

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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 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
(State or other jurisdiction
of incorporation or organization)

34-1771400
(I.R.S. Employer Identification No.)

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

44657
(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 November 5, 2012
2,060,743 Common Shares

CONSUMERS BANCORP, INC.

FORM 10-Q

QUARTER ENDED September 30, 2012

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PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

CONSUMERS BANCORP, INC.

CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollars in thousands, except per share data)	September 30, 2012	June 30, 2012
ASSETS		
Cash on hand and noninterest-bearing deposits in financial institutions	\$ 8,248	\$6,663
Federal funds sold and interest-bearing deposits in financial institutions	2,385	7,082
Total cash and cash equivalents	10,633	13,745
Certificates of deposit in other financial institutions	5,645	5,645
Securities, available-for-sale	105,662	105,335
Federal bank and other restricted stocks, at cost	1,186	1,186
Loans held for sale	408	377
Total loans	202,118	197,430
Less allowance for loan losses	(2,338)	(2,335)
Net loans	199,780	195,095
Cash surrender value of life insurance	5,652	5,605
Premises and equipment, net	5,849	5,752
Accrued interest receivable and other assets	2,150	2,021
Total assets	\$ 336,965	\$334,761
LIABILITIES		
Deposits		
Non-interest bearing demand	\$ 66,131	\$65,915
Interest bearing demand	35,453	35,055
Savings	98,116	99,041
Time	84,757	84,470
Total deposits	284,457	284,481
Short-term borrowings		
Federal Home Loan Bank advances	15,005	13,722
Accrued interest and other liabilities	6,427	6,446
Total liabilities	2,316	2,222
Commitments and contingent liabilities	308,205	306,871
	—	—
SHAREHOLDERS' EQUITY		
Preferred stock (no par value, 350,000 shares authorized, none outstanding)	—	—
	5,258	5,205

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Common stock (no par value, 3,500,000 shares authorized; 2,190,488 and 2,186,791 shares issued as of September 30, 2012 and June 30, 2012, respectively)		
Retained earnings	23,108	22,740
Treasury stock, at cost (129,745 and 130,442 common shares as of September 30, 2012 and June 30, 2012, respectively)	(1,650) (1,659)
Accumulated other comprehensive income	2,044	1,604
Total shareholders' equity	28,760	27,890
Total liabilities and shareholders' equity	\$ 336,965	\$ 334,761

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	
	September 30, 2012	2011
Interest income		
Loans, including fees	\$2,605	\$2,535
Securities, taxable	383	480
Securities, tax-exempt	304	245
Federal funds sold and other interest bearing deposits	15	16
Total interest income	3,307	3,276
Interest expense		
Deposits	270	330
Short-term borrowings	6	11
Federal Home Loan Bank advances	50	60
Total interest expense	326	401
Net interest income	2,981	2,875
Provision for loan losses	25	92
Net interest income after provision for loan losses	2,956	2,783
Non-interest income		
Service charges on deposit accounts	342	356
Debit card interchange income	193	179
Bank owned life insurance income	47	51
Securities gains, net	21	49
Other	61	37
Total non-interest income	664	672
Non-interest expenses		
Salaries and employee benefits	1,565	1,326
Occupancy and equipment	314	258
Data processing expenses	85	139
Professional and director fees	92	94
FDIC Assessments	49	50
Franchise taxes	70	65
Marketing and advertising	117	76
Telephone and network communications	65	58
Debit card processing expenses	103	94
Amortization of intangible	-	41
Other	407	361
Total non-interest expenses	2,867	2,562
Income before income taxes	753	893
Income tax expense	138	206

Net Income	\$615	\$687
Basic and diluted earnings per share	\$0.30	\$0.34

See accompanying notes to consolidated financial statements

CONSUMERS BANCORP, INC.

Consolidated statements of comprehensive income

(Unaudited)

(Dollars in thousands)

	Three Months ended September 30, 2012 2011	
Net Income	\$615	\$687
Other comprehensive income, net of tax:		
Net change in unrealized gains:		
Available-for-sale securities:		
Unrealized gains arising during the period	689	446
Reclassification adjustment for gains included in income	(21)	(49)
Net unrealized gains	668	397
Income tax effect	228	135
Other comprehensive income	440	262
Total comprehensive income	\$1,055	\$949

See accompanying notes to consolidated financial statements.

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

(Dollars in thousands, except per share data)

	Three Months ended September 30,	
	2012	2011
Balance at beginning of period	\$27,890	\$25,324
Net Income	615	687
Other comprehensive income	440	262
Issuance of 697 shares for vested restricted stock awards	9	—
Common stock issued for dividend reinvestment and stock purchase plan (3,697 shares for three months in 2012)	53	—
Common cash dividends	(247)	(226)
Balance at the end of the period	\$28,760	\$26,047
Common cash dividends per share	\$0.12	\$0.11

See accompanying notes to consolidated financial statements.

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

(Dollars in thousands)	Three Months Ended September 30,	
	2012	2011
Cash flows from operating activities		
Net cash from operating activities	\$759	\$1,407
Cash flow from investing activities		
Securities available-for-sale		
Purchases	(5,478)	(17,212)
Maturities, calls and principal pay downs	4,973	5,660
Proceeds from sales of available-for-sale securities	530	4,951
Net decrease in certificates of deposits in other financial institutions	—	1,225
Net increase in loans	(4,710)	(2,456)
Acquisition of premises and equipment	(241)	(26)
Net cash from investing activities	(4,926)	(7,858)
Cash flow from financing activities		
Net increase (decrease) in deposit accounts	(24)	14,108
Net change in short-term borrowings	1,283	624
Repayments of Federal Home Loan Bank advances	(19)	(19)
Issuance of treasury stock	9	—
Proceeds from dividend reinvestment and stock purchase plan	53	—
Dividends paid	(247)	(226)
Net cash from financing activities	1,055	14,487
Increase (decrease) in cash or cash equivalents	(3,112)	8,036
Cash and cash equivalents, beginning of period	13,745	13,828
Cash and cash equivalents, end of period	\$10,633	\$21,864
Supplemental disclosure of cash flow information:		
Cash paid during the period:		
Interest	\$320	\$409
Federal income taxes	150	—

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, 2012. 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.

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

(Dollars in thousands, except per share amounts)

Note 2 – Securities

Description of Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2012				
Obligations of U.S. government-sponsored entities and agencies	\$ 7,426	\$ 68	\$ —	\$ 7,494
Obligations of state and political subdivisions	37,547	1,918	(51)	39,414
Mortgage-backed securities – residential	46,107	1,189	(41)	47,255
Collateralized mortgage obligations	11,283	146	(4)	11,425
Trust preferred security	202	—	(128)	74
Total securities	\$ 102,565	\$ 3,321	\$ (224)	\$ 105,662

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2012				
Obligations of U.S. government-sponsored entities and agencies	\$ 8,487	\$ 80	\$ —	\$ 8,567
Obligations of state and political subdivisions	33,808	1,577	(109)	35,276
Mortgage-backed securities - residential	48,255	1,108	(32)	49,331
Collateralized mortgage obligations	12,154	25	(82)	12,097
Trust preferred security	202	—	(138)	64
Total securities	\$ 102,906	\$ 2,790	\$ (361)	\$ 105,335

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

	Three Months Ended	
	September 30, 2012	2011
Proceeds from sales	\$ 530	\$ 4,951
Gross realized gains	21	49

The amortized cost and fair values of available-for-sale securities at September 30, 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.

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

(Dollars in thousands, except per share amounts)

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$2,502	\$ 2,512
Due after one year through five years	5,874	5,971
Due after five years through ten years	11,312	11,954
Due after ten years	25,285	26,471
Total	44,973	46,908
Mortgage-backed securities – residential	46,107	47,255
Collateralized mortgage obligations	11,283	11,425
Trust preferred security	202	74
Total	\$ 102,565	\$ 105,662

The following table summarizes the securities with unrealized losses at September 30, 2012 and June 30, 2012, 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
September 30, 2012						
Obligations of states and political subdivisions	\$4,594	\$ (51)	\$—	\$ —	\$4,594	\$ (51)
Mortgage-backed securities - residential	7,494	(41)	—	—	7,494	(41)
Collateralized mortgage obligations	1,412	(4)	—	—	1,412	(4)
Trust preferred security	—	—	74	(128)	74	(128)
Total temporarily impaired	\$13,500	\$ (96)	\$74	\$ (128)	\$13,574	\$ (224)

Description of Securities	Less than 12 Months	12 Months or more	Total
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	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
June 30, 2012						
Obligations of states and political subdivisions	\$6,002	\$ (109)	\$—	\$ —	\$6,022	\$ (109)
Mortgage-backed securities - residential	11,135	(32)	—	—	11,135	(32)
Collateralized mortgage obligations	6,411	(62)	2,314	(20)	8,725	(82)
Trust preferred security	—	—	64	(138)	64	(138)
Total temporarily impaired	\$23,548	\$ (203)	\$2,378	\$ (158)	\$25,926	\$ (361)

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*.

CONSUMERS BANCORP, INC.

Notes to the Consolidated Financial Statements

(Unaudited) (continued)

(Dollars in thousands, except per share amounts)

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. The decline in fair value of the residential mortgage-backed securities and collateralized mortgage obligations is attributable to higher than projected prepayment speeds increasing the premium amortization and the decline in fair value of obligations of state and political subdivisions is largely due to spreads for these securities being wider at September 30, 2012 than when the securities were purchased. 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 with an adjusted amortized cost of \$202 and a fair value of \$74, which represents collateralized debt obligations (CDOs) issued by other financial institutions, bank holding companies and a limited number of insurance companies. The security is part of a pool of issuers that support a more senior tranche of securities. Due to 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 September 30, 2012, the lowest credit rating on this security was Fitch's rating of C, which is defined as highly speculative. 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. 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 September 30, 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 September 30, 2012 and June 30, 2012. If there is further deterioration in the underlying collateral of this security, other-than-temporary impairments may also occur in future periods. 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)

Note 3 – Loans

Major classifications of loans were as follows:

	September 30, 2012	June 30, 2012
Commercial	\$ 23,506	\$ 23,041
Commercial real estate:		
Construction	2,607	1,546
Other	113,811	110,775
1 – 4 Family residential real estate:		
Owner occupied	33,417	34,000
Non-owner occupied	18,739	18,794
Construction	248	187
Consumer	10,121	9,407
Subtotal	202,449	197,750
Less: Net deferred loan fees	(331)	(320)
Allowance for loan losses	(2,338)	(2,335)
Net Loans	\$ 199,780	\$ 195,095

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 September 30, 2012:

	Commercial	Commercial Real Estate	1-4 Family Residential Real Estate	Consumer	Total
Allowance for loan losses:					
Beginning balance	\$ 143	\$ 1,283	\$ 712	\$ 197	\$2,335
Provision for loan losses	6	(8)	(20)	47	25
Loans charged-off	(4)	—	(15)	(19)	(38)
Recoveries	—	—	—	16	16
Total ending allowance balance	\$ 145	\$ 1,275	\$ 677	\$ 241	\$2,338

The following table presents the activity in the allowance for loan losses by portfolio segment for the three months ended September 30, 2011:

	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	(82)	172	(33)	35	92
Loans charged-off	—	—	(69)	(50)	(119)
Recoveries	—	—	—	13	13
Total ending allowance balance	\$ 97	\$ 1,054	\$ 845	\$ 91	\$2,087

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 September 30, 2012. Included in the recorded investment in loans is \$534 of accrued interest receivable net of deferred loan fees of \$331.

	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	\$ 62	\$ 257	\$ —	\$ 365
Collectively evaluated for impairment	99	1,213	420	241	1,973
Total ending allowance balance	\$ 145	\$ 1,275	\$ 677	\$ 241	\$ 2,338
Recorded investment in loans:					
Loans individually evaluated for impairment	\$ 104	\$ 949	\$ 1,392	\$ —	\$ 2,445
Loans collectively evaluated for impairment	23,458	115,513	51,134	10,102	200,207
Total ending loans balance	\$ 23,562	\$ 116,462	\$ 52,526	\$ 10,102	\$ 202,652

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, 2012. Included in the recorded investment in loans is \$494 of accrued interest receivable net of deferred loan fees of \$320.

	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	\$ 50	\$ 82	\$ 258	\$ —	\$ 390
Collectively evaluated for impairment	93	1,201	454	197	1,945
Total ending allowance balance	\$ 143	\$ 1,283	\$ 712	\$ 197	\$ 2,335
Recorded investment in loans:					
Loans individually evaluated for impairment	\$ 148	\$ 996	\$ 1,417	\$ —	\$ 2,561
Loans collectively evaluated for impairment	22,940	111,352	51,683	9,388	195,363
Total ending loans balance	\$ 23,088	\$ 112,348	\$ 53,100	\$ 9,388	\$ 197,924

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 three months ended September 30, 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	\$ 11	\$ 11	\$ —	\$ 11	\$ —	\$ —
Commercial real estate:						
Other	94	94	—	103	—	—
1-4 Family residential real estate:						
Owner occupied	81	81	—	81	—	—
Non-owner occupied	57	58	—	57	1	1
With an allowance recorded:						
Commercial	93	93	46	122	—	—
Commercial real estate:						
Other	854	855	62	863	2	2
1-4 Family residential real estate:						
Owner occupied	310	310	42	314	—	—
Non-owner occupied	942	943	215	946	6	6
Total	\$ 2,442	\$ 2,445	\$ 365	\$ 2,497	\$ 9	\$ 9

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, 2012 and for the three months ended September 30, 2011:

	As of June 30, 2012			Three Months ended September 30, 2011		
	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	\$12	\$ 12	\$ —	\$ 17	\$ —	\$ —
Commercial real estate:						
Other	144	144	—	635	3	3
1-4 Family residential real estate:						
Owner occupied	238	238	—	97	2	2
Non-owner occupied	64	65	—	43	—	—
With an allowance recorded:						
Commercial	136	136	50	63	—	—
Commercial real estate:						
Other	851	852	82	763	5	5
1-4 Family residential real estate:						
Owner occupied	160	160	13	218	2	2
Non-owner occupied	952	954	245	871	—	—
Total	\$2,557	\$ 2,561	\$ 390	\$ 2,707	\$ 12	\$ 12

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 September 30, 2012 and June 30, 2012:

	September 30, 2012		June 30, 2012	
	Non-accrual	Loans Past Due Over 90 Days Still Accruing	Non-accrual	Loans Past Due Over 90 Days Still Accruing
Commercial	\$ 93	\$ —	\$ 51	\$ —
Commercial real estate:				
Other	863	—	911	—
1 – 4 Family residential:				
Owner occupied	300	—	307	—
Non-owner occupied	716	—	663	—
Consumer	—	—	—	—
Total	\$ 1,972	\$ —	\$ 1,932	\$ —

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 September 30, 2012 by class of loans:

	Days Past Due			Total Past Due	Loans Not Past Due	Total
	30 - 59 Days	60 - 89 Days	90 Days or Greater & Non-accrual			
Commercial	\$9	\$ —	\$ 78	\$ 87	\$ 23,475	\$ 23,562
Commercial real estate:						
Construction	—	—	—	—	2,609	2,609
Other	26	—	280	306	113,547	113,853
1-4 Family residential:						
Owner occupied	159	—	254	413	33,126	33,539
Non-owner occupied	—	87	43	130	18,610	18,740
Construction	—	—	—	—	247	247
Consumer	7	—	—	7	10,095	10,102
Total	\$ 201	\$ 87	\$ 655	\$ 943	\$ 201,709	\$ 202,652

The above table of past due loans includes the recorded investment in non-accrual loans of \$63 in the 60-89 days past due category and \$1,254 in the loans not past due category.

The following table presents the aging of the recorded investment in past due loans as of June 30, 2012 by class of loans:

	Days Past Due			Total Past Due	Loans Not Past Due	Total
	30 - 59 Days	60 - 89 Days	90 Days or Greater & Non-accrual			
Commercial	\$85	\$ —	\$ 33	\$ 118	\$ 22,970	\$ 23,088

Commercial real estate:						
Construction	202	—	—	202	1,345	1,547
Other	82	—	268	350	110,451	110,801
1-4 Family residential:						
Owner occupied	174	—	178	352	33,766	34,118
Non-owner occupied	43	—	—	43	18,753	18,796
Construction	—	—	—	—	186	186
Consumer	—	8	—	8	9,380	9,388
Total	\$586	\$ 8	\$ 479	\$ 1,073	\$ 196,851	\$ 197,924

The above table of past due loans includes the recorded investment in non-accrual loans of \$43 in the 30 – 59 days past due category and \$1,410 in the loans not past due category.

Troubled Debt Restructurings:

As of September 30, 2012, the recorded investment of loans classified as troubled debt restructurings was \$1,806 with \$193 of specific reserves allocated to these loans. As of June 30, 2012, the recorded investment of loans classified as troubled debt restructurings was \$1,973 with \$258 of specific reserves allocated to these loans. As of September 30, 2012 and June 30, 2012, the Corporation had not committed to lend any additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

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

(Dollars in thousands, except per share amounts)

During the three months ended September 30, 2012, there were no loan modifications completed that were classified as troubled debt restructurings. During the year ended June 30, 2012, the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; a permanent reduction of the recorded investment in the loan; or a temporary reduction in the payment amount to interest only.

Modifications involving a reduction of the stated interest rate of the loan were for periods ranging from 12 months to 25 years. Modifications involving an extension of the maturity date were for a period of 6.5 years to 25 years.

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ended June 30, 2012:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial 1	\$ 85	\$ 85	
Commercial real estate:			
Other	2	137	137
1 – 4 Family residential:			
Owner occupied	1	114	114
Non-owner occupied	7	534	466
Total	11	\$ 870	\$ 802

There were no troubled debt restructurings or impact on the provision for loan losses for the three months ended September 30, 2012. Troubled debt restructurings increased the allowance for loan losses by \$20 and resulted in charge offs of \$63 during the period ended September 30, 2011.

The following table presents loans by class modified as troubled debt restructurings for which there was a payment default within 12 months following the modification during the period ending September 30, 2012:

	Number of Loans	Recorded Investment
Commercial real estate:		
Other	1	\$ 428

CONSUMERS BANCORP, INC.

Notes to the Consolidated Financial Statements

(Unaudited) (continued)

(Dollars in thousands, except per share amounts)

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms. Subsequent to the payment default, the above referenced loan has been paid current under the modified terms of the loan. The troubled debt restructuring that subsequently defaulted did not increase the allowance for loan losses or have any charge-off during the periods ending September 30, 2012 or June 30, 2012.

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. Management monitors the loans on an ongoing basis for any changes in the borrower's ability to service their debt and affirm the risk ratings for the loans and leases in their respective portfolio on an annual 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. Based on the most recent analysis performed, the recorded investment by risk category of loans by class of loans was as follows:

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

(Dollars in thousands, except per share amounts)

	As of September 30, 2012				
	Pass	Special Mention	Substandard	Doubtful	Not Rated
Commercial	\$22,292	\$ 38	\$ 74	\$ 104	\$1,054
Commercial real estate:					
Construction	2,421	158	—	—	30
Other	103,514	5,833	2,752	949	805
1-4 Family residential real estate:					
Owner occupied	3,953	—	99	391	29,096
Non-owner occupied	14,109	2,157	860	1,001	613
Construction	200	—	—	—	47
Consumer	—	—	—	—	10,102
Total	\$146,489	\$ 8,186	\$ 3,785	\$ 2,445	\$41,747

	As of June 30, 2012				
	Pass	Special Mention	Substandard	Doubtful	Not Rated
Commercial	\$21,642	\$ 240	\$ 14	\$ 148	\$1,044
Commercial real estate:					
Construction	1,353	163	—	—	31
Other	98,942	7,332	2,657	996	874
1-4 Family residential real estate:					
Owner occupied	4,256	—	99	398	29,365
Non-owner occupied	14,205	2,197	875	1,019	500
Construction	47	—	—	—	139
Consumer	—	—	—	—	9,388
Total	\$140,445	\$ 9,932	\$ 3,645	\$ 2,561	\$41,341

Note 4 - 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.

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

(Dollars in thousands, except per share amounts)

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 market indicators (Level 3 inputs). The fair value of the Level 3 security is obtained from a third-party pricing service. Discounted cash flows are calculated using spread to the swap and LIBOR curves. Rating agency and industry research reports as well as defaults and deferrals on the individual security is reviewed and incorporated into the calculation.

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.

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:

	Balance at September 30, 2012	Fair Value Measurements at September 30, 2012 Using		
		Level 1	Level 2	Level 3
Assets:				
Obligations of U.S. government-sponsored entities and agencies	\$ 7,494	\$ —	\$ 7,494	\$ —
Obligations of states and political subdivisions	39,414	—	39,414	—
Mortgage-backed securities – residential	47,255	—	47,255	—
Collateralized mortgage obligations	11,425	—	11,425	—
Trust preferred security	74	—	—	74
Loans held for sale	408	—	415	—

	Balance at June 30, 2012	Fair Value Measurements at June 30, 2012 Using		
		Level 1	Level 2	Level 3
Assets:				
Obligations of U.S. government-sponsored entities and agencies	\$ 8,567	\$ —	\$ 8,567	\$ —
Obligations of states and political subdivisions	35,276	—	35,276	—
Mortgage-backed securities - residential	49,331	—	49,331	—
Collateralized mortgage obligations	12,097	—	12,097	—
Trust preferred security	64	—	—	64
Loans held for sale	377	—	387	—

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

(Dollars in thousands, except per share amounts)

There were no transfers between Level 1 and Level 2 during the first quarter of the 2013 fiscal year or the during the 2012 fiscal year.

The following table presents a reconciliation of the trust preferred security measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended September 30, 2012 and 2011:

	2012	2011
Beginning balance	\$ 64	\$ 67
Change in fair value included in other comprehensive income	10	(3)
Ending balance, September 30	\$ 74	\$ 64

The significant unobservable inputs used in the fair value measurement of the Corporation's trust preferred security are probabilities of specific-issuer defaults and deferrals and specific-issuer recovery assumptions. Significant increases in specific-issuer default assumptions or decreases in specific-issuer recovery assumptions would result in a significantly lower fair value measurement. Conversely, decreases in specific-issuer default assumptions or increases in specific-issuer recovery assumptions would result in a higher fair value measurement.

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. 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.

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

(Dollars in thousands, except per share amounts)

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

	Balance at September 30, 2012	Fair Value Measurements at September 30, 2012 Using		
		Level 1	Level 2	Level 3
Impaired loans:				
Commercial	\$ 47	\$ —	\$ —	\$ 47
Commercial real estate:				
Other	661	—	—	661
1-4 Family				
Owner occupied	161	—	—	161
Non-owner occupied	458	—	—	458

	Balance at June 30, 2012	Fair Value Measurements at June 30, 2012 Using		
		Level 1	Level 2	Level 3
Impaired loans:				
Commercial	\$ 11	\$ —	\$ —	\$ 11
Commercial real estate:				
Other	647	—	—	647
1-4 Family				
Owner occupied	40	—	—	40
Non-owner occupied	438	—	—	438

Impaired loans, which are generally measured for impairment using the fair value of the collateral for collateral dependent loans, had a principal balance of \$1,643, with a valuation allowance of \$317 at September 30, 2012. As of June 30, 2012, impaired loans with a principal balance of \$1,479 had a valuation allowance of \$343. The resulting impact to the provision for loan losses was a reduction of \$27 being recorded for the three month period ended September 30, 2012. For the three month period ended September 30, 2011, there was no additional provision for loan losses recorded.

The valuation technique used by an independent third party appraiser in the fair value measurement of collateral for collateral-dependent commercial real estate impaired loans primarily consisted of the sales comparison approach. The valuation technique used by an independent third party appraiser in the fair value measurement of collateral for collateral-dependent 1-4 family non-owner occupied impaired loans primarily consisted of the sales comparison and income approach. The significant unobservable inputs used in the fair value measurement relate to adjustments made to the value set forth in the appraisal by deducting estimated holding costs, costs to sell and a distressed sale adjustment. For the September 30, 2012 period, collateral discounts for commercial real estate impaired loans ranged from 30% to 39%, for 1-4 family owner occupied impaired loans ranged from 33% to 37% and for 1-4 family non-owner occupied impaired loans was 30%. For the June 30, 2012 period, collateral discounts for commercial real estate impaired loans ranged from 33% to 41% and for 1-4 family non-owner occupied impaired loans ranged from 15% to 39%.

CONSUMERS BANCORP, INC.

Notes to the Consolidated Financial Statements

(Unaudited) (continued)

(Dollars in thousands, except per share amounts)

Estimated fair value for cash and cash equivalents, certificates of deposits in other financial institutions, accrued interest receivable and payable, demand and savings deposits and short-term borrowings were considered to approximate carrying value. The methodologies for other financial assets and financial liabilities are discussed below:

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.

Time deposits: Fair value of fixed-maturity certificates of deposit was estimated using the rates offered at September 30, 2012 and June 30, 2012, for deposits of similar remaining maturities. 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 resulting in a Level 2 classification.

Federal Home Loan Bank advances: Fair value of Federal Home Loan Bank advances was estimated using current rates at September 30, 2012 and June 30, 2012 for similar financing resulting in a Level 2 classification.

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. 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 following table.

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

(Dollars in thousands, except per share amounts)

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:

	September 30, 2012		June 30, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets:				
Level 1 inputs:				
Cash and cash equivalents	\$ 10,633	\$ 10,633	\$ 13,745	\$ 13,745
Level 2 inputs:				
Certificates of deposits in other financial institutions	5,645	5,674	5,645	5,645
Accrued interest receivable	1,145	1,145	1,043	1,043
Level 3 inputs:				
Loans, net	199,780	200,813	195,095	196,592
Financial Liabilities:				
Level 2 inputs:				
Demand and savings deposits	199,700	199,700	200,011	200,011
Time deposits	84,757	85,520	84,470	85,262
Short-term borrowings	15,005	15,005	13,722	13,722
Federal Home Loan Bank advances	6,427	7,377	6,446	7,398
Accrued interest payable	62	62	56	56

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

(Dollars in thousands, except per share amounts)

Note 5 – 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 Three Months Ended September 30,	
	2012	2011
Basic:		
Net income available to common shareholders	\$615	\$687
Weighted average common shares outstanding	2,057,751	2,049,974
Basic income per share	\$0.30	\$0.34
Diluted:		
Net income available to common shareholders	\$615	\$687
Weighted average common shares outstanding	2,057,751	2,049,974
Dilutive effect of restricted stock	416	256
Total common shares and dilutive potential common shares	2,058,167	2,050,230
Dilutive income per share	\$0.30	\$0.34

CONSUMERS BANCORP, INC.

Item 2 – 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 results of operations for the three month period ended September 30, 2012, compared to the same period in 2011, and the consolidated balance sheet at September 30, 2012 compared to June 30, 2012. This discussion is designed to provide a more comprehensive review of the operating results and financial condition 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 (the Corporation), owns all of the issued and outstanding common shares of Consumers National Bank, a bank chartered under the laws of the United States of America (the Bank). The Corporation’s activities have been limited primarily to holding the common shares 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 Stark, Columbiana, Carroll 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.

Results of Operations

Three Months Ended September 30, 2012 and September 30, 2011

Net Income

In the first quarter of fiscal year 2013, net income was \$615, or \$0.30 per common share, compared with \$687, or \$0.34 per common share, in the prior year period. The following key factors summarize our results of operations for the three months ending September 30, 2012:

net interest income increased by \$106, or 3.7%, in 2012 from the same period in 2011;
loan loss provision expense in 2012 totaled \$25 compared to \$92 from the same period in 2011;
noninterest income declined by \$8, or 1.2%, in 2012 from the same prior year period mainly as a result of a decrease of \$28 in the net gains on the sale of securities; and
noninterest expenses increased by \$305, or 11.9%, in 2012 principally as a result of higher salary and employee benefits due to staff hired in the lending area and new staff for the Jackson-Belden office that opened July 31, 2012.

CONSUMERS BANCORP, INC.

Management's Discussion and Analysis of Financial Condition

and Results of Operations (continued)

(Dollars in thousands, except per share data)

Return on average equity and return on average assets were 8.68% and 0.73%, respectively, for the first quarter of fiscal year 2013 compared to 10.55% and 0.90%, respectively, for the first quarter of fiscal year 2012.

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 average 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.

The Corporation's net interest margin for the three months ended September 30, 2012 was 3.94%, compared to 4.10% for the same year ago period. Net interest income for the three months ended September 30, 2012 increased by \$106, or 3.7%, to \$2,981 from \$2,875 for the same year ago period. The increase in net interest income was primarily the result of a decline in the Corporation's cost of funds and an increase in average interest-earning assets.

Interest income for the three months ended September 30, 2012 increased by \$31, or 0.9%, from the same year ago period. An increase of \$26,323, or 9.0%, in average interest-earning assets more than offset the impact the low interest rate environment has had on the yield of average interest-earning assets. Interest expense for the three months ended September 30, 2012 decreased by \$75, or 18.7%, from the same year ago period. The Corporation's cost of funds decreased to 0.54% for the three month period ended September 30, 2012 from 0.75% for the same year ago period mainly due to lower market rates affecting the rates paid on most all interest-bearing deposit accounts and borrowings. The Corporation has introduced a NOW 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, debit card interchange income has increased (see discussion in "Non-Interest Income" section) and the cost of the NOW checking account increased from 0.15% to 0.20% from the same year ago period.

CONSUMERS BANCORP, INC.

Management's Discussion and Analysis of Financial Condition

and Results of Operations (continued)

(Dollars in thousands, except per share data)

Average Balance Sheets and Analysis of Net Interest Income for the Three Months Ended September 30,

(In thousands, except percentages)

	2012			2011		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Interest-earning assets:						
Taxable securities	\$68,921	\$383	2.24 %	\$69,400	\$480	2.79 %
Nontaxable securities (1)	37,500	452	5.00	25,594	362	5.76
Loans receivable (1)	199,169	2,613	5.21	178,357	2,541	5.65
Interest bearing deposits and federal funds sold	12,612	15	0.47	18,528	16	0.34
Total interest-earning assets	318,202	3,463	4.35 %	291,879	3,399	4.65 %
Noninterest-earning assets	17,751			13,466		
Total Assets	\$335,953			\$305,345		
Interest-bearing liabilities:						
NOW	\$35,344	\$18	0.20 %	\$15,720	\$6	0.15 %
Savings	100,055	27	0.11	82,725	36	0.17
Time deposits	84,330	225	1.06	88,511	288	1.29
Short-term borrowings	13,830	6	0.17	16,813	11	0.26
FHLB advances	6,434	50	3.08	7,523	60	3.16
Total interest-bearing liabilities	239,993	326	0.54 %	211,292	401	0.75 %
Noninterest-bearing liabilities:						
Noninterest-bearing checking accounts	65,384			66,214		
Other liabilities	2,462			1,923		
Total liabilities	307,839			279,429		
Shareholders' equity	28,114			25,916		
Total liabilities and shareholders' equity	\$335,953			\$305,345		

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Net interest income, interest rate spread (1)	\$3,137	3.81 %	\$2,998	3.90 %
Net interest margin (net interest as a percent of average interest-earning assets) (1)		3.94 %		4.10 %
Federal tax exemption on non-taxable securities and loans included in interest income	\$ 156		\$	