

**CONSUMERS**  
**Bancorp Inc.**

Consumers Bancorp, Inc.  
2017 Annual Report

# Financial Highlights

Dollar amounts in thousands, except per share data.

	June 30, 2017	June 30, 2016
<b>ASSETS</b>		
Total cash and cash equivalents	\$ 9,912	\$ 10,181
Certificates of deposit in financial institutions	3,921	5,906
Securities, available-for-sale	142,086	133,369
Securities, held-to-maturity	4,259	3,494
Federal bank and other restricted stocks, at cost	1,425	1,396
Loans held for sale	1,252	1,048
Total loans	272,867	256,278
Less allowance for loan losses	(3,086)	(3,566)
Net loans	269,781	252,712
Other assets	25,247	22,284
Total assets	<u>\$ 457,883</u>	<u>\$ 430,390</u>
<b>LIABILITIES</b>		
Deposits:		
Non-interest bearing demand	\$ 102,683	\$ 98,224
Interest bearing demand	54,123	48,810
Savings	151,154	134,606
Time	66,511	65,008
Total deposits	374,471	346,648
Short-term borrowings	23,986	19,129
Federal Home Loan Bank advances	12,320	17,281
Other liabilities	3,571	3,539
Total liabilities	414,348	386,597
<b>SHAREHOLDERS' EQUITY</b>		
Total shareholders' equity	43,535	43,793
Total liabilities and shareholders' equity	<u>\$ 457,883</u>	<u>\$ 430,390</u>
Cash dividends paid per share	\$ 0.48	\$ 0.48
Weighted average number of common shares outstanding	2,724,293	2,725,276
<b>NET INCOME</b>		
Interest and dividend income	\$ 15,567	\$ 14,607
Interest expense	1,108	902
Net interest income	14,459	13,705
Provision for loan losses	596	1,498
Net interest income after provision for loan losses	13,863	12,207
Other income	3,250	2,988
Other expense	13,478	12,769
Income before income taxes	3,635	2,426
Income taxes	641	279
Net income	<u>\$ 2,994</u>	<u>\$ 2,147</u>
Basic earnings per share	\$ 1.10	\$ 0.79

Please refer to the annual report on Form 10-K for additional financial information.

# PRESIDENT'S MESSAGE TO SHAREHOLDERS

Dear Fellow Shareholders:

On behalf of Consumers Bancorp's management, I am happy to report growth and progress on many fronts in fiscal 2017. The bank expanded into a new market, grew our deposit base in existing markets, improved asset quality, achieved record earnings, experienced a 14.0% increase in the corporation's market capitalization, and worked to address the economic and social needs of our communities.

Let me start with the earnings achievement. Fiscal 2017 net income of \$3.0 million reflects improvement in many areas including: a 5.5% increase in net interest income; a significant increase in secondary market mortgage premiums; and a 8.8% increase in other income. Earning asset growth of \$22.7 million, or 5.6% and a decrease in nonperforming assets strongly impacted 2017 net interest income. Indications of continued strong commercial loan demand, recent and expected future increases in the Federal Reserve Bank's Federal Funds target rate, as well as generally higher market rates for new and repricing commercial loans should result in continued improvement in the bank's net interest margin.

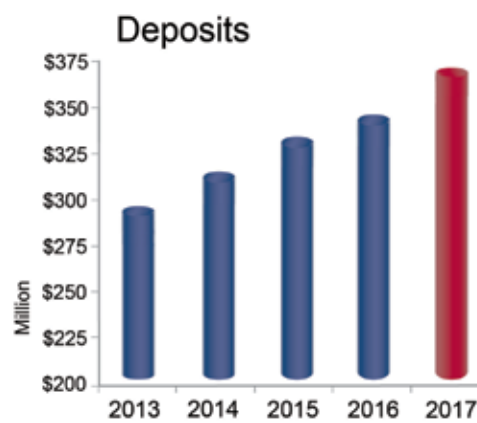
Mortgage Services contributed to 2017 results with increased secondary market, portfolio, and construction lending. We believe we have met the challenges presented by the regulatory environment, developed competitive products, added a mortgage originator in our northern region, and strengthened relationships with builders and realtors throughout our market area. These steps have allowed Mortgage Services to increase secondary market gains by 38.7% and add significant balances to the bank's mortgage portfolio.

Strong commercial and residential mortgage related

loan production resulted in \$16.6 million in loan growth. We have met the broad needs of our market as outstanding agricultural-related loan balances increased by \$2.5 million or 7.4%; residential balances increased by \$11.1 million or 23.6%; and outstanding commercial balances increased by \$2.4 million or 1.6%. Diversified portfolio growth was achieved from over \$75 million in loan originations over the fiscal year.

This balanced lending and resolution of \$9.0 million in classified credits has significantly reduced the risk-profile of the balance sheet. Our improved credit metrics are impressive. The total delinquency and nonaccrual ratio decreased from 2.43% at June 30, 2016 to 0.45% at June 30, 2017; nonaccrual loans decreased to \$1.2 million (0.44% of loan balances); the allowance to nonperforming loans increased to 260%; and the bank's troubled loans to capital ratio was 7.23%. At June 30, 2017, only \$274,000 in loan balances were 30 days or more past due. While the credit cycle will always present isolated challenges, management's proactive response to the specific issues noted at June 30, 2016 should contribute to stronger future results.

Consumers National Bank's asset growth was primarily funded with core consumer and commercial deposits both of which increased by 8% in fiscal 2017. At \$127 million, commercial deposit balances now reflect 41.5% of total transaction and savings accounts, and consumer deposit balances, now at \$179 million, account for 58.5% of the total. Balanced growth reflects successful marketing efforts and the bank's ability to capture full commercial relationships. While new inroads into Jefferson County have contributed



to 2017 deposit growth, we expect our location in Bergholz to provide consumer and commercial opportunities throughout northern Jefferson, southern Columbiana, and eastern Carroll counties.

Franchise value is created by growing the customer base and by increasing the products and services that the bank's customers use. Consumers National Bank continues to be successful on both counts. During fiscal 2017, we added 357 new households, opened 35% more deposit accounts than during the prior year, and increased our mobile subscribers and internet bill pay users by 50% and 15%, respectively. Use of our consumer mobile check deposit product, launched in fiscal 2016, doubled in fiscal 2017 while the number of merchant RDC deposit and commercial cash management customers each increased by 15%. We also significantly enhanced our payment system as we reissued our debit cards with EMV security technology. Since reissuing 11,000 EMV enabled cards under the MasterCard logo, we have experienced a 12% increase in card usage. We continue to invest in the sales staff and products necessary to build the engaged customer base necessary for sustained, long-term success.

These results would ring hollow if we did not remain committed to meeting the financial and societal needs of our communities. The lending noted above was made to small businesses, civic organizations, farmers, and individuals who live, work, and provide economic support in and around our communities. The deposits generated locally are invested in our local communities. Consumers National Bank and our employees, provide leadership and financial support to important social institutions like United Way, Habitat for Humanity, The Crisis Intervention and Recovery Center, Kent State University Rural Scholars Program, Columbiana County Action Agency, The Red Cross, Relay for Life, and Junior Achievement. We have proven that we can achieve financial success while remaining faithful to our mission to *Make a Difference*.



*Consumers National Bank employees seen here at a Junior Achievement Bowl-a-thon, volunteer hundreds of hours of their time to support community organizations each year.*

While we believe Consumers Bank is well positioned for future success, our strategies remain centered around improved efficiency metrics, quality asset growth in existing and new markets, customer-focused process and system improvement, stock liquidity, and employee development. Management is focused on specific initiatives that support these strategic areas of emphasis. We expect to take steps to streamline our vendor relationships to improve technology offerings and obtain efficiencies, add to our commercial sales team, upgrade our OTC membership to enhance the visibility and liquidity of our stock, and develop our next generation of leaders.

Your support of community banking is vital to what we have accomplished and to what we can achieve for our shareholders and our communities in the future. We thank you and invite you to help us celebrate community banking at the annual Shareholder Meeting at The Hartville Kitchen on October 26, 2017. The meeting will follow a noon lunch.



Sincerely,

A handwritten signature in black ink that reads "Ralph J. Lober, II". The signature is written in a cursive, flowing style.

Ralph J. Lober, II  
President and CEO

## CHAIRMAN'S MESSAGE TO SHAREHOLDERS

Dear Shareholders:

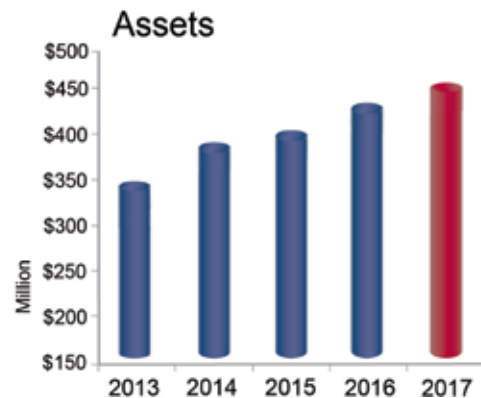
It is a pleasure to share some of the highlights of our 2017 fiscal year. Consumers National Bank had a good year with growth in loans and deposits, increased earning assets, improved credit quality and increased income per share. We want to thank all our stakeholders who contributed to this year's success; the shareholders, directors, employees and customers of the bank, who invest, oversee, execute and benefit from a locally-owned independent community bank.

Consumers National Bank is growing and living up to our mission of "Making a Difference" in our communities. Our engaged Board of Directors plays a key role in staying true to the banking philosophy



*Ribbon cutting ceremony at Consumers National Bank's new branch in Bergholz, Ohio, which opened May 8, 2017. Left to right: Ralph J. Lober, II, President & CEO, Consumers National Bank; Gary Griffith, Mayor, Village of Bergholz; Mike Schmuck, Director, Consumers Bancorp, Inc.; Terri McConaughy, Sales & Service Manager, Consumers National Bank; Laurie McClellan, Chairman of the Board, Consumers Bancorp, Inc.; John Furey, Vice Chairman, Consumers Bancorp, Inc.; Derek Williams, Senior Vice President, Consumers National Bank.*

established by the founding directors and setting the tone for the organization's current and future strategic direction. The shareholder base, made up of many local investors, provides the capital to expand the reach of Consumers Bancorp, Inc. Our dedicated management team leads the organization guided by our values of Respect, Trust, Integrity and Excellence in the implementation of strategic initiatives that will fulfill Consumers vision to be known as "The Community Bank."



Consumers opened a new office in Bergholz, Ohio, after a regional bank closed its branch in the village. This is not uncommon in smaller communities across the country. What we feel is uncommon is that the opportunity to expand into Jefferson County was initiated by a Consumers' shareholder, reinforced by the relentless effort of local citizens, and consummated with swift action by the board of directors, management and staff all working together to accomplish the goal. This is community banking at its best—and it can happen in both small and large communities when committed stakeholders come to together.

We are grateful to all the stakeholders who support Consumers Bank in a variety of ways and to those who share our values and our story with others. As the bank looks to future growth, to solidify and expand relationships, to increased efficiencies and new opportunities, we ask you for your continued commitment in helping us to *Make a Difference*.



Sincerely,

Laurie McClellan  
Chairman of the Board

## Board of Directors



1st row from left: Ralph J. Lober, II, President & CEO;  
John Furey (Vice Chairman); Laurie McClellan (Chairman)  
2nd row: Thomas Kishman, James Hanna  
3rd row: Harry Schmuck, Jr., Brad Goris  
4th row: Philip Mueller, Frank Paden  
5th row: David Johnson  
Not pictured: Richard Kiko, Jr.

## Executive Management



1st row from left: Ralph J. Lober, II, President & CEO;  
Pat Sarchione, Executive Assistant, Kim Chuckalovchak,  
VP, IT Manager  
2nd row: Derek Williams, SVP, Retail Sales & Operations,  
Renee Wood, EVP, Chief Financial Officer  
3rd row: Suzanne Mikes, VP, Chief Credit Officer,  
Scott Dodds, EVP, Senior Loan Officer

## Independent Registered Public Accounting Firm

Crowe Horwath LLP  
600 Superior Avenue, Ste. 902  
Cleveland, Ohio 44114

## Legal Counsel

Squire Patton Boggs (US) LLP  
4900 Key Tower  
127 Public Square  
Cleveland, Ohio 44114  
216-479-8500

## Stock Transfer Agent and Registrar

Computershare Shareholder Services  
PO Box 30170  
College Station, TX 77842-3170  
(800) 522-6645

## Market Maker

Thomas L. Dooley  
Nick Bicking  
Boening & Scattergood, Inc.  
9922 Brewster Lane  
Powell, Ohio 43065  
614-203-2996  
866-326-8113

## Common Stock Listing

Consumers Bancorp, Inc. common stock trades on the OTC Bulletin Board under the symbol CBKM. The CUSIP is 210509105. As of June 30, 2017, there were 2,724,956 shares outstanding with 748 shareholders of record and an estimated 446 additional beneficial holders whose stock was held in nominee name.

## Dividend Reinvestment and Stock Purchase Plan

Existing holders of common stock may elect to have all or a portion of cash dividends automatically invested in additional shares of common stock without payment of any brokerage or service charge. Additionally, shareholders may elect to purchase shares of common stock with optional cash payments of \$100 to \$5,000 per quarter without payment of any brokerage commission or service charge. Shareholders should contact Computershare to execute these convenient options at [www-us.computershare.com](http://www-us.computershare.com) or (800) 368-5948 or a participating broker.

## Dividend Payments

Subject to the approval of the Board of Directors, quarterly cash dividends are typically paid on or about the 15th day of September, December, March, and June.

## Direct Deposit of Cash Dividends

Shareholders may elect to have their cash dividends deposited directly into their savings or checking account. Shareholders should contact Computershare Shareholder Services at [www-us.computershare.com](http://www-us.computershare.com) or (800) 368-5948 or participating broker.

## Shareholder Relations

[shareholderrelations@consumersbank.com](mailto:shareholderrelations@consumersbank.com)

## Website

[www.consumersbancorp.com](http://www.consumersbancorp.com)

## Annual Meeting

The 2017 annual meeting of shareholders will be held on Thursday, October 26, 2017, at 12:00 p.m. at Hartville Kitchen at 1015 Edison St., Hartville, OH 44632.

## Annual Report on Form 10-K

**A copy of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2017, as filed with the Securities and Exchange Commission, will be furnished without charge to shareholders upon written request to Theresa J. Linder, Corporate Secretary. An electronic version is also available on our website at [www.consumersbancorp.com](http://www.consumersbancorp.com).**

## Directors Emeriti

James R. Kiko, Sr.  
John E. Tonti

Our 2017 annual report was printed by our customer Davis Graphic Communication Solutions in Summit County, Ohio.



