

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	15,005	13,722
Federal Home Loan Bank advances	6,427	6,446
Accrued interest and other liabilities	2,316	2,222
Total liabilities	308,205	306,871
Commitments and contingent liabilities	—	—
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	September 30, 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)**

	Three Months Ended September 30,	
(Dollars in thousands)	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 Collateralized mortgage obligations	46,107	47,255