Total	\$ 2,909	\$ 10	\$ 10

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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 the recorded investment in non-accrual and loans past due over 90 days still on accrual by class of loans as of March 31, 2012 and June 30, 2011:

	March 31, 2012		June 30, 2011	
	Non-accrual	Loans Past Due Over 90 Days Still Accruing	Non-accrual	Loans Past Due Over 90 Days Still Accruing
Commercial	\$ 54	\$ —	\$ 64	\$ —
Commercial real estate:				
Other	947	—	754	—
1 – 4 Family residential:				
Owner occupied	321	—	219	—
Non-owner occupied	673	—	723	—
Consumer	—	—	—	—
Total	\$ 1,995	\$ —	\$ 1,760	\$ —

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.



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

(Dollars in thousands, except per share amounts)

The following table presents the aging of the recorded investment in past due loans as of March 31, 2012 by class of loans:

	Days Past Due		Total Past Due	Loans Not Past Due	Total
	30 - <del>60</del> - 89 Days	90 Days or Greater & Non-accrual			
Commercial	\$—	\$ 35	\$ 35	\$ 18,933	\$ 18,968
Commercial real estate:					
Construction	—	—	—	597	597
Other	—	466	692	102,671	103,363
1-4 Family residential:					