Reaching $1 Billion *Together*

2023 ANNUAL REPORT

CONSUMERS Bancorp Inc.

Making a Difference Since 1965

Financial *Highlights*

Dollar amounts in thousands, except per share data.

Selected Items at Year End	June 30, 2023	June 30, 2022
FINANCIAL CONDITION:		
Total assets	$ 1,060,024	$ 977,313
Securities, available-for-sale	279,605	296,347
Loans, net	702,638	604,683
Deposits	952,533	886,562
Shareholders' equity	55,484	53,970
SHARE INFORMATION:		
Book value	$ 17.92	$ 17.66
Cash dividends paid per share	0.68	0.64
Basic and diluted earnings per share	3.45	3.68
OPERATIONS:		
Net interest income	$ 33,715	$ 32,746
Provision for loan losses	855	735
Noninterest income	4,747	4,735
Noninterest expenses	24,685	23,215
Net income	10,674	11,192
ASSET QUALITY:		
Net charge-offs to total loans	0.04%	0.01%
Nonperforming assets to total assets	0.06%	0.05%
Allowance for loan losses to total loans	1.09%	1.17%
PERFORMANCE RATIOS:		
Return on average assets	1.05%	1.17%
Return on average equity	20.27%	16.43%
Net interest margin (fully tax equivalent)	3.37%	3.60%

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

Reaching $1 Billion *Together*

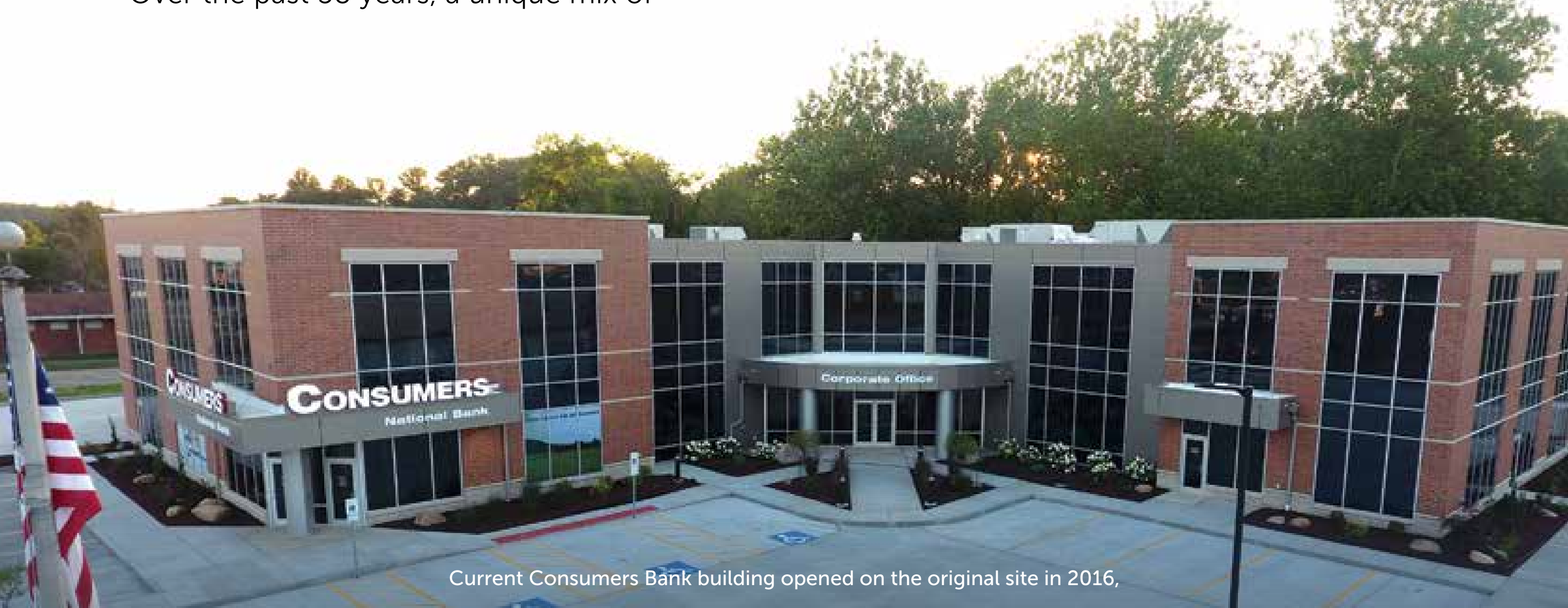
President's Letter

Original Minerva National Bank building opened in 1965.

Dear Fellow Shareholders:

When Romain Fry and his fellow visionaries founded what was then Minerva National Bank in 1965, they started with $300,000 in capital, five employees, and a modern bank building on Route 30, just east of downtown Minerva, a village 25 miles southeast of Canton. The founders were responding to bank consolidations that they believed were restricting access to the capital needed to grow businesses and farms in their local communities. Ultimately, they were investing in their town because, as entrepreneurs, they believed that they could make a difference. Over the past 58 years, a unique mix of shareholders, directors, employees, and customers embraced the original vision and contributed to the bank's growth and success. In fiscal year 2023, the bank reached an industry milestone, as it crossed the $1 billion in assets threshold.

In fiscal year 2023, the bank reached an industry milestone, as it crossed the *$1 billion* in assets threshold.



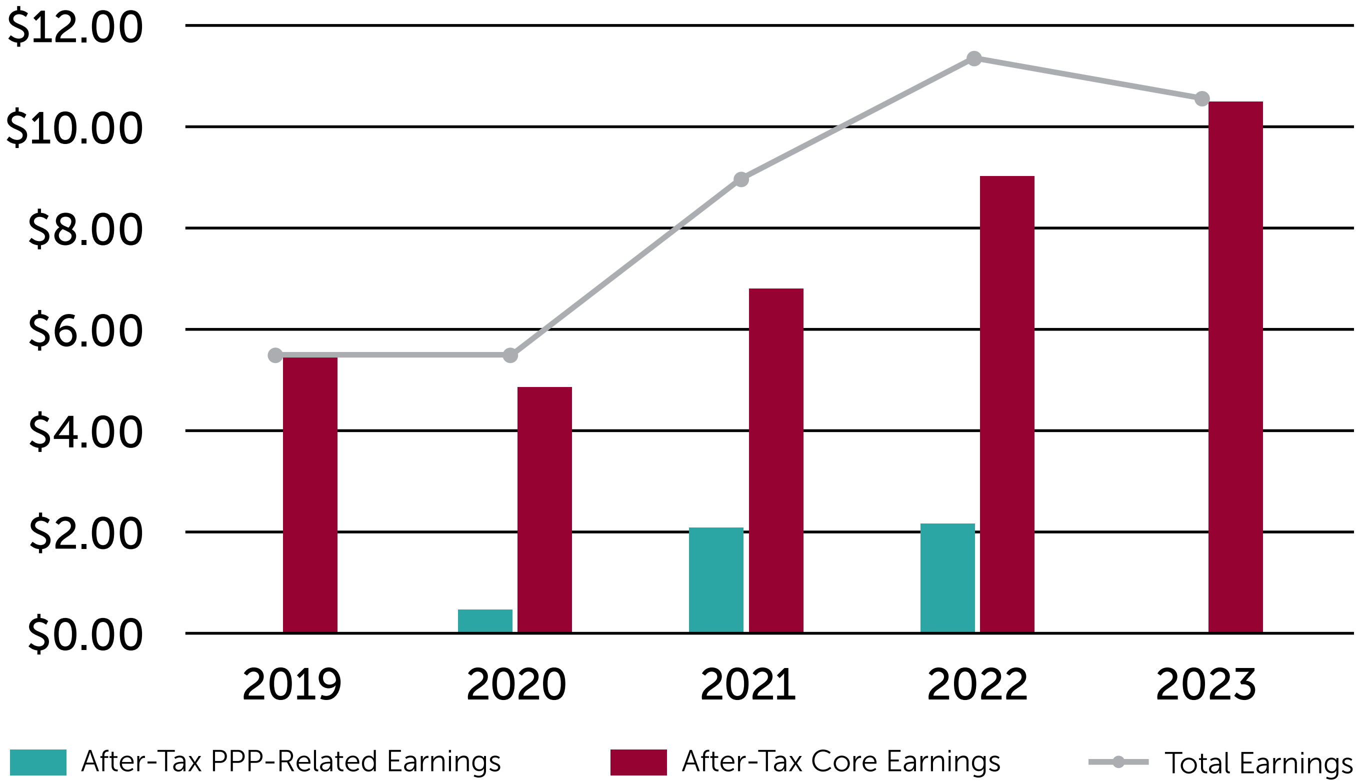
Current Consumers Bank building opened on the original site in 2016, The company also realized record core earnings (net of PPP-related earnings) in fiscal year 2023. In a period marked by unprecedented market rate increases, inflationary pressures, an increasingly competitive deposit environment, and a stalled residential mortgage market, core 2023 earnings increased by $1.63 million, or 18% to $10.67 million. During this period, higher yields on new loans, slower loan runoff, and the bank's legacy transaction and savings account balances all reduced the impact of rising rates on our net interest margin. 2023 continued a trend in which asset growth has resulted in operating efficiencies. At 2.27, the bank's total operating expense to asset ratio declined eight basis points from quarter-end June 2022 and is 11 basis points lower than our regulatory peer group. Since 2019, net income has increased at a 17.7% compounded annual growth rate.

Focusing on the needs of one customer at a time, we have built diversified deposit and loan portfolios.

We expect the competitive deposit market and higher interest rates to continue into fiscal year 2024. To counter the continued margin pressure, we have prioritized efforts to gain lower-cost transactional deposit accounts and increase noninterest income.

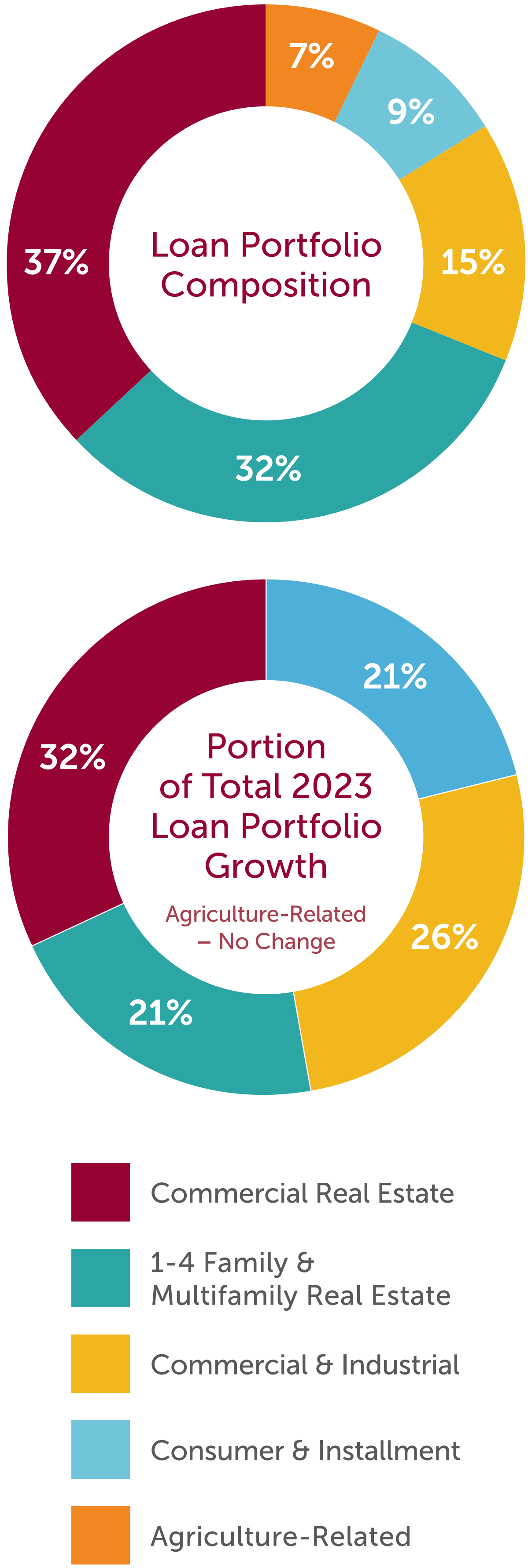
Since 1965, the cumulative trust and support of our customers has made Consumers a $1 billion community bank. Focusing on the needs of one customer at a time, we have built diversified deposit and loan portfolios. 56% of deposit balances are held in personal accounts, and 42% are held in non-personal account types. 60% of deposits are checking or traditional savings products. Developed

Earnings Trend (Millions)



over a large, diverse territory, our stable core deposit base showed its collective confidence in the bank as deposit and repurchase balances increased to $48 million, or 5% during the six-month period ending June 30, 2023 — a period when the industry absorbed the fallout from the March 2023 banking crisis. During the same period, the bank's uninsured deposit ratio, a measure of reliance on large, non-core deposits, decreased to approximately 28%, which includes fully collateralized public funds. Net of public funds, the ratio is approximately 18%.

The bank strives for a stable loan portfolio that represents the diversity of our markets and customer base. While total loan production, including residential mortgage loans originated for sale, decreased by 20% to $255 million, the bank's portfolio growth of $99 million was dispersed across these main portfolios.



Over the last 10 years, outstanding loan balances have **increased at a 12.5% compounded annual growth rate**, without sacrificing credit quality or underwriting standards.

Over the last 10 years, outstanding loan balances have increased at a 12.5% compounded annual growth rate, without sacrificing credit quality or underwriting standards. Through fiscal year 2023, net charge-off and delinquency ratios continued to trend downward and were consistently lower than that of our peers throughout the growth period. Since 2018, Consumers' total past-due loan ratio has averaged 72 basis points below the average of our regulatory peer group. Consumers Bank has evolved into a full-service commercial lender with growing residential and consumer loan departments. With this growth, the bank has maintained a fundamental commitment to credit quality across all business lines. At June 30, nonaccrual loans were 0.01% of total loans, and net charge-offs in 2023 totaled 0.04% of average loans outstanding. We will

	Commitments	#	Average Commitment	% of Commercial Commitments	% of Total Loan Commitments
Real Estate Rental & Leasing	$191.7	466	$0.411	34%	23%
Manufacturing	$57.1	175	$0.326	10%	7%
Healthcare	$50.3	156	$0.322	9%	6%
Agriculture	$50.1	337	$0.149	9%	6%
Construction	$49.3	185	$0.266	9%	6%
Total – Top Five Industries	$398.5	1,319	$0.302	71%	48%

continue to monitor the impact of inflation and higher interest rates on our consumer and commercial borrowers.

The commercial portfolio, which comprises 67% of total bank commitments, is diversified in both industry segments and in number of individual credit concentrations. The five largest industry segments represent 1,319 individual credits and only account for 48% of total loan balances.

While our residential mortgage business was down close to 50% in fiscal year 2023, the purchase mortgage market has shown signs of life, and our pipeline has once again started to grow as borrowers get used to higher market interest rates and take advantage of our robust secondary market and portfolio product lines. We also believe that there are opportunities to help consumers manage their credit card debt load by taking advantage of the substantial gains in equity that homeowners have experienced over the past few years.

We realized a 33% increase in personal installment lending in 2023 and expect continued growth as we add to our in-market dealer network and increase cross-selling efforts in the branches. We believe our focus on credit quality (763 weighted average credit score in 2023) and loan structure (86% weighted average loan to value in 2023) will allow the portfolio to weather economic pressures.

Market interest rates, which rose rapidly and have stayed higher for longer, continue to impact the fair value of the bank's securities portfolio. The $38 million valuation adjustment at June 30 and the related $30 million accumulated comprehensive loss are temporary and pertain to the market rates. This unrealized loss in securities is temporary and is adjusted monthly for additional market interest rate fluctuations, principal paydowns, calls, and maturities. Consumers has significant sources of liquidity and, therefore, does not expect to have to sell securities to fund growth.

Along the journey to $1 billion, the bank has methodically expanded its market area, which now encompasses a unique mix of rural, urban, and suburban communities. With more than half of our locations developed or acquired since 2011, Consumers now has 22 offices across six Ohio counties.

Our 11 business bankers, six mortgage loan officers, and three commercial deposit specialists work together to develop business in these and the 14 surrounding counties, a 9,000-square-mile territory that includes seven separate MSAs in three states. There are 1.5 million households

New full-service branch in Wellsville opened in May 2023.

and 96,000 businesses and organizations in the $168.5 billion 20-county market. We expect that the current economic climate, corporate realignments, and continued developments in technology will provide opportunities to both add talent to our sales team and develop new relationships throughout the region.

We continue to expand. In 2023, we relocated our Wellsville drive-up location to a full-service bank building. We have taken steps to increase our Stark County Ohio presence with a new full-service branch in Massillon. Situated in the western part of the county, Massillon has a population of 32,000 and is a $1 billion deposit market. Consumers currently holds 4.25% of the $9.3 billion Stark County market.

Site of a new full-service branch in Massillon, Ohio.

Consumers' growth has been fueled by and has proved sustainable because we have been able to recruit exceptional and experienced bankers, sales, and support staff over the years. Currently, 194 employees (184 FTE) support our customers. Assets and income per employee have reached $5.76 million and $58,000, respectively. Average tenure is over nine years, and 35% of the bank's employees have more than 10 years' tenure. In January 2023, Theresa Linder (Minerva Office Relationship Manager) and Betty Laubacher (Commercial Credit) retired from Consumers with 90 years of combined service at Consumers. I thank them for their service and acknowledge the rest of the bankers who have served our customers and communities along the road to $1 billion.

The 50 men and women who have served as bank directors since 1965 have supported investments in technology, people, and expansions that have proved vital to sustained growth. They represent the shareholders through their thoughtful vision and reflect the founders in their entrepreneurial independent spirit. In January 2023, we welcomed Ann Gano to the Board. A resident of New Philadelphia, Ms. Gano owns Keeping Tabs, Inc., a certified public accounting

Ohio County	Number of Depository Offices	Deposit Market (June 2022) in Billions	Market Share (June 2022)	Rank
Stark	8	$9.3	4.25%	7/16
Columbiana	5	$2.0	12.36%	4/10
Jefferson	4	$1.2	8.47%	6/9
Carroll	2	$0.454	24.93%	2/5
Summit	2	$17.2	0.14%	21/24
Mahoning	0 (Lending Center)	$7.0*	0.00%	NA
Total	**21**	**$30.2**	**2.93%**	**7/31**

*Mahoning County has no deposit facility – not included in deposit or market share totals.

firm that specializes in providing accounting and consulting services to the agricultural community. Her commitment to agriculture and her approach to community service reflect the spirit of our current and past leaders.

This growth would not be possible without your support. We are fortunate to have over 1,500 shareholders who believe that Consumers is resilient enough to weather periods of economic volatility and who believe in a business model that emphasizes credit quality, loan structure, moderation, and strategic initiative. Over the years, you have supported critical investments that have fueled more recent growth. We are pleased to reward you with our stable quarterly dividend that the Board recently increased to $0.18 per share, a 6% increase. Based on a market price of $18.00, the current annualized dividend, which has increased over 40% since 2017, equates to a 4% dividend yield.

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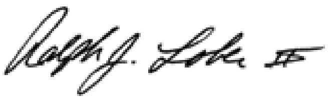
The 2023 Annual Meeting of Shareholders will be held solely online via live webcast at 10:00 a.m. on Thursday, October 19, 2023. Website and password information for joining the meeting virtually are provided in the accompanying proxy statement. In the meantime, I ask for your continued support, your business, and your referrals.

Shareholder support, an engaged Board, committed employees, loyal customers, expansive dynamic markets, and diversified portfolios all contributed to Consumers National Bank's journey to $1 billion. Each will be vital along the path to future milestones.

Sincerely,
Ralph J. Lober II



President & CEO

Chairman's Letter

Dear Shareholders,

It has been my privilege to serve on the Board of Directors of Consumers Bancorp, Inc., for over 36 years, and it is with great pride and gratitude that I share my thoughts on what it means to reach $1 billion in assets. When I reflect on the bank's significant growth since 1965, I credit the investment of our local shareholders, the tenacity of the Board of Directors, the focus of local management and staff, and the support of our local businesses, organizations, and individuals who enabled Consumers to reach this benchmark and to make a difference in 22 local communities.

When the founders came together to raise the required capital to open this bank, they were relentless in their pursuit. We hear many stories from original shareholders who were asked to invest in the new local bank, many of whom and whose family members continue to hold those shares today. They have seen their investment grow with the bank through stock splits, increased share price, and consistent dividends. We are grateful to those of you who took a chance on the new local bank and to all of our shareholders who have supported Consumers throughout the past 58 years.

You can see that same tenacity our founding directors possessed in the Board members today. They are invested, committed, and diligent in their support of the bank, and they step up to meet any challenges we face. The Board is made up of diverse individuals with a broad spectrum of expertise that live and work in the various communities served by Consumers. Diversity is valued as it brings options, open discussion, and thought-provoking concepts and ideas, yet the Board of Directors has remained united from day one in the mission to make a difference in the communities served by Consumers National Bank.

Our staff is made up of local, experienced bankers who are capable and dedicated to serving you. They keep their eye on the ball and are focused on meeting the bank's goals. They make a significant impact in expanding and growing the bank and in making Consumers "the community bank." We hear from our customers, our partners, and our community the stories of how their community banker has gone above and beyond to help a customer and how our staff is cooperative, prepared, and equipped with the necessary expertise to respond to our auditors and banking partners. We are proud of our leaders and associates who have propelled this bank forward.

> The Board is made up of **diverse individuals with a broad spectrum of expertise** that live and work in the various communities served by Consumers.

We understand that the success of our customers is the success of Consumers. Providing our customers with the community bank experience is what sets us apart. When we provide a small business the funding to purchase equipment or expand their operation, or when we make a personal loan to a customer for their first car, or guide a family through the process of buying their first home, it is a rewarding experience for both the customer and the banker. It is why they want to refer their family and friends. It is why we are thankful they chose Consumers as their lender of choice. It is why as of June 30, 2023, Consumers loan balances were at $710.4 million.

Although deposits are not a bank asset,they are leveraged to fund loans, which make up the majority of Consumers' assets. The expansion of our branch network to 21 branches and the increase in our deposit base provide a good way to measure overall growth. The following deposits as of June 30, 2023, show the expansion and growth of Consumers. Minerva, our first office founded in 1965, had deposits of $130.2 million, and Salem, our second office, opened in 1975, had $76.2 million. Carrollton, opened in 1994, and Lisbon, in 2000, had $83.0 million and $73.3 million in deposits, respectively.

Branches with over $50 million in deposits include Alliance (1999), Calcutta (2021), and Jackson-Belden (2012), totaling over $163 million, and those with over $30 million are Bergholz (2017), East Canton (2000), Louisville (2000), Hartville (2011), Malvern 2006), Waynesburg (1986), and Wellsville (2021), totaling over $269 million. The remaining branches, Adena (2020), Brewster (2019),Dillonvale (2020), Fairlawn (2018), Green (2021), Hanoverton (1989), and Mt. Pleasant (2020), contributed over $157 million in deposits.

Thank you to our shareholders, customers, directors, management, and associates. Together, we grew to $1.0 billion in assets, and together, we will move forward.

Sincerely,
Laurie McClellan

Laurie L M'Clellan

Chairman of the Board

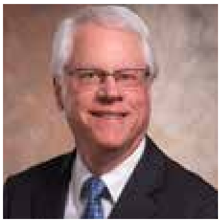
Board of Directors

Laurie L. McClellan
Chairman of the Board

Frank Paden
Vice Chairman of the Board

John P. Furey
Retired President
Furey's Wheel World, Inc.

Ann Gano
Owner
Keeping Tabs, Inc.



Bradley Goris
Managing Partner
Goris Properties

Richard T. Kiko, Jr.
President & Chairman
Coletta Holdings, Inc.

Shawna L'Italien
Partner
Harrington, Hoppe, and Mitchell, Ltd.

Ralph J. Lober II
President & Chief Executive Officer

John W. Parkinson
President & Founder
Appalachian Capital Management, Ltd.

Harry W. Schmuck, Jr.
Operations Manager
Schmuck Partnership

Michael A. Wheeler
President & Chief Legal Officer
Patriot Software

Executive Management

Ralph J. Lober II
President & Chief Executive Officer

Scott E. Dodds
EVP, Senior Loan Officer

Renee K. Wood
EVP, Chief Financial Officer

Kim Chuckalovchak
SVP, Chief Information Officer

Hillary Hudak
SVP, Chief People Officer

Suzanne Mikes
SVP, Chief Credit Officer

Derek Williams
SVP, Retail Sales & Operations

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 2023

Commission File No. 033-79130

CONSUMERS BANCORP, INC.

(Exact name of registrant as specified in its charter)

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

614 East Lincoln Way,
P.O. Box 256, Minerva, Ohio 44657
(330) 868-7701
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Shares, no par value		
(Title of each class)	(Trading Symbol(s))	(Name of each exchange on which registered)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

Based on the closing sales price on December 31, 2022, the aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant was approximately $53,283,395.

The number of shares outstanding of the Registrant's common stock, no par value, was 3,096,100 at September 7, 2023.

DOCUMENTS INCORPORATED BY REFERENCE

Certain specifically designated portions of Consumers Bancorp, Inc.'s definitive Proxy Statement, dated September 7, 2023, for its 2023 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

TABLE OF CONTENTS

PART I

Item 1—Business

(Dollars in thousands, except per share data)

General

Consumers Bancorp, Inc. (Corporation) is a bank holding company as defined under the Bank Holding Company Act of 1956, as amended (BHCA), and is a registered bank holding company under that act and was incorporated under the laws of the State of Ohio in 1994. In February 1995, the Corporation acquired all the issued and outstanding capital stock of Consumers National Bank (Bank), a bank chartered under the laws of the United States of America. The Corporation's activities have been limited primarily to holding the common stock of the Bank.

Consumers National Bank is a community-oriented financial institution that offers a wide range of commercial and consumer loan and deposit products, as well as mortgage, financial planning and investment services to individuals, farmers and small and medium sized businesses in our markets. Since 1965, the Bank's main office has been serving Minerva, Ohio, and surrounding areas from its location at 614 East Lincoln Way, Minerva, Ohio. The Bank seeks to be the provider of choice for financial solutions to customers who value exceptional personalized service, local decision making, and modern banking technology. 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 Carroll, Columbiana, Jefferson, Mahoning, Stark, Summit and Wayne counties in Ohio. Its market includes these counties as well as the contiguous counties in northeast Ohio, western Pennsylvania, and northern West Virginia. As of June 30, 2023, the Bank had 21 full-service branch locations and one loan production office. The Bank also invests in securities consisting primarily of obligations of U.S. government-sponsored entities, municipal obligations and mortgage-backed securities issued by Fannie Mae, Freddie Mac and Ginnie Mae.

On July 16, 2021, the Corporation completed its acquisition (branch acquisition) of two branches located in Calcutta and Wellsville, Ohio from CFBank, National Association. In connection with the branch acquisition, the Corporation assumed $104,538 in branch deposits for a deposit premium of 1.75%. In addition, the Corporation acquired $15,602 of subordinated debt securities issued by unrelated financial institutions, $19,943 of loans, and recorded goodwill of $1,616. This transaction qualified as a business combination.

Supervision and Regulation

The Corporation and the Bank are subject to regulation by the Securities and Exchange Commission (SEC), the Board of Governors of the Federal Reserve System (Federal Reserve Board), the Office of the Comptroller of the Currency (OCC) and other federal and state regulators. The regulatory framework is intended primarily for the protection of depositors, federal deposit insurance funds and the banking system as a whole and not for the protection of shareholders and creditors. Earnings and dividends of the Corporation are affected by state and federal laws and regulations and by policies of various regulatory authorities. Changes in applicable law or in the policies of various regulatory authorities could affect materially the business and prospects of the Corporation and the Bank. The following describes selected federal and state statutory and regulatory provisions that have, or could have, a material impact on the Corporation. The following discussion of supervision and regulation is qualified in its entirety by reference to the statutory and regulatory provisions discussed.

Regulation of the Corporation

The Bank Holding Company Act: As a bank holding company, the Corporation is subject to regulation under the BHCA, and the examination and reporting requirements of the Federal Reserve Board. Under the BHCA, the Corporation is subject to periodic examination by the Federal Reserve Board and is required to file periodic reports regarding its operations and any additional information that the Federal Reserve Board may require.

The BHCA generally limits the activities of a bank holding company to banking, managing or controlling banks, furnishing services to or performing services for its subsidiaries and engaging in any other activities that the Federal Reserve Board has determined to be so closely related to banking or to managing or controlling banks as to be a proper incident to those activities. In addition, subject to certain exceptions, the BHCA requires every bank holding company to obtain the approval of the Federal Reserve Board prior to acquiring substantially all the assets of any bank, acquiring direct or indirect ownership or control of more than 5% of the voting shares of a bank or merging or consolidating with another bank holding company.

Under Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to each subsidiary bank and to commit resources to support those subsidiary banks. Under this policy, the Federal Reserve Board may require a bank holding company to contribute additional capital to an undercapitalized subsidiary bank and may disapprove of the payment of dividends to shareholders if the Federal Reserve Board believes the payment of such dividends would be an unsafe or unsound practice. The Federal Reserve Board has extensive enforcement authority over bank holding companies for violations of laws and regulations and unsafe or unsound practices.

Privacy Provisions of Gramm-Leach-Bliley Act: The Gramm-Leach-Bliley Act of 1999 contains extensive provisions on a customer's right to privacy of non-public personal information. Under these provisions, a financial institution must provide its customers with the institution's policies and procedures regarding the handling of customers' non-public personal information. Except in certain cases, an institution may not provide personal information to unaffiliated third parties unless the institution discloses that such information may be disclosed, and the customer is given the opportunity to opt out of such disclosure. The Corporation and the Bank are also subject to certain state laws that deal with the use and distribution of non-public personal information.

Sarbanes-Oxley Act: The Sarbanes-Oxley Act of 2002 contains important requirements for public companies in the areas of financial disclosure and corporate governance. In accordance with section 302(a) of the Sarbanes-Oxley Act, written certifications by the Corporation's Chief Executive Officer and Chief Financial Officer are required. These certifications attest that the Corporation's quarterly and annual reports filed with the SEC do not contain any untrue statement of a material fact or omit to state a material fact.

Regulation of the Bank

As a national bank, the Bank is subject to regulation, supervision, and examination by the OCC and by the Federal Deposit Insurance Corporation (FDIC). These examinations are designed primarily for the protection of the depositors of the Bank.

Dividend Restrictions: Dividends from the Bank are the primary source of funds for payment of dividends to the Corporation's shareholders. There are statutory limits, however, on the amount of dividends the Bank can pay without regulatory approval. Under regulations promulgated by the OCC, the Bank may not declare a dividend in excess of its undivided profits. Additionally, the Bank may not declare a dividend if the total amount of all dividends, including the proposed dividend, declared by the Bank in any calendar year exceeds the total of its retained net income of that year to date, combined with its retained net income of the two preceding years, unless the dividend is approved by the OCC. The Bank may not declare or pay any dividend if, after making the dividend, the Bank would be "undercapitalized," as defined in the federal regulations.

FDIC: The FDIC is an independent federal agency, which insures the deposits of federally insured banks and savings associations up to certain prescribed limits and safeguards the safety and soundness of financial institutions. The deposits of the Bank are subject to the deposit insurance assessments of the Deposit Insurance Fund of the FDIC. Under the FDIC's deposit insurance assessment system, the assessment rate for any insured institution varies according to regulatory capital levels of the institution and other factors such as supervisory evaluations.

The FDIC is authorized to prohibit any insured institution from engaging in any activity that poses a serious threat to the insurance fund and may initiate enforcement actions against banks, after first giving the institution's primary regulatory authority an opportunity to take such action. The FDIC may also terminate the deposit insurance of any institution that has engaged in or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, order or condition imposed by the FDIC.

Current Expected Credit Loss Model: In December 2018, the OCC, the Federal Reserve Board, and the FDIC issued a final rule to address regulatory treatment of credit loss allowances under the current expected credit loss (CECL) model. The rule revised the federal banking agencies' regulatory capital rules to identify which credit loss allowances under the CECL model are eligible for inclusion in regulatory capital and to provide banking organizations the option to phase in over three years the day one adverse effects on regulatory capital that may result from the adoption of the CECL model. The Bank adopted the CECL model on July 1, 2023 since it's a smaller reporting company and expects to elect to phase in the day-one effect of adopting CECL for regulatory capital purposes.

Risk-Based Capital Requirements: The Federal Reserve Board and the OCC employ similar risk-based capital guidelines in their examination and regulation of bank holding companies and national banks, respectively. The Corporation meets the definition of a Small Bank Holding Company and, therefore, was exempt from maintaining consolidated regulatory capital ratios. Instead, regulatory capital ratios only apply at the subsidiary bank level. The guidelines involve a process of assigning various risk weights to different classes of assets, then evaluating the sum of the risk-weighted balance sheet structure against the capital base. If capital falls below the minimum levels established by the guidelines, the bank holding company or bank may be denied approval to acquire or establish additional banks or non-bank businesses or to open new facilities. In addition, failure to satisfy capital guidelines could subject a banking institution to a variety of enforcement actions by federal bank regulatory authorities, including the termination of deposit insurance by the FDIC and a prohibition on the acceptance of "brokered deposits."

Effective January 1, 2020, qualifying community banking organizations may elect to comply with a greater than 9% community bank leverage ratio (CBLR) requirement in lieu of the currently applicable requirements for calculating and reporting risk-based capital ratios. The CBLR is equal to Tier 1 capital divided by average total consolidated assets. In order to qualify for the CBLR election, a community bank must (i) have a leverage capital ratio greater than 9 percent, (ii) have less than $10 billion in average total consolidated assets, (iii) not exceed certain levels of off-balance sheet exposure and trading assets plus trading liabilities and (iv) not be an advanced approaches banking organization. A community bank that meets the above qualifications and elects to utilize the CBLR is considered to have satisfied the risk-based and leverage capital requirements in the generally applicable capital rules and is also considered to be "well capitalized" under the prompt corrective action rules. The Bank has not elected to be subject to the CBLR.

Unless a community bank qualifies for, and elects to comply with the CBLR beginning on January 1, 2020, national banks are required to maintain the Basel III minimum levels of regulatory capital. The Basel III capital requirements for U.S. banking organizations became effective on January 1, 2015 and were fully phased in by January 1, 2019. Under Basel III, the Bank is required to maintain a minimum common equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6%, a total capital ratio of 8%, and a Tier 1 leverage ratio of 4%. Basel III also established a “capital conservation buffer” of 2.5% above the new regulatory minimum capital requirements, which effectively resulted in a minimum common equity Tier 1 capital ratio of 7%, a Tier 1 capital ratio of 8.5%, a total capital ratio of 10.5% and a Tier 1 leverage ratio of 6.5%. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a common equity Tier 1 ratio to risk-weighted assets above the minimum but below the conservation buffer will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall.

The OCC and the FDIC may take various corrective actions against any undercapitalized bank and any bank that fails to submit an acceptable capital restoration plan or fails to implement a plan accepted by the OCC or the FDIC. These powers include, but are not limited to, requiring the institution to be recapitalized, prohibiting asset growth, restricting interest rates paid, requiring prior approval of capital distributions by any bank holding company that controls the institution, requiring divestiture by the institution of its subsidiaries or by the holding company of the institution itself, requiring new election of directors, and requiring the dismissal of directors and officers. The OCC’s final supervisory judgment concerning an institution’s capital adequacy could differ significantly from the conclusions that might be derived from the absolute level of an institution’s risk-based capital ratios. Therefore, institutions generally are expected to maintain risk-based capital ratios that exceed the minimum ratios. As of June 30, 2023, the Bank exceeded minimum regulatory capital requirements to be considered well-capitalized.

Dodd-Frank Wall Street Reform and Consumer Protection Act: The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) established the Consumer Financial Protection Bureau (CFPB), which regulates consumer financial products and services and certain financial services providers. The CFPB is authorized to prevent unfair, deceptive and abusive acts or practices and seeks to ensure consistent enforcement of laws so that consumers have access to fair, transparent and competitive markets for consumer financial products and services. Since it was established the CFPB has exercised extensive rulemaking and interpretive authority.

Interstate Banking and Branching: The Interstate Banking and Branch Efficiency Act of 1995 has eased restrictions on interstate expansion and consolidation of banking operations by, among other things: (i) permitting interstate bank acquisitions regardless of host state laws, (ii) permitting interstate merger of banks unless specific states have opted out of this provision, and (iii) permitting banks to establish new branches outside the state provided the law of the host state specifically allows interstate bank branching.

Community Reinvestment Act: The Community Reinvestment Act (CRA) requires depository institutions to assist in meeting the credit needs of their market areas, including low- and moderate-income areas, consistent with safe and sound banking practices. Under this Act, each institution is required to adopt a statement for each of its market areas describing the depository institution’s efforts to assist in its community’s credit needs. Depository institutions are periodically examined for compliance and assigned ratings. Banking regulators consider these ratings when considering approval of a proposed transaction by an institution. The Bank’s most recent CRA rating is satisfactory.

USA PATRIOT Act: In 2001, Congress enacted the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Patriot Act). The Patriot Act is designed to deny terrorists and criminals the ability to obtain access to the United States’ financial system and has significant implications for depository institutions, brokers, dealers, and other businesses involved in the transfer of money. The Patriot Act mandates that financial services companies implement additional policies and procedures with respect to additional measures designed to address any or all the following matters: money laundering, terrorist financing, identifying and reporting suspicious activities and currency transactions, and currency crimes.

The Anit-Money Laundering Act: In 2021, Congress enacted the Anti-Money Laundering Act of 2020 (AMLA), which amended the Bank Secrecy Act of 1970 (BSA). The AMLA is intended to be a comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws. Among other things, the AMLA codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards for evaluating technology and internal processes for BSA compliance; expands enforcement-related and investigation-related authority, including increasing available sanctions for certain BSA violations and instituting BSA whistleblower initiatives and protections.

Office of Foreign Assets Control Regulation: The U.S. Treasury Department's Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. We are responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious financial, legal and reputational consequences, including applicable bank regulatory authorities not approving merger or acquisition transactions when regulatory approval is required or prohibiting such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

Cybersecurity: In March 2015, federal regulators issued two related statements regarding cybersecurity. One statement indicates that financial institutions should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution. The other statement indicates that a financial institution's management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution's operations after a cyberattack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyberattack.

In February 2018, the SEC published interpretive guidance to assist public companies in preparing disclosures about cybersecurity risks and incidents. These SEC guidelines, and any other regulatory guidance, are in addition to notification and disclosure requirements under state and federal banking law and regulations. In addition, in July 2023, the SEC adopted rules that require disclosure of material cybersecurity incidents, processes, if any, for assessing, identifying and managing material cybersecurity risk as well as whether any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have materially affected or are reasonably likely to materially affect the Corporation.

In November 2021, the OCC, the FRB and the FDIC issued a final rule, which became effective in May 2022, requiring banking organizations that experience a computer-security incident to notify certain entities. A computer-security incident occurs when actual or potential harm to the confidentiality, integrity, or availability of an information system or the information occurs, or there is a violation or imminent threat of a violation to banking security policies and procedures. The affected bank must notify its respective federal regulator of the computer-security incident as soon as possible and no later than 36 hours after the bank determines a computer-security incident that rises to the level of a notification event has occurred. These notifications are intended to promote early awareness of threats to banking organizations and will help banks react to those threats before they manifest into larger incidents. This rule also requires bank service providers to notify their bank organization customers of a computer-security incident that has caused, or is reasonably likely to cause, a material service disruption or degradation.

Furthermore, the Cyber Incident Reporting for Critical Infrastructure Act, enacted in March 2022, will require, once administrative rules are adopted, certain covered entities, including those in the financial services industry, to report a covered cyber incident to the U.S. Department of Homeland Security's Cybersecurity & Infrastructure Security Agency (CISA) within 72 hours after it reasonably believes an incident has occurred. Separate reporting to CISA will also be required within 24 hours if a ransom payment is made as a result of a ransomware attack.

State regulators have also been increasingly active in implementing privacy and cybersecurity standards and regulations. Recently, several states have adopted regulations requiring certain financial institutions to implement cybersecurity programs and many states have also recently implemented or modified their data breach notification, information security and data privacy requirements. We expect this trend of state-level activity in those areas to continue and we are monitoring developments in the states in which our customers are located.

In the ordinary course of business, electronic communications and information systems are relied upon to conduct operations, to deliver services to customers and to store sensitive data. The Corporation employs a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Risks and exposures related to cybersecurity attacks are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, increasing volume of attacks, as well as due to the expanding use of internet banking, mobile banking and other technology-based products and services by the Corporation and its customers.

Government Monetary Policy: The earnings of the Corporation are affected by general and local economic conditions and by the policies of various governmental regulatory authorities. In particular, the Federal Reserve Board regulates money and credit conditions and interest rates to influence general economic conditions, primarily through open market acquisitions or dispositions of United States Government securities, varying the discount rate on member bank borrowings and setting reserve requirements against member and nonmember bank deposits. Federal Reserve Board monetary policies have had a significant effect on the interest income and interest expense of commercial banks, including the Bank, and are expected to continue to do so in the future.

Executive and Incentive Compensation: Under the Dodd-Frank Act and rules adopted by the SEC in October 2022, public companies will be required, once stock exchanges adopt additional listing requirements, to adopt and implement "clawback" policies for incentive compensation payments and to disclose the details of the procedures for recovery of incentive compensation that was paid on the basis of erroneous financial information necessitating an accounting restatement due to material noncompliance with financial reporting requirements. Such clawback policies are intended to apply to compensation paid within the three completed fiscal years immediately preceding the date the issuer is required to prepare a restatement and would cover all executives (including former executives) who received incentive awards.

Employees

As of June 30, 2023, the Bank employed 173 full-time and 21 part-time employees. None of the employees are represented by a collective bargaining group. Management considers its relations with employees to be good.

Available Information

The Corporation files annual, quarterly, and current reports, proxy statements, and other information with the SEC. These filings are available to the public over the Internet at the SEC's website at www.sec.gov. Shareholders may also read and copy any document that the Corporation files at the SEC's public reference room located at 100 F Street, NE, Washington, DC 20549. Shareholders may call the SEC at 1-800-SEC-0330 for further information on the public reference room.

The Corporation's reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, are available, free of charge, on our website (www.consumers.bank) as soon as reasonably practicable after such reports are filed with or furnished to the SEC. The Corporation's Code of Ethics Policy, which is applicable to all directors, officers and employees of the Corporation, and its Code of Ethics for Principal Financial Officers, which is applicable to the principal executive officer and the principal financial officer, are each available on the Investor Relations section under Corporate Governance of the Corporation's website. The Corporation intends to post amendments to or waivers from either of its Code of Ethics Policies on its website. A printed copy of any of these documents will be provided to any requesting shareholder.

Item 1A—Risk Factors

Not applicable for Smaller Reporting Companies.

Item 1B—Unresolved Staff Comments

None.

Item 2—Properties

The Bank operates 21 full-service banking facilities and one loan production office (LPO) as noted below:

Location	Address	Owned	Leased
Adena	9 East Main Street, Adena, Ohio 43901	X	
Alliance	610 West State Street, Alliance, Ohio 44601		X
Bergholz	256 2nd Street, Bergholz, Ohio 43908		X
Brewster	210 Wabash Ave S, Brewster, Ohio 44613	X	
Calcutta	49028 Foulks Drive, Calcutta, Ohio 43920	X	
Carrollton	1017 Canton Road NW, Carrollton, Ohio 44615		X
Dillonvale	44 Smithfield Street, Dillonvale, Ohio 43917	X	
East Canton	440 W. Noble, East Canton, Ohio 44730	X	
Fairlawn	3680 Embassy Parkway Suite B, Fairlawn, Ohio 44333		X
Green	4086 Massillon Road, Green, Ohio 44685		X
Hanoverton	30034 Canal Street, P.O. Box 178, Hanoverton, Ohio 44423	X	
Hartville	1215 W. Maple Street, Hartville, Ohio 44632	X	
Jackson-Belden	4026 Dressler Road NW, Canton, Ohio 44718	X	
Lisbon	7985 Dickey Drive, Lisbon, Ohio 44432	X	
Louisville	1111 N. Chapel Street, Louisville, Ohio 44641	X	
Malvern	4070 Alliance Road, Malvern, Ohio 44644		X
Minerva	614 E. Lincoln Way, P.O. Box 256, Minerva, Ohio 44657	X	
Mount Pleasant	298 Union Street, Mount Pleasant, Ohio 43939	X	
Salem	141 S. Ellsworth Avenue, P.O. Box 798, Salem, Ohio 44460	X	
Waynesburg	8607 Waynesburg Drive SE, P.O. Box 746, Waynesburg, Ohio 44688	X	
Wellsville	565 Main Street, Wellsville, Ohio 43968	X	
Boardman LPO	725 Boardman-Canfield Road, Building 1, Boardman, Ohio 44512		X

The Bank considers its physical properties to be in good operating condition and suitable for the purposes for which they are being used. In management’s opinion, all properties owned and operated by the Bank are adequately insured.

Item 3—Legal Proceedings

The Corporation is not a party to any pending material legal or administrative proceedings, other than ordinary routine litigation incidental to the business of the Corporation. Further, there are no material legal proceedings in which any director, executive officer, principal shareholder or affiliate of the Corporation is a party or has a material interest therein that is adverse to the Corporation. No routine litigation in which the Corporation is involved is expected to have a material adverse impact on the financial position or results of operations of the Corporation.

Item 4—Mine Safety Disclosures

None.

PART II

Item 5—Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

The Corporation had 3,096,100 common shares outstanding on June 30, 2023, with 730 shareholders of record and an estimated 816 additional beneficial holders whose stock was held in nominee name. Attention is directed to Item 12 in this Form 10-K for information regarding the Corporation's equity incentive plans, which information is incorporated herein by reference.

The common shares of Consumers Bancorp, Inc. are quoted on the OTCQX® Best Market under the symbol CBKM. The following quoted market prices reflect inter-dealer prices, without adjustments for retail markups, markdowns, or commissions and may not represent actual transactions. The market prices represent highs and lows reported during the applicable quarterly period.

Quarter Ended	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023
High	$ 21.00	$ 21.00	$ 20.45	$ 18.50
Low	18.20	17.90	17.21	15.83
Cash dividends paid per share	0.17	0.17	0.17	0.17

Quarter Ended	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
High	$ 23.75	$ 23.20	$ 24.50	$ 23.40
Low	19.21	21.47	21.86	19.00
Cash dividends paid per share	0.16	0.16	0.16	0.16

Management does not have knowledge of the prices paid in all transactions and has not verified the accuracy of those prices that have been reported. Because of the lack of an established market for the Corporation's common shares, these prices may not reflect the prices at which the common shares would trade in an active market.

The Corporation's management is currently committed to continuing to pay regular cash dividends; however, there can be no assurance as to future dividends because they are dependent on the Corporation's future earnings, capital requirements and financial condition. The Corporation's principal source of funds for dividend payment is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. See Note 1 and Note 13 to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations for dividend restrictions.

There were no repurchases of the Corporation's securities during fiscal year 2023.

Item 7—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 financial condition and results of operations as of and for the years ended June 30, 2023 and 2022. This discussion is designed to provide a more comprehensive review of the operating results and financial position 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.

Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K, which are not statements of historical fact, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "may," "continue," "estimate," "intend," "plan," "seek," "will," "believe," "project," "expect," "anticipate" and similar expressions are intended to identify forward-looking statements. These forward-looking statements may involve risks and uncertainties that are difficult to predict, may be beyond our control, and could cause actual results to differ materially from those described in such statements. Any such forward-looking statements are made only as of the date of this report or the respective dates of the relevant incorporated documents, as the case may be, and, except as required by law, we undertake no obligation to update these forward-looking statements to reflect subsequent events or circumstances. Risks and uncertainties that could cause actual results for future periods to differ materially from those anticipated or projected include, but are not limited to:

- changes in local, regional and national economic conditions becoming less favorable than we expect, resulting in a deterioration in asset credit quality or debtors being unable to meet their obligations because of high unemployment rates and inflationary pressures;
- rapid fluctuations in market interest rates could result in changes in fair market valuations and a decline in net interest income;
- changes in the level of non-performing assets and charge-offs;
- unanticipated changes in our liquidity position, including, but not limited to, changes in the cost of liquidity and our ability to find alternative funding sources;
- the effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities, and insurance) with which we must comply;
- the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;
- breaches of security or failures of our technology systems due to technological or other factors and cybersecurity threats;
- changes in consumer spending, borrowing and savings habits;
- declining asset values impacting the underlying value of collateral;
- changes in accounting policies, rules and interpretations;
- our ability to attract and retain qualified employees;
- competitive pressures on product pricing and services; and
- changes in the reliability of our vendors, internal control systems or information systems.

The risks and uncertainties identified above are not the only risks we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial also may adversely affect us. Should any known or unknown risks and uncertainties develop into actual events, those developments could have material adverse effects on our business, financial condition, and results of operations.

Overview

Consumers Bancorp, Inc., a bank holding company incorporated under the laws of the State of Ohio, owns all the issued and outstanding capital stock of Consumers National Bank, a bank chartered under the laws of the United States of America. The Corporation's activities have been limited primarily to holding the common stock 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 Carroll, Columbiana, Jefferson, Mahoning, Stark, Summit, and Wayne counties in Ohio. Its market includes these counties as well as the contiguous counties in northeast Ohio, western Pennsylvania, and northern West Virginia. 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.

On July 16, 2021, the Corporation completed the branch acquisition and assumed $104,538 of branch deposits for a 1.75% deposit premium and purchased $15,602 in subordinated debt securities issued by unrelated financial institutions and $19,943 in loans. In relation to the branch acquisition, the Corporation recorded goodwill of $1,616. This transaction qualified as a business combination.

Comparison of Results of Operations for the Years Ended June 30, 2023 and June 30, 2022

Net Income. Net income was $10,674 for fiscal year 2023 compared with $11,192 for fiscal year 2022. The following key factors summarize our results of operations for the year ended June 30, 2023 compared with the same prior year period:

- net interest income increased by $969, or 3.0%, in fiscal year 2023, primarily because of a $51,065, or 5.6%, increase in average interest-earning assets;
- a $855 provision for loan loss expense was recorded during fiscal year 2023 compared with $735 during fiscal year 2022; and
- total other expenses increased by $1,470, or 6.3%, in fiscal year 2023 due to increases in salaries and employee benefits; occupancy and equipment expenses; and professional and director fees.

Return on average equity and return on average assets were 20.27% and 1.05%, respectively, for fiscal year 2023 compared with 16.43% and 1.17%, respectively, for the same period last year.

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. In addition, prevailing economic conditions, fiscal and monetary policies, and the policies of various regulatory agencies all affect market rates of interest and the availability and cost of credit, which, in turn, can significantly affect net interest income.

Net interest margin is calculated by dividing net interest income on a fully tax equivalent basis (FTE) by total interest-earning assets. FTE income includes tax-exempt income, restated to a pre-tax equivalent, based on the statutory federal income tax rate of 21.0%. All average balances are daily average balances. Non-accruing loans are included in average loan balances and average securities include unrealized gains and losses on securities available for sale, while yields are based on average amortized cost.

Net Interest Income Year ended June 30,	**2023**	**2022**
Net interest income	$ 33,715	$ 32,746
Taxable equivalent adjustments to net interest	204	513
Net interest income, fully taxable equivalent	$ 33,919	$ 33,259
Net interest margin	3.35%	3.54%
Taxable equivalent adjustment	0.02	0.06
Net interest margin, fully taxable equivalent	3.37%	3.60%

FTE net interest income for fiscal year 2023 was $33,919, an increase of $660 or 2.0%, from $33,259 in fiscal year 2022. The Corporation's tax equivalent net interest margin was 3.37% for fiscal year 2023 and 3.60% for fiscal year 2022. FTE interest income for fiscal year 2023 was $41,143, an increase of $6,470, or 18.70%, from fiscal year 2022, primarily due to a $51,065, or 5.6%, increase in average interest-earning assets from fiscal year 2022. The growth in average interest-earning assets was primarily a result of a $65,313, or 10.9%, increase in average loans. In fiscal year 2022, interest income was positively impacted by $2,612 in interest and fee income that was recognized on Paycheck Protection Program loans. The Corporation's yield on average interest-earning assets was 4.09% for the 2023 fiscal year compared with 3.75% for the same period last year.

Interest expense for fiscal year 2023 was $7,224, an increase of $5,810 from fiscal year 2022 primarily because of the rapid increase in current market interest rates and the increased competition for deposits. The Corporation's average cost of funds was 1.03% for fiscal year 2023 compared with 0.22% for the same prior year period.

Average Balance Sheet and Net Interest Margin

	2023			2022		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Interest earning assets:						
Taxable securities	$ 209,906	$ 5,338	2.24%	$ 185,741	$ 3,572	1.87%
Nontaxable securities (1)	84,023	2,459	2.67	86,710	2,580	3.00
Loan receivables (1)	662,163	32,757	4.95	596,850	28,216	4.73
Federal bank and other restricted stocks	2,360	149	6.31	2,489	82	3.29
Equity securities	384	33	8.59	427	33	7.73
Interest bearing deposits and federal funds sold	12,118	407	3.36	47,672	190	0.40
Total interest earning assets	970,954	41,143	4.09%	919,889	34,673	3.75%
Noninterest earning assets	48,917			39,059		
Total assets	$ 1,019,871			$ 958,948		
Interest bearing liabilities:						
Interest bearing demand	$ 157,508	$ 1,128	0.72%	$ 147,312	$ 166	0.11%
Savings	352,897	2,513	0.71	349,380	388	0.11
Time deposits	156,357	3,019	1.93	113,143	568	0.50
Short-term borrowings	22,603	397	1.76	12,960	47	0.36
FHLB advances	10,019	167	1.67	14,639	245	1.67
Total interest-bearing liabilities	699,384	7,224	1.03%	637,434	1,414	0.22%
Noninterest-bearing liabilities	267,837			253,407		
Total liabilities	967,221			890,841		
Shareholders’ equity	52,650			68,107		
Total liabilities and shareholders’ equity	$ 1,019,871			$ 958,948		
Net interest income, interest rate spread (1)		$ 33,919	3.06%		$ 33,259	3.53%
Net interest margin (net interest as a percent of average interest earning assets) (1)			3.37%			3.60%
Federal tax exemption on non-taxable securities and loans included in interest income		$ 204			$ 513	
Average interest earning assets to interest bearing liabilities			138.83%			144.31%

(1) Calculated on a fully taxable equivalent basis utilizing a statutory federal income tax rate of 21.0%.

The following table presents the changes in the Corporation's interest income and interest expense resulting from changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities. Changes attributable to both rate and volume that cannot be segregated have been allocated in proportion to the changes due to rate and volume.

INTEREST RATES AND INTEREST DIFFERENTIAL

	2023 Compared to 2022 Increase / (Decrease)			2022 Compared to 2021 Increase / (Decrease)		
	Total Change	Change due to Volume	Change due to Rate	Total Change	Change due to Volume	Change due to Rate
	(In thousands)					
Interest earning assets:						
Taxable securities	$ 1,766	$ 975	$ 791	$ 1,978	$ 1,932	$ 46
Nontaxable securities (1)	(121)	177	(298)	432	558	(126)
Loan receivables (2)	4,541	3,188	1,353	3,315	2,188	1,127
Federal bank and other restricted stocks	67	(4)	71	6	1	5
Interest bearing deposits and federal funds sold	217	(238)	455	24	92	(68)
Equity securities	—	(3)	3	16	17	(1)
Total interest and dividend income	6,470	4,095	2,375	5,771	4,788	983
Interest bearing liabilities:						
Interest bearing demand	962	12	950	17	41	(24)
Savings deposits	2,125	4	2,121	55	115	(60)
Time deposits	2,451	290	2,161	(565)	107	(672)
Short-term borrowings	350	57	293	38	6	32
FHLB advances	(78)	(77)	(1)	(31)	(84)	53
Total interest expense	5,810	286	5,524	(486)	185	(671)
Net interest income	$ 660	$ 3,809	$ (3,149)	$ 6,257	$ 4,603	$ 1,654

(1) Nontaxable income is adjusted to a fully tax equivalent basis utilizing a statutory federal income tax rate of 21.0%.

(2) Non-accrual loan balances are included for purposes of computing the rate and volume effects although interest on these balances has been excluded.

Provision for Loan Losses. The provision for loan losses represents the charge to income necessary to adjust the allowance for loan losses to an amount that represents management's assessment of the estimated probable credit losses in the Corporation's loan portfolio that have been incurred at each balance sheet date. The amount of the provision is affected by loan charge-offs, recoveries and changes in specific and general allocations required for the allowance for loan losses. Management considers a number of factors that impact the provision for loan losses, such as historical loss experience, the present and prospective financial condition of borrowers, the current conditions within the markets where the Corporation originates loans, the status of nonperforming assets, the estimated underlying value of the collateral and other factors related to the ultimate collectability of the loan portfolio.

A provision for loan loss expense of $855 was recorded in fiscal year 2023 compared with $735 in fiscal year 2022. The loan loss provision expense recorded in fiscal year 2023 was primarily due to the organic growth within the loan portfolio. For fiscal year 2023, net charge offs of $291, or 0.04% of total loans, were recorded compared with $46, or 0.01% of total loans, for the same period last year. The allowance for loan losses as a percentage of loans was 1.09% at June 30, 2023 and 1.17% at June 30, 2022. The decline in the allowance for loan losses as a percentage of total loans was due to the improvement in economic conditions as the economy has remained resilient following the pandemic and through the rapid rise in short-term interest rates. Also, substandard and non-accrual loans are at very low levels.

Non-performing loans were $104, or 0.01% of total loans, as of June 30, 2023. This compared with $440, or 0.07% of total loans, as of June 30, 2022. Non-performing loans declined primarily because two loans that had a balance of $382 as of June 30, 2022 were returned to accrual status during fiscal year 2023. Non-performing loans have been considered in management's analysis of the appropriateness of the allowance for loan losses. Management and the Board of Directors closely monitor these loans and believe the prospect for recovery of principal, less identified specific reserves, are favorable.

Other Income. Total other income increased by $12, or 0.3%, to $4,747 for fiscal year 2023. Service charges on deposit accounts increased by $138, or 9.5%, in fiscal year 2023 primarily as a result of increases in personal and business service charges on demand deposit accounts. Debit card interchange income increased by $112, or 5.4% in fiscal year 2023 because of increased debit card usage and an increase in the number of cards issued. These increases were partially offset by mortgage banking activity income decreasing by $287 in fiscal year 2023 because of the increase in mortgage rates impacting refinancing and new home sales volume.

Other Expenses. Total other expenses were $24,685 for the year ended June 30, 2023; an increase of $1,470, or 6.3%, from $23,215 for the year ended June 30, 2022.

Salaries and employee benefit expenses increased by $760, or 5.7%, during fiscal year 2023 primarily due to merit and cost of living increases and lower deferred loan costs. These increases were partially offset by lower salary continuation plan expenses because of an increase in the discount rate and lower incentive expenses.

Professional and director fees increased by $187, or 21.3%, during fiscal year 2023 from the same period last year primarily because of an increase in director fees and consulting expenses. Director fees increased mainly due to the issuance of restricted stock awards and units in fiscal year 2023 as the Corporation started issuing restricted stock units in fiscal year 2023 to better align the expense recognition with the performance criteria. In addition, consulting fees were higher in fiscal year 2023 as the Corporation prepared for the additional documentation and audit requirements of the FDIC Improvement Act of 1991 since the Corporation now has over $1 billion in total assets and as it prepared for the adoption of the current expected credit loss model accounting standard.

Financial institutions tax expenses decreased by $64, or 11.8%, in fiscal year 2023 since this is a capital-based tax and total capital was lower as of the measurement date in fiscal year 2023 because of the accumulated other comprehensive loss.

Other expenses increased by $256, or 12.7%, because of increases primarily in insurance, postage, and loan expenses as a result of the growth in the organization.

Income Tax Expense. Income tax expense totaled $2,248 and $2,339 and the effective tax rates were 17.4% and 17.3% for the fiscal years ended June 30, 2023 and 2022, respectively. Income tax expense was calculated utilizing a statutory federal income tax rate of 21.0% in fiscal years 2023 and 2022. The effective tax rate differs from the federal statutory rate as a result of tax-exempt income from obligations of states and political subdivisions, loans and bank owned life insurance earnings.

Financial Condition

Total assets as of June 30, 2023 were $1,060,024 compared with $977,313 at June 30, 2022, an increase of $82,711, or 8.5%. The growth in total assets is mainly attributable to an increase of $98,519, or 16.1%, in total loans and was primarily funded by a $65,971, or 7.4%, increase in total deposits.

Securities. Total securities were $286,575 at June 30, 2023, of which $279,605 were classified as available-for-sale and $6,970 were classified as held-to-maturity. The securities portfolio is mainly comprised of mortgage-backed securities and collateralized mortgage obligations issued by Fannie Mae, Freddie Mac and Ginnie Mae, state and political subdivisions and government-sponsored enterprises. The following tables summarize the amortized cost and fair value of available-for-sale securities at June 30, 2023 and 2022 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income or loss:

June 30, 2023 **Available-for-sale**	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Obligation of U.S Treasury	$ 8,941	$ —	$ (533)	$ 8,408
Obligations of U.S. government-sponsored entities and agencies	29,430	7	(3,745)	25,692
Obligations of state and political subdivisions	92,891	63	(8,982)	83,972
U.S. Government-sponsored mortgage-backed securities - residential	104,689	12	(15,066)	89,635
U.S. Government-sponsored mortgage-backed securities – commercial	8,604	—	(1,809)	6,795
U.S. Government-sponsored collateralized mortgage obligations – residential	55,800	8	(5,738)	50,070
Other debt securities	17,175	—	(2,142)	15,033
Total available-for-sale securities	$ 317,530	$ 90	$ (38,015)	$ 279,605

June 30, 2022 **Available-for-sale**	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 8,909	$ —	$ (462)	$ 8,447
Obligations of U.S. government-sponsored entities and agencies	28,689	—	(2,424)	26,265
Obligations of state and political subdivisions	105,977	129	(8,749)	97,357
U.S. government-sponsored mortgage-backed securities - residential	113,812	13	(11,642)	102,183
U.S. government-sponsored mortgage-backed securities - commercial	8,623	—	(1,322)	7,301
U.S. government-sponsored collateralized mortgage obligations – residential	40,952	1	(2,774)	38,179
Other debt securities	17,367	—	(752)	16,615
Total available-for-sale securities	$ 324,329	$ 143	$ (28,125)	$ 296,347

The following tables summarize the amortized cost and fair value of held-to-maturity securities at June 30, 2023 and 2022 and the corresponding gross unrecognized gains and losses:

June 30, 2023 **Held-to-maturity**	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Obligations of state and political subdivisions	$ 6,970	$ —	$ (676)	$ 6,294

June 30, 2022 **Held-to-maturity**	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Obligations of state and political subdivisions	$ 7,874	$ 47	$ (90)	$ 7,831

The following tables summarize the amounts and distribution of the Corporation's securities held and the weighted average yields as of June 30, 2023:

Available-for-sale	Amortized Cost	Fair Value	Average Yield
Obligations of U.S. Treasury			
Over 3 months through 1 year	$ 2,494	$ 2,412	0.60%
Over 1 year through 5 years	6,447	5,996	0.91
Total obligations of U.S. Treasury	8,941	8,408	0.82
Obligations of government-sponsored entities:			
Over 3 months through 1 year	1,001	987	2.22
Over 1 year through 5 years	5,767	5,476	2.79
Over 5 years through 10 years	20,181	17,134	2.03
Over 10 years	2,481	2,095	2.04
Total obligations of government-sponsored entities	29,430	25,692	2.48
Obligations of state and political subdivisions:			
3 months or less	1,000	996	0.50
Over 3 months through 1 year	502	504	5.43
Over 1 year through 5 years	16,891	16,168	2.94
Over 5 years through 10 years	13,777	12,650	2.76
Over 10 years	60,721	53,654	3.00
Total obligations of state and political subdivisions	92,891	83,972	2.94
Mortgage-backed securities - residential:			
Over 3 months through 1 year	94	91	2.09
Over 1 year through 5 years	18,834	17,492	2.62
Over 5 years through 10 years	76,352	64,444	1.94
Over 10 years	9,409	7,608	1.92
Total mortgage-backed securities - residential	104,689	89,635	2.06

	Amortized Cost	Fair Value	Average Yield
Collateralized mortgage obligations:			
Mortgage-backed securities – commercial:			
Over 1 year through 5 years	$ 1,321	$ 1,071	1.69%
Over 5 years through 10 years	2,920	2,379	1.90
Over 10 years	4,363	3,345	2.12
Total mortgage-backed securities - commercial	8,604	6,795	1.98
Collateralized mortgage obligations:			
3 months or less	110	109	1.47
Over 3 months through 1 year	812	810	5.41
Over 1 year through 5 years	19,508	18,723	4.33
Over 5 years through 10 years	32,513	28,190	2.75
Over 10 years	2,857	2,238	1.67
Total collateralized mortgage obligations	55,800	50,070	3.28
Other debt securities			
Over 5 years through ten years	17,175	15,033	3.52
Total other debt securities	17,175	15,033	3.52
Total available-for-sale securities	$ 317,530	$ 279,605	2.61%
Held-to-maturity			
Obligations of state and political subdivisions:			
Over 1 year through 5 years	$ 3,092	$ 2,988	2.14%
Over 5 years through 10 years	533	533	4.23
Over 10 years	3,345	2,818	3.01
Total held-to-maturity securities	$ 6,970	$ 6,294	2.72%

The weighted average interest rates are based on coupon rates for securities purchased at par value and on effective yields considering amortization or accretion if the securities were purchased at a premium or discount. The weighted average yield on tax-exempt obligations has been calculated on a tax equivalent basis. Average yields are based on amortized cost balances.

Loans. Loan receivables increased by $98,519, or 16.1%, to $710,362 at June 30, 2023 compared to $611,843 at June 30, 2022. Commercial loans increased by $25,547, or 29.3%, primarily because of a third-party residential mortgage warehouse line-of-credit that had a balance of $10,000 as of June 30, 2023 and had a zero balance as of June 30, 2022. Consumer loans increased by $20,588, or 45.9%, primarily as a result of the expansion of indirect auto lending and an increase in direct auto loans due to successful marketing campaigns. Major classifications of loans, net of deferred loan fees and costs, were as follows as of June 30:

	2023	2022
Commercial	$ 112,627	$ 87,080
Commercial real estate:		
Construction	23,905	15,095
Other	318,054	291,310
1-4 Family residential real estate:		
Owner occupied	158,037	143,180
Non-owner occupied	23,840	25,988
Construction	8,490	4,369
Consumer loans	65,409	44,821
Total loans	$ 710,362	$ 611,843

The following table shows the major classifications of loans, net of deferred fees and costs, which are based on the contractual terms for repayment of principal, that are due in the periods indicated as of June 30, 2023:

	Maturing				
	Within one year	After one year but within five years	After five years But within Fifteen years	After Fifteen years	Total
Commercial	$ 25,056	$ 39,994	$ 47,450	$ 127	$ 112,627
Commercial real estate:					
Construction	1	12,718	2,878	8,308	23,905
Other	10,626	12,959	123,828	170,641	318,054
1-4 Family residential real estate:					
Owner occupied	985	2,396	35,547	119,109	158,037
Non-owner occupied	696	1,264	14,649	7,231	23,840
Construction	—	3,215	—	5,275	8,490
Consumer loans	1,839	33,369	30,018	183	65,409
Total loans	$ 39,203	$ 105,915	$ 254,370	$ 310,874	$ 710,362

The following is a schedule of fixed and variable rate 1-4 family residential real estate construction, commercial and commercial real estate loans due after one year (variable rate loans are those loans with floating or adjustable interest rates) as of June 30, 2023:

Total due after one year:	**Fixed Interest Rates**	**Variable Interest Rates**
Commercial	$ 76,299	$ 11,272
Commercial real estate:		
Construction	3,128	20,776
Other	154,356	153,072
1-4 Family residential real estate:		
Owner occupied	126,204	30,848
Non-owner occupied	15,300	7,844
Construction	4,904	3,586
Consumer loans	63,543	27

Allowance for Loan Losses. The allowance for loan losses balance and the provision charged to expense are judgmentally determined by management based upon a periodic review of the loan portfolio for valuation purposes and to determine the adequacy of the allowance for loan losses. Management establishes allowances for estimated losses on loans based upon its evaluation of the pertinent factors underlying the types and quality of loans; historical loss experience based on volume and types of loans; trend in portfolio volume and composition; level and trend of nonperforming assets; detailed analysis of individual loans for which full collectability may not be assured; determination of the existence and realizable value of the collateral and guarantees securing such loans and the current economic conditions affecting the collectability of loans in the portfolio.

Failure to receive principal and interest payments when due on any loan results in efforts to restore such loan to a current status. Loans are classified as non-accrual when, in the opinion of management, full collection of principal and accrued interest is not expected. The loans must be brought and kept current for six sustained payments before being considered for removal from non-accrual status. Commercial and commercial real estate loans are classified as impaired if management determines that full collection of principal and interest, in accordance with the terms of the loan documents, is not probable. If a loan is impaired, a portion of the allowance is allocated so the loan is reported, net, at the present value of estimated future cash flows using the loan’s existing rate or at the fair value of collateral if repayment is expected from the collateral. Loans are evaluated for impairment when payments are delayed, typically 90 days or more, or when it is probable that not all principal and interest amounts will be collected according to the original terms of the loan. As of June 30, 2023, impaired loans totaled $405, of which $54 are included in non-accrual loans. Continued unsuccessful collection efforts generally lead to initiation of foreclosure or other legal proceedings.

The following table summarizes non-accrual loans, non-performing assets, impaired and restructured loans, and associated ratios for the years ended June 30:

	2023	2022
Non-accrual loans	$ 54	$ 431
Accruing loans past due 90 days or more	50	9
Total non-performing loans	$ 104	$ 440
Other real estate and repossessed assets owned	124	—
Total non-performing assets	$ 228	$ 440
Impaired loans	$ 405	$ 473
Accruing restructured loans	$ 351	$ 42
Non-accrual to total loans	0.01%	0.07%
ALLL to non-accrual loans	N/M*	N/M*

*Not meaningful

The non-performing loans are either in the process of foreclosure or efforts are being made to work with the borrower to bring the loan current. Properties and vehicles acquired by the Corporation as a result of foreclosure or repossession, or by deed in lieu of foreclosure, are classified as "other real estate and repossessed assets owned" until they are sold or otherwise disposed of.

The following table summarizes the Corporation's loan loss experience, and provides a breakdown of the charge-off, recovery and other activity for the years ended June 30:

	2023	2022
Allowance for loan losses at beginning of year	$ 7,160	$ 6,471
Loans charged off:		
1-4 Family residential real estate	6	41
Consumer loans	441	132
Total charge offs	447	173
Recoveries:		
Commercial	—	23
Commercial real estate	1	2
1-4 Family residential real estate	4	20
Consumer loans	151	82
Total recoveries	156	127
Net charge offs	291	46
Provision for loan losses charged to operations	855	735
Allowance for loan losses at end of year	$ 7,724	$ 7,160
Ratio of net charge offs to average loans outstanding	0.04%	0.01%
ALLL to total loans	1.09%	1.17%

The following schedule is a breakdown of the allowance for loan losses allocated by type of loan and related ratios:

	Allocation of the Allowance for Loan Losses			
	Allowance Amount	% of Loan Type to Total Loans	Allowance Amount	% of Loan Type to Total Loans
	June 30, 2023		June 30, 2022	
Commercial	$ 1,308	15.9%	$ 960	14.2%
Commercial real estate loans	3,943	48.1	3,927	50.1
1-4 Family residential real estate	1,571	26.8	1,645	28.4
Consumer loans	902	9.2	628	7.3
Total	$ 7,724	100.0%	$ 7,160	100.0%

While management's periodic analysis of the adequacy of the allowance for loan losses may allocate portions of the allowance for specific problem loan situations, the entire allowance is available for any loan charge-off that may occur. While the Corporation has historically experienced strong trends in asset quality, due to the current economic concerns with high inflation and rising interest rates, uncertainty remains regarding future levels of criticized and classified loans, nonperforming loans and charge-offs. Management will continue to closely monitor changes in the loan portfolio and adjust the provision accordingly.

Other Assets: As of June 30, 2023, the total accrued interest receivable and other assets were $22,967 compared with $10,184 as of June 30, 2022. As of June 30, 2023, a $10,250 investment in a limited partnership that invests in qualified affordable housing projects that will generate tax benefits for the investors is included in other assets. See Note 16—Affordable Tax Credit Partnership to the Consolidated Financial Statements, for information concerning the low-income housing tax credit investment.

Deposits. Total deposits increased by $65,971, or 7.4%, from $886,562 at June 30, 2022 to $952,533 at June 30, 2023. As market rates have risen, customers have chosen to move funds from savings and money market deposit products to higher yielding certificates of deposits. As of June 30, 2023, the Corporation maintained a favorable funding mix with 26.3% of total deposits in noninterest-bearing demand deposits, 16.0% in interest-bearing demand deposits, 35.2% in savings and money market deposits, and 22.5% in certificates and other time deposits.

The following is a schedule of average deposit amounts and average rates paid on each category for the periods included:

	Years Ended June 30,			
	2023		2022	
	Amount	Rate	Amount	Rate
Noninterest-bearing demand deposit	$ 258,463	—	$ 246,089	—
Interest-bearing demand deposit	157,508	0.72%	147,312	0.11%
Savings	352,897	0.71	349,380	0.11
Certificates and other time deposits	156,357	1.93	113,143	0.50
Total	$ 925,225	0.72%	$ 855,924	0.13%

Uninsured deposits as of June 30, 2023 were $267,449, or 28.1% of total deposits, and includes $95,445 of uninsured public fund deposits that are fully collateralized. Uninsured deposits as of June 30, 2022 were $264,350, or 29.8% of total deposits, and includes $95,075 of uninsured public fund deposits that are fully collateralized. Uninsured deposits as of June 30, 2023 and 2022 are based on estimates and include portions of FDIC-insured deposit accounts that exceed the insurance limit of $250 thousand per separately insured depositor.

The following table summarizes time deposits issued in amounts of more than $250 thousand as of June 30, 2023 by time remaining until maturity:

Maturing in:	
Under 3 months	$ 16,270
Over 3 to 6 months	6,384
Over 6 to 12 months	19,796
Over 12 months	3,122
Total	$ 45,572

Short-term Borrowings: Short-term borrowings increased by $5,072, or 23.8%, to $26,367 at June 30, 2023 from $21,295 at June 30, 2022. This increase was primarily associated with large new deposits from existing local commercial customers into the sweep repurchase agreement product that is fully collateralized. See Note 8—Short-Term Borrowings to the Consolidated Financial Statements, for information concerning short-term borrowings.

Other Liabilities: As of June 30, 2023, the total accrued interest payable and other liabilities was $16,864 compared with $7,230 as of June 30, 2022. As of June 30, 2023, an unfunded commitment of $9,668 associated with an affordable housing tax credit investment was included in other liabilities. See Note 16—Affordable Tax Credit Partnership to the Consolidated Financial Statements, for information concerning the low-income housing tax credit investment.

Capital Resources

Total shareholders' equity increased by $1,514 from $53,970 as of June 30, 2022 to $55,484 at June 30, 2023. The primary reason for the increase in shareholders' equity was because of net income of $10,674 for the 2023 fiscal year which was partially offset by an increase of $7,855 in the accumulated other comprehensive loss from the mark-to-market of available-for-sale securities and from cash dividends paid of $2,095. The total accumulated other comprehensive loss was $29,961 as of June 30, 2023. Available-for-sale securities and shareholders' equity were impacted by rapidly rising interest rates during 2022 and 2023 causing the accumulated other comprehensive loss to increase as available-for-sale securities are marked to fair market value. As market interest rates rise, the fair value of fixed-rate securities decline with a corresponding net of tax decline recorded in the accumulated other comprehensive loss portion of equity. This unrealized loss in securities is temporary and is adjusted monthly for additional market interest rate fluctuations, principal paydowns, calls, and maturities. The Corporation has significant sources of liquidity and therefore does not expect to have to sell securities to fund growth.

For fiscal year 2023, the average equity to average total assets ratio was 5.16% and the dividend payout ratio was 19.6%. For fiscal year 2022, the average equity to average total assets ratio was 7.10% and the dividend payout ratio was 17.4%.

At June 30, 2023, management believes the Bank complied with all regulatory capital requirements. Based on the Bank's computed regulatory capital ratios, the OCC has determined the Bank to be well capitalized under the Federal Deposit Insurance Act as of its latest exam date. The Bank's actual and required capital amounts are disclosed in Note 13-Regulatory Matters to the Consolidated Financial Statements. Management is not aware of any matters occurring subsequent to that exam that would cause the Bank's capital category to change.

At June 30, 2023, the Corporation had no unconsolidated, related special purpose entities, nor did the Corporation engage in hedging contracts, such as interest rate swaps, which may expose the Corporation to liabilities greater than the amounts recorded on the consolidated balance sheet. The Corporation's investment policy prohibits engaging in derivative contracts for speculative trading purposes; however, in the future, the Corporation may pursue certain contracts, such as interest rate swaps, to execute a sound and defensive interest rate risk management policy.

Liquidity

Management considers the asset position of the Bank to be sufficiently liquid to meet normal operating needs and conditions. The Bank's earning assets are divided primarily between loans and available-for-sale securities, with any excess funds placed in federal funds sold or interest-bearing deposit accounts with other financial institutions.

For fiscal year 2023, net cash inflows from operating activities were $13,316, net cash inflows from financing activities were $69,706 and net cash outflows from investing activities were $92,219. Major sources of cash were a $65,971 net increase in deposits and $37,794 in cash received from sales, maturities, or principal pay downs of available-for-sale securities. Major uses of cash were a $98,945 net increase in loans and $31,799 of purchases of available-for-sale securities. Total cash and cash equivalents were $20,952 as of June 30, 2023 compared to $18,529 at June 30, 2022.

The Bank groups its loan portfolio into four major categories: commercial loans; commercial real estate loans; 1-4 family residential real estate loans; and consumer loans. The Bank's 1-4 family residential real estate loan portfolio primarily consists of fixed and variable rate mortgage loans for terms generally not longer than thirty years and variable rate home equity lines of credit. Commercial and commercial real estate loans are comprised of both variable rate notes subject to interest rate changes based on the prime rate or Treasury index, and fixed rate notes having maturities of generally not greater than twenty years. Consumer loans offered by the Bank are generally written for periods of up to seven years, based on the nature of the collateral. These may be either installment loans having regular monthly payments or demand type loans for short periods of time.

Funds not allocated to the Bank's loan portfolio are invested in various securities having diverse maturity schedules. A majority of the Bank's securities are held in obligations of U.S. Government-sponsored entities, mortgage-backed securities, and investments in tax-exempt municipal bonds.

The Bank offers several forms of deposit products to its customers. We believe the rates offered by the Bank and the fees charged for them are competitive with others currently available in the market area. While the Bank continues to be under competitive pressures in the Bank's market area as financial institutions attempt to attract and keep new deposits, we believe many commercial and retail customers are turning to community banks. Compared to our peers, the Corporation's core deposits consist of a larger percentage of noninterest-bearing demand deposits resulting in a lower cost of funds of 1.03% for fiscal year 2023.

Jumbo time deposits (those with balances of $250 and over) were $46,822 and $18,164 at June 30, 2023 and 2022, respectively. These deposits are monitored closely by the Bank and typically priced on an individual basis. When these deposits are from a municipality, certain bank-owned securities are pledged to guarantee the safety of these public fund deposits as required by Ohio law. The Corporation has the option to use a fee paid broker to obtain deposits from outside its normal service area as an additional source of funding. However, these deposits are not relied upon as a primary source of funding and there were no brokered deposits as of June 30, 2023 or 2022.

To provide additional sources of liquidity, the Corporation has lines of credit with other financial institutions and has entered into agreements with the Federal Home Loan Bank of Cincinnati (FHLB) and the Federal Reserve Discount Window. As of June 30, 2023, advances from the FHLB of Cincinnati totaled $8,776 compared with $8,256 as of June 30, 2022. As of June 30, 2023, the Bank had the ability to borrow an additional $109,442 from the FHLB of Cincinnati based on a blanket pledge of qualifying first mortgage and multi-family loans. The Corporation considers the FHLB of Cincinnati to be a reliable source of liquidity funding, secondary to its deposit base.

Dividends from the Bank are the primary source of funds for payment of dividends to our shareholders. However, there are statutory limits on the amount of dividends the Bank can pay without regulatory approval. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. Additionally, the Bank may not declare or pay any dividend if, after making the dividend, the Bank would be "undercapitalized," as defined in the federal regulations. As of June 30, 2023, the Bank could, without prior approval, declare a dividend of approximately $21,811.

Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in accordance with U.S. generally accepted accounting principles, which require the measurement of financial position and results of operations primarily in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all the assets and liabilities of the Corporation are monetary in nature. Therefore, as a financial institution, interest rates have a more significant impact on the Corporation's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. The liquidity, maturity structure and quality of the Corporation's assets and liabilities are critical to the maintenance of acceptable performance levels.

Critical Accounting Policies and Use of Significant Estimates

The financial condition and results of operations for the Corporation presented in the Consolidated Financial Statements, accompanying notes to the Consolidated Financial Statements and management's discussion and analysis are, to a large degree, dependent upon the Corporation's accounting policies. The selection and application of these accounting policies involve judgments, estimates and uncertainties that are susceptible to change. The most significant accounting policies followed by the Corporation are presented in Note 1-Summary of Significant Accounting Policies to the Consolidated Financial Statements. These policies, along with the disclosures presented in the other financial statement notes, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined.

Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. In the event different assumptions or conditions were to prevail, and depending upon the severity of such changes, the possibility of materially different financial condition or results of operations is a reasonable likelihood. Management has identified the following as critical accounting policies:

Allowance for Loan Losses. The determination of the allowance for loan losses involves considerable subjective judgment and estimation by management. The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The balance in the allowance for loan losses is determined based on management's review and evaluation of the loan portfolio in relation to past loss experience, the size and composition of the portfolio, current economic events and conditions and other pertinent factors, including management's assumptions as to future delinquencies, recoveries, and losses. All these factors may be susceptible to significant change. Among the many factors affecting the allowance for loan losses, some are quantitative while others require qualitative judgment. Although management believes its process for determining the allowance adequately considers all the potential factors that could potentially result in credit losses, the process includes subjective elements and may be susceptible to significant change. To the extent actual outcomes differ from management's estimates, additional provisions for loan losses may be required that would adversely impact the Corporation's financial condition or earnings in future periods.

Goodwill. The Corporation accounts for business combinations using the acquisition method of accounting. Accordingly, the identifiable assets acquired and the liabilities assumed are recorded at their estimated fair values as of the date of acquisition with any excess of the cost of the acquisition over the fair value recorded as goodwill. The carrying value of goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The evaluation for impairment involves comparing the current estimated fair value of a reporting unit to its carrying value. If the current estimated fair value of a reporting unit exceeds the carrying value, no additional testing is required, and an impairment loss is not recorded. If the estimated fair value is less than the carrying value, further valuation procedures are performed that could result in impairment of goodwill being recorded. Further valuation procedures would include allocating the estimated fair value to all assets and liabilities of the reporting unit to determine an implied goodwill value. If the implied value of goodwill of a reporting unit is less than the carrying amount of that goodwill, an impairment loss is recognized in an amount equal to that excess.

Management evaluated goodwill as of April 30, 2023, the measurement date, utilizing an income approach that incorporated a discounted cash flow model that involved management assumptions based upon future growth and earnings projections. The estimated fair value of the reporting unit was then compared to the current carrying value to determine if impairment had occurred. It is our opinion that, as of the measurement date, the aggregate fair value of the reporting unit exceeded the carrying value of the reporting unit. Therefore, management concluded that goodwill was not impaired. Although we believe our assumptions are reasonable, actual results may vary significantly and it is impossible to know the future impact of evolving economic conditions. If for any future period it is determined that there has been impairment in the carrying value of our goodwill balances, the Corporation will record a charge to earnings, which could have a material adverse effect on net income, but not risk based capital ratios.

Contractual Obligations, Commitments and Contingent Liabilities

The following table presents, as of June 30, 2023, the Corporation's significant fixed and determinable contractual obligations by payment date. The payment amounts represent those amounts contractually due to the recipient and do not include any unamortized premiums or discounts. Further discussion of the nature of each obligation is included in the referenced note to the consolidated financial statements.

	Note Reference	2024	2025	2026	2027	2028	Thereafter	Total
Certificates of deposit	7	$ 193,381	$ 16,089	$ 2,890	$ 1,373	$ 434	$ 176	$ 214,343
Short-term borrowings	8	26,367	—	—	—	—	—	26,367
Federal Home Loan advances	9	671	4,056	46	3	—	4,000	8,776
Salary continuation plan	10	142	141	141	141	253	2,869	3,687
Operating leases	5	177	145	125	115	115	342	1,019
Deposits without maturity		—	—	—	—	—	—	738,190

Note 14-Commitments with Off-Balance Sheet Risk to the Consolidated Financial Statements discusses in greater detail other commitments and contingencies and the various obligations that exist under those agreements. These commitments and contingencies consist primarily of commitments to extend credit to borrowers under lines of credit.

Item 7A— Quantitative and Qualitative Disclosures About Market Risk

Not applicable for Smaller Reporting Companies.

Item 8— Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors
Consumers Bancorp, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Consumers Bancorp, Inc and subsidiaries (the "Company") as of June 30, 2023 and 2022; the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended; and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan Losses - Significant Assumptions in General Reserves - Refer to Notes 1 and 4 to the Financial Statements

Critical Audit Matter Description

The allowance for loan losses (allowance) represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component covers nonimpaired loans and is based on historical loss experience adjusted for current factors based on the risks present for each portfolio segment. These factors include consideration of the following: levels of and trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures and practices; experience, ability and depth of lending management and other relevant staff; volume and severity of past-due loans and other similar conditions; quality of the loan review system; value of underlying collateral for collateral dependent loans; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

We identified the Company's significant assumptions in general reserves in the allowance for loan losses as a critical audit matter. Given the significant estimates and assumptions management makes to estimate the current factor adjustments of the allowance for loan losses, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions required a high degree of auditor judgment and an increased extent of effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the qualitative factors within the allowance included the following, among others:

- We obtained an understanding of management's process for determining the need for qualitative factor adjustments, identifying appropriate factors, and measuring the direction and magnitude of the adjustments.
- We evaluated the reasonableness of management's judgments and tests of accuracy of underlying support related to the qualitative factors.
- We evaluated the design of controls over the application of management's qualitative factor methodology in the estimate of general reserves.
- We evaluated management's rationale for determining qualitative adjustments were relevant and warranted for each loan segment and assessed the measurement of qualitative factor adjustments applied by management.
- Where applicable, we tested the accuracy and completeness of data used by management in the measurement of qualitative factor adjustments or vouched factors to relevant external data sources.
- We assessed changes in qualitative factors year over year against overall trends in credit quality within the Company and broader trends within the industry and local and national economies to evaluate reasonableness of management's qualitative factor adjustments.

/s/ Plante & Moran, PLLC

We have served as the Company's auditor since 2020.

Auburn Hills, Michigan
September 7, 2023

CONSOLIDATED BALANCE SHEETS
As of June 30, 2023 and 2022
(Dollar amounts in thousands, except per share data)

	2023	2022
ASSETS:		
Cash on hand and noninterest-bearing deposits in financial institutions	$ 11,734	$ 11,254
Federal funds sold and interest-bearing deposits in financial institutions	21	9,698
Total cash and cash equivalents	11,755	20,952
Certificates of deposit in financial institutions	2,501	3,781
Securities, available-for-sale	279,605	296,347
Securities, held-to-maturity (fair value 2023 $6,294 and 2022 $7,831)	6,970	7,874
Equity securities, at fair value	386	400
Federal bank and other restricted stocks, at cost	2,168	2,525
Loans held for sale	764	1,165
Total loans	710,362	611,843
Less allowance for loan losses	(7,724)	(7,160)
Net loans	702,638	604,683
Cash surrender value of life insurance	10,222	9,959
Premises and equipment, net	17,182	16,521
Goodwill	2,452	2,452
Core deposit intangible, net	414	470
Accrued interest receivable and other assets	22,967	10,184
Total assets	$ 1,060,024	$ 977,313
LIABILITIES:		
Deposits:		
Noninterest-bearing demand	$ 250,906	$ 257,665
Interest bearing demand	152,053	157,462
Savings	335,231	369,054
Time	214,343	102,381
Total deposits	952,533	886,562
Short-term borrowings	26,367	21,295
Federal Home Loan Bank advances	8,776	8,256
Accrued interest payable and other liabilities	16,864	7,230
Total liabilities	1,004,540	923,343
Commitments and contingent liabilities (Note 14)		
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value; 350,000 shares authorized	—	—
Common shares, no par value; 8,500,000 shares authorized; 3,144,739 and 3,132,056 shares issued as of June 30, 2023 and June 30, 2022, respectively	20,769	20,287
Retained earnings	65,485	56,906
Treasury stock, at cost (48,639 and 75,382 common shares at June 30, 2023 and 2022, respectively)	(809)	(1,117)
Accumulated other comprehensive loss	(29,961)	(22,106)
Total shareholders' equity	55,484	53,970
Total liabilities and shareholders' equity	$ 1,060,024	$ 977,313

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended June 30, 2023 and 2022

(Dollar amounts in thousands, except per share data)

	2023	2022
Interest and dividend income:		
Loans, including fees	$ 32,754	$ 28,207
Securities, taxable	5,338	3,572
Securities, tax-exempt	2,258	2,076
Equity securities	33	33
Federal bank and other restricted stocks	149	82
Federal funds sold and interest-bearing deposits	407	190
Total interest and dividend income	40,939	34,160
Interest expense:		
Deposits	6,660	1,122
Short-term borrowings	397	47
Federal Home Loan Bank advances	167	245
Total interest expense	7,224	1,414
Net interest income	33,715	32,746
Provision for loan losses	855	735
Net interest income after provision for loan losses	32,860	32,011
Other income:		
Service charges on deposit accounts	1,598	1,460
Debit card interchange income	2,181	2,069
Bank owned life insurance income	263	257
Mortgage banking activity	345	632
Securities gains, net	14	6
Net change in market value of equity securities	(14)	(24)
Other	360	335
Total other income	4,747	4,735
Other expenses:		
Salaries and employee benefits	14,020	13,260
Occupancy and equipment	3,186	3,028
Data processing expenses	775	795
Debit card processing expenses	1,124	1,025
Professional and director fees	1,065	878
Federal Deposit Insurance Corporation assessments	608	580
Financial institutions tax	478	542
Marketing and advertising	740	663
Loan and collection expenses	211	174
Telephone and communications	362	375
Amortization of intangible	56	54
Other	2,060	1,841
Total other expenses	24,685	23,215
Income before income taxes	12,922	13,531
Income tax expense	2,248	2,339
Net income	$ 10,674	$ 11,192
Basic and diluted earnings per share	$ 3.45	$ 3.68

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years Ended June 30, 2023 and 2022
(Dollar amounts in thousands, except per share data)

	2023	2022
Net income	$ 10,674	$ 11,192
Other comprehensive income (loss), net of tax:		
Net change in unrealized gains:		
Unrealized losses arising during the period	(9,929)	(32,469)
Reclassification adjustment for gains included in income	(14)	(6)
Net unrealized loss	(9,943)	(32,475)
Income tax effect	2,088	6,819
Other comprehensive loss	(7,855)	(25,656)
Total comprehensive income (loss)	$ 2,819	$ (14,464)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended June 30, 2023 and 2022

(Dollar amounts in thousands, except per share data)

	Common Shares	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, June 30, 2021	$ 20,011	$ 47,663	$ (1,324)	$ 3,550	$ 69,900
Net income	—	11,192	—	—	11,192
Other comprehensive loss	—	—	—	(25,656)	(25,656)
8,003 shares issued associated with dividend reinvestment plan and stock purchase plan	174	—	—	—	174
20,571 shares associated with vested stock awards	102	—	207	—	309
Cash dividends declared ($0.64 per share)	—	(1,949)	—	—	(1,949)
Balance, June 30, 2022	$ 20,287	$ 56,906	$ (1,117)	$ (22,106)	$ 53,970
Net income	—	10,674	—	—	10,674
Other comprehensive loss	—	—	—	(7,855)	(7,855)
12,683 shares issued associated with dividend reinvestment plan and stock purchase plan	238	—	—	—	238
26,743 shares associated with vested stock awards	85	—	308	—	393
Restricted stock expense	159	—	—	—	159
Cash dividends declared ($0.68 per share)	—	(2,095)	—	—	(2,095)
Balance, June 30, 2023	$ 20,769	$ 65,485	$ (809)	$ (29,961)	$ 55,484

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022
(Dollar amounts in thousands, except per share data)

	2023	2022
Cash flows from operating activities:		
Net income	$ 10,674	$ 11,192
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	1,051	991
Securities amortization and accretion, net	818	1,449
Provision for loan losses	855	735
Loss on disposal of fixed assets	—	6
Loss on disposition of other real estate and repossessed assets owned	—	5
Mortgage banking activity	(345)	(632)
Deferred income tax (benefit) expense	(96)	146
Gain on sale of securities	(14)	(6)
Net change in market value of equity securities	14	24
Amortization of intangibles	56	54
Origination of loans held for sale	(20,762)	(45,758)
Proceeds from loans held for sale	21,508	46,682
Increase in cash surrender value of life insurance	(263)	(257)
Change in other assets and other liabilities	(180)	316
Net cash flows from operating activities	13,316	14,947
Cash flows from investing activities:		
Securities available-for-sale:		
Purchases	(31,799)	(141,210)
Maturities, calls and principal pay downs	21,322	31,584
Proceeds from sales of available-for-sale securities	16,472	2,722
Securities held-to-maturity:		
Purchases	—	(3,450)
Principal pay downs	904	3,572
Net decrease in certificates of deposit with other financial institutions	1,280	2,044
Purchase of Federal Reserve Bank stock, at cost	357	(53)
Net increase in loans	(98,945)	(25,602)
Acquisition, net of cash received	—	66,552
Acquisition of premises and equipment	(1,821)	(1,477)
Disposal of premises and equipment	—	18
Proceeds from sale of other real estate and repossessed assets owned	11	78
Net cash flows from investing activities	(92,219)	(65,222)
Cash flows from financing activities:		
Net increase in deposit accounts	65,971	55,175
Proceeds from Federal Home Loan Bank advances	17,000	—
Repayments of Federal Home Loan Bank advances	(16,480)	(9,794)
Change in short-term borrowings	5,072	9,092
Proceeds from dividend reinvestment and stock purchase plan	238	174
Dividends paid	(2,095)	(1,949)
Net cash flows from financing activities	69,706	52,698
(Decrease) increase in cash and cash equivalents	(9,197)	2,423
Cash and cash equivalents, beginning of year	20,952	18,529
Cash and cash equivalents, end of year	$ 11,755	$ 20,952
Supplemental disclosure of cash flow information:		
Cash paid during the period:		
Interest	$ 6,929	$ 1,416
Federal income taxes	2,495	1,850
Non-cash items:		
Transfer from loans to other repossessed assets	11	83
Transfer from loans to other real estate owned	124	—

Issuance of treasury stock for stock awards	393	309
Branch acquisition:		
Noncash assets acquired:		
Securities, available-for-sale	—	15,602
Loans	—	19,943
Premises and equipment	—	413
Goodwill	—	1,616
Core deposit intangible	—	295
Accrued interest receivable and other assets	—	216
Total noncash assets acquired	—	38,085
Liabilities assumed:		
Deposits	—	104,538
Other liabilities	—	99
Total liabilities assumed	—	104,637
Net noncash liabilities assumed	—	(66,552)

See accompanying notes to consolidated financial statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of Consumers Bancorp, Inc. (Corporation) and its wholly owned subsidiary, Consumers National Bank (Bank), together referred to as the Corporation. All significant intercompany transactions have been eliminated in the consolidation.

Nature of Operations: Consumers Bancorp, Inc. is a bank holding company headquartered in Minerva, Ohio that provides, through its banking subsidiary, a broad array of products and services throughout its primary market area of Carroll, Columbiana, Jefferson, Mahoning, Stark, Summit and Wayne counties in Ohio. Its market includes these counties as well as the contiguous counties in northeast Ohio, western Pennsylvania, and northern West Virginia. 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.

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

Acquisition: At the date of acquisition the Corporation records the assets and liabilities of acquired companies on the Consolidated Balance Sheet at their fair value. The results of operations for acquired companies are included in the Corporation's Consolidated Statements of Income beginning at the acquisition date. Expenses arising from acquisition activities are recorded in the Consolidated Statements of Income during the periods incurred.

Use of Estimates: To prepare financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Cash and Cash Equivalents: Cash and cash equivalents include cash, deposits with other financial institutions with original maturities of less than 90 days and federal funds sold. Cash flows are reported on a net basis for customer loan and deposit transactions, interest bearing deposits in other financial institutions and short-term borrowings.

Interest–Bearing Deposits in Other Financial Institutions: Interest-bearing deposits in other financial institutions mature within one year and are carried at cost.

Certificates of Deposit in Financial Institutions: Certificates of deposit in other financial institutions are carried at cost.

Cash Reserves: The Bank is required to maintain cash on hand and noninterest-bearing balances on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements. The required reserve balance was zero at June 30, 2023 and 2022.

Securities: Securities are generally classified into either held-to-maturity or available-for-sale categories. Held-to-maturity securities are carried at amortized cost and are those the Corporation has the positive intent and ability to hold to maturity. Available-for-sale securities are those the Corporation may decide to sell before maturity if needed for liquidity, asset-liability management, or other reasons. Available-for-sale securities are reported at fair value, with unrealized gains or losses included in other comprehensive income (loss) as a separate component of equity, net of tax.

Interest income includes amortization of purchase premiums and accretion of discounts. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities and collateralized mortgage obligations where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

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 evaluation of securities includes consideration given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, whether the market decline was affected by macroeconomic conditions and whether the Corporation has the intent to sell the security or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis. In analyzing an issuer's financial condition, management may consider whether the securities are issued by the federal government or its agencies, or U.S. Government sponsored enterprises, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. 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.

When OTTI occurs, the amount of the OTTI recognized in earnings depends on whether the Corporation intends to sell the security, or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis. If the Corporation intends to sell or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis, the OTTI will be recognized in earnings equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date. The previous amortized cost basis less the OTTI recognized in earnings becomes the new amortized cost basis of the security. If a security is determined to be other-than-temporarily impaired, but the Corporation does not intend to sell the security, only the credit portion of the estimated loss is recognized in earnings, with the other portion of the loss recognized in other comprehensive income.

Equity Securities: Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

Federal Bank and Other Restricted Stocks: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock, included with Federal bank and other restricted stocks on the Consolidated Balance Sheet, is carried at cost, classified as a restricted security and periodically evaluated for impairment based on ultimate recovery of par value. Federal Reserve Bank stock is also carried at cost. Since these stocks are viewed as a long-term investment, impairment is based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Mortgage loans held for sale are generally sold with servicing rights released. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Mortgage Banking Derivatives: Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market are accounted for as free-standing derivatives. The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitment before the loan is funded. Changes in the fair values of these derivatives are included in net gains on sales of loans.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments. The recorded investment in loans includes accrued interest receivable.

Interest income on commercial, commercial real estate and 1-4 family residential loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in the process of collection. Consumer loans are typically charged off no later than 120 days past due. Past due status is determined by the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received on loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when the customer has exhibited the ability to repay and demonstrated this ability over at least a consecutive six-month period and future payments are reasonably assured.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when funded.

Concentrations of Credit Risk: The Bank grants consumer, real estate, and commercial loans primarily to borrowers in Carroll, Columbiana, Jefferson, Mahoning, Stark, Summit, Wayne, and contiguous counties. Therefore, the Corporation’s exposure to credit risk is significantly affected by changes in the economy in these counties. Automobiles and other consumer assets, business assets and residential and commercial real estate secure most loans.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required based on past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component covers non-classified loans and is based on historical loss experience adjusted for current factors.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans, for which the terms have been modified, resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings, and classified as impaired. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Impairment is evaluated collectively for smaller-balance loans of similar nature such as residential mortgage, consumer loans and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected from the collateral. Loans are evaluated for impairment when payments are delayed, typically 90 days or more, or when it is probable that not all principal and interest amounts will be collected according to the original terms of the loan. Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective interest rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Corporation determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors based on the risks present for each portfolio segment. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Corporation over the most recent three-year period, depending on loan segment. This actual loss experience is supplemented with economic and other factors based on the risks present for each portfolio segment. These factors include consideration of the following: levels of and trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability and depth of lending management and other relevant staff; volume and severity of past due loans and other similar conditions; quality of the loan review system; value of underlying collateral for collateral dependent loans; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified:

Commercial: Commercial loans are made for a wide variety of general business purposes, including financing for equipment, inventories and accounts receivable. The term of each commercial loan varies by its purpose. Commercial loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Current and projected cash flows are evaluated to determine the ability of the borrower to repay their obligations as agreed. Commercial loans are primarily made based on the identified cash flows of the borrower and secondarily made based on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and usually incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers. The commercial loan portfolio includes loans to a wide variety of corporations and businesses across many industrial classifications in the areas where the Bank operates.

Commercial Real Estate: Commercial real estate loans include mortgage loans to farmers, owners of multi-family investment properties, developers and owners of commercial real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan, the business conducted on the property securing the loan or, in the case of loans to farmers, management and operation of the farm. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Corporation's commercial real estate portfolio are diverse in terms of type and geographic location. This diversity helps reduce the Corporation's exposure to adverse economic events that affect any single market or industry. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. In addition, management tracks the level of owner-occupied commercial real estate loans versus nonowner-occupied loans.

1-4 Family Residential Real Estate: Residential real estate loans are secured by one to four family residential properties and include both owner occupied, non-owner occupied and home equity loans. Credit approval for residential real estate loans requires demonstration of sufficient income to repay the principal and interest and the real estate taxes and insurance, stability of employment, an established credit record and an appropriately appraised value of the real estate securing the loan that generally requires that the residential real estate loan amount be no more than 85% of the purchase price or the appraised value of the real estate securing the loan unless the borrower provides private mortgage insurance.

Consumer: The Corporation originates direct and indirect consumer loans, primarily automobile loans, personal lines of credit, and unsecured consumer loans in its primary market areas. Credit approval for consumer loans requires income sufficient to repay principal and interest due, stability of employment, an established credit record and sufficient collateral for secured loans. Consumer loans typically have shorter terms and lower balances with higher yields as compared to real estate mortgage loans, but generally carry higher risks of default. Consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances.

Low Income Housing Tax Credits (LIHTC): The Corporation has invested in LIHTCs through funds that assist corporations in investing in limited partnerships and limited liability companies that own, develop and operate low income residential rental properties for purposes of qualifying for the LIHTCs. These investments are accounted for under the proportional amortization method which recognizes the amortization of the investment in proportion to the tax credit and other tax benefits received.

Other Real Estate and Repossessed Assets Owned: Real estate properties and other repossessed assets, which are primarily vehicles, acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less costs to sell at the date of acquisition, establishing a new cost basis. Any reduction to fair value from the carrying value of the related loan at the time of acquisition is accounted for as a loan loss. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If the fair value declines after acquisition, a valuation allowance is recorded as a charge to income. Operating costs after acquisition are expensed. Gains and losses on disposition are reported as a charge to income.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Corporation, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily using the straight-line method over the estimated useful life of the owned asset and, for leasehold improvements, generally over the lesser of the remaining term of the lease facility or the estimated economic life of the improvement. Useful lives range from three years for software to thirty-nine and one-half years for buildings.

Cash Surrender Value of Life Insurance: The Bank has purchased single-premium life insurance policies to insure the lives of current and former participants in the salary continuation plan. As of June 30, 2023, the Bank had policies with total death benefits of $19,167 and total cash surrender values of $10,222. As of June 30, 2022, the Bank had policies with total death benefits of $19,128 and total cash surrender values of $9,959. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Tax-exempt income is recognized from the periodic increases in cash surrender value of these policies.

Goodwill and Other Intangible Assets: Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired assets and liabilities. Core deposit intangible assets arise from whole bank or branch acquisitions and are measured at fair value and then are amortized over their estimated useful lives. Goodwill is not amortized but is assessed at least annually for impairment. Any such impairment will be recognized in the period identified. The Corporation has selected April 30 as the date to perform the annual impairment test. Goodwill is the only intangible asset with an indefinite life on the Corporation's balance sheet.

Long-Term Assets: Premises, equipment and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Repurchase Agreements: Substantially all repurchase agreement liabilities, which are classified as short-term borrowings, represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

Retirement Plans: The Bank maintains a 401(k) savings and retirement plan covering all eligible employees and matching contributions are expensed as made. Salary continuation plan expense allocates the benefits over years of service.

Income Taxes: The Corporation files a consolidated federal income tax return. Income tax expense is the sum of the current-year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. The Corporation applies a more likely than not recognition threshold for all tax uncertainties in accordance with U.S. generally accepted accounting principles. A tax position is recognized as a benefit only if it is more likely than not that the position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit greater than 50% likely of being realized on examination. The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense.

Earnings per Common Share: Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable upon the vesting of restricted stock awards.

Stock-Based Compensation: Compensation cost is recognized for restricted stock awards issued to employees over the required service period, generally defined as the vesting period. The fair value of restricted stock awards is estimated by using the market price of the Corporation's common stock at the date of grant. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. Forfeitures are recognized as incurred.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale, which are also recognized as a separate component of equity, net of tax.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the Corporation's financial statements.

Fair Value of Financial Instruments: Fair value of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 15 of the Consolidated Financial Statements. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, discounted cash flows, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Dividend Restrictions: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the holding company or by the holding company to shareholders.

Reclassifications: Certain reclassifications have been made to the June 30, 2022 financial statements to be comparable to the June 30, 2023 presentation. The reclassifications had no impact on prior year net income or shareholders' equity.

Recently Issued Accounting Pronouncements Not Yet Effective: In June 2016, Financial Accounting Standards Board (FASB) issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU added a new Topic 326 to the codification and removed the thresholds that companies apply to measure credit losses on financial instruments measured at amortized cost, such as loans, receivables, and held-to-maturity debt securities. Under U.S. generally accepted accounting principles, companies generally recognized credit losses when it is probable that the loss had been incurred. ASU 2016-13 removes all current loss recognition thresholds and requires companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the corporation expects to collect over the instrument's contractual life. The new guidance also amended the credit loss measurement guidance for available-for-sale debt securities and beneficial interests in securitized financial assets. The guidance in ASU 2016-13 was effective for "public business entities," as defined in the guidance, that are SEC filers for fiscal years and for interim periods within those fiscal years beginning after December 15, 2019. Early adoption of the guidance was permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. However, during July 2019, FASB unanimously voted for a proposal to delay this ASU to January 2023 for smaller reporting companies. On October 16, 2019, FASB approved a final ASU delaying the effective date. The new guidance is effective for annual and interim periods beginning after December 15, 2022 for certain entities, including smaller reporting companies. The Corporation is a smaller reporting company.

The Corporation adopted this new guidance on July 1, 2023. Management analyzed and finalized its pool segmentation, established the peer group that will be used as the source of loss experience data, and completed parallel calculations in preparation for adoption of the new methodology. The Net Present Value of Discounted Cash Flow methodology is being used for all loan pools and the implementation of ASU No. 2016-13 is expected to increase the balance of the allowance for loan losses by less than $250. In addition, a reserve for unfunded commitments that are not unconditionally cancellable will be established and is expected to be between $275 and $350. Upon adoption of the new guidance, a one-time adjustment to the allowance for loan losses and reserve for unfunded commitments will be made with an offsetting decrease to retained earnings, net of tax. The Corporation is also developing disclosure documentation related to adoption of this standard.

In March 2022, FASB issued ASU 2022-02, Financial Instruments – Credit Losses (ASC 326): Troubled Debt Restructurings (TDRs) and Vintage Disclosures. The guidance amends ASC 326 to eliminate the accounting guidance for TDRs by creditors, while enhancing disclosure requirements for certain loan refinancing and restructuring activities by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying TDR recognition and measurement guidance, creditors will be required to determine whether a modification results in a new loan or continuation of existing loan. These amendments are intended to enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. Additionally, the amendments in ASC 326 require that an entity disclose current-period gross write-offs by year of origination within the vintage disclosures, which require that an entity disclose the amortized cost basis of financing receivables by credit quality indicator and class of financing receivable by year of origination. The guidance is only for entities that have adopted the amendments in Update 2016-13 for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. This update is not expected to have a significant impact on the Corporation's financial statements.

NOTE 2—ACQUISITION

On July 16, 2021, the Corporation completed its acquisition of two branches located in Calcutta and Wellsville, Ohio from CFBank, National Association. In connection with the branch acquisition, the Corporation assumed $104,538 in branch deposits for a deposit premium of 1.75%. In addition, the Corporation acquired $15,602 of subordinated debt securities issued by unrelated financial institutions and $19,943 of loans. This transaction qualifies as a business combination.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed by the Corporation at the date of acquisition. The core deposit intangible will be amortized over ten years on a straight-line basis. Goodwill will not be amortized, but instead will be evaluated for impairment.

Assets acquired:		
Cash and cash equivalents	$	515
Securities, available-for-sale		15,602
Loans		19,943
Premises and equipment		413
Core deposit intangible		295
Accrued interest receivable		216
Total assets acquired		36,984
Liabilities assumed:		
Noninterest-bearing deposits		10,535
Interest-bearing deposits		94,003
Other liabilities		99
Total liabilities assumed		104,637
Fair value of net liabilities assumed		(67,653)
Cash received		66,037
Goodwill	$	1,616

The acquired assets and liabilities were measured at estimated fair values. Management made certain estimates and exercised judgement in accounting for the acquisition. The fair value of loans was estimated using discounted contractual cash flows. The book balance of the loans at the time of the acquisition was $20,325. The fair value disclosed above reflects a credit-related adjustment of $(388) and an adjustment for other factors of $6. Loans evidencing credit deterioration since origination, purchased credit impaired loans, included in loans receivable were immaterial. Acquisition costs of $144 pre-tax, or $118 after-tax, were recorded during fiscal year 2022.

NOTE 3—SECURITIES

The following table summarizes the amortized cost and fair value of securities available-for-sale and held-to-maturity at June 30, 2023 and 2022 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses:

Available-for-sale	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
June 30, 2023				
Obligation of U.S Treasury	$ 8,941	$ —	$ (533)	$ 8,408
Obligations of U.S. government-sponsored entities and agencies	29,430	7	(3,745)	25,692
Obligations of state and political subdivisions	92,891	63	(8,982)	83,972
U.S. Government-sponsored mortgage-backed securities - residential	104,689	12	(15,066)	89,635
U.S. Government-sponsored mortgage-backed securities - commercial	8,604	—	(1,809)	6,795
U.S. Government-sponsored collateralized mortgage obligations – residential	55,800	8	(5,738)	50,070
Other debt securities	17,175	—	(2,142)	15,033
Total available-for-sale securities	$ 317,530	$ 90	$ (38,015)	$ 279,605

Held-to-maturity	**Amortized Cost**	**Gross Unrecognized Gains**	**Gross Unrecognized Losses**	**Fair Value**
June 30, 2023				
Obligations of state and political subdivisions	$ 6,970	$ —	$ (676)	$ 6,294

Available-for-sale	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
June 30, 2022				
Obligation of U.S Treasury	$ 8,909	$ —	$ (462)	$ 8,447
Obligations of U.S. government-sponsored entities and agencies	28,689	—	(2,424)	26,265
Obligations of state and political subdivisions	105,977	129	(8,749)	97,357
U.S. Government-sponsored mortgage-backed securities - residential	113,812	13	(11,642)	102,183
U.S. Government-sponsored mortgage-backed securities - commercial	8,623	—	(1,322)	7,301
U.S. Government-sponsored collateralized mortgage obligations – residential	40,952	1	(2,774)	38,179
Other debt securities	17,367	—	(752)	16,615
Total available-for-sale securities	$ 324,329	$ 143	$ (28,125)	$ 296,347

Held-to-maturity	**Amortized Cost**	**Gross Unrecognized Gains**	**Gross Unrecognized Losses**	**Fair Value**
June 30, 2022				
Obligations of state and political subdivisions	$ 7,874	$ 47	$ (90)	$ 7,831

Proceeds from sales of available-for-sale securities during fiscal year 2023 and fiscal year 2022 were as follows:

	2023	**2022**
Proceeds from sales	$ 16,472	$ 2,722
Gross realized gains	87	8
Gross realized losses	(73)	(2)

The income tax provision related to the net realized gains amounted to $3 in fiscal year 2023 and $1 in fiscal year 2022.

The amortized cost and fair values of debt securities at June 30, 2023 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 and collateralized mortgage obligations are shown separately.

Available-for-sale	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 4,997	$ 4,899
Due after one year through five years	29,105	27,640
Due after five years through ten years	51,133	44,817
Due after ten years	63,202	55,749
Total	148,437	133,105
U.S. Government-sponsored mortgage-backed and related securities	169,093	146,500
Total	$ 317,530	$ 279,605

Held-to-maturity	**Amortized Cost**	**Fair Value**
Due after one year through five years	$ 3,092	$ 2,988
Due after five years through ten years	533	488
Due after ten years	3,345	2,818
Total	$ 6,970	$ 6,294

Securities with a carrying value of approximately $137,896 and $126,679 were pledged at June 30, 2023 and 2022, respectively, to secure public deposits and commitments as required or permitted by law. At June 30, 2023 and 2022, there were no holdings of securities of any one issuer, other than obligations of U.S. government-sponsored entities and agencies, with an aggregate book value greater than 10% of shareholders' equity.

The following table summarizes the securities with unrealized and unrecognized losses at June 30, 2023 and 2022, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		**12 Months or more**		**Total**	
June 30, 2023	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
Available-for-sale						
Obligations of U.S Treasury	$ —	$ —	$ 8,408	$ (533)	$ 8,408	$ (533)
Obligations of U.S. government-sponsored entities and agencies	1,008	(10)	23,551	(3,735)	24,559	(3,745)
Obligations of state and political subdivisions	16,009	(344)	62,492	(8,638)	78,501	(8,982)
Mortgage-backed securities – residential	3,334	(84)	85,096	(14,982)	88,430	(15,066)
Mortgage-backed securities – commercial	—	—	6,795	(1,809)	6,795	(1,809)
Collateralized mortgage obligations - residential	22,039	(638)	27,023	(5,100)	49,062	(5,738)
Other debt securities	—	—	15,033	(2,142)	15,033	(2,142)
Total temporarily impaired	$ 42,390	$ (1,076)	$ 228,398	$ (36,939)	$ 270,788	$ (38,015)

	Less than 12 Months		**12 Months or more**		**Total**	
June 30, 2023	**Fair Value**	**Unrecognized Loss**	**Fair Value**	**Unrecognized Loss**	**Fair Value**	**Unrecognized Loss**
Held-to-maturity						
Obligations of state and political subdivisions	$ —	$ —	$ 6,294	$ (676)	$ 6,294	$ (676)

June 30, 2022	Less than 12 Months Fair Value	Less than 12 Months Unrealized Loss	12 Months or more Fair Value	12 Months or more Unrealized Loss	Total Fair Value	Total Unrealized Loss
Available-for-sale						
Obligations of U.S Treasury	$ 8,447	$ (462)	$ —	$ —	$ 8,447	$ (462)
Obligations of U.S. government-sponsored entities and agencies	26,265	(2,424)	—	—	26,265	(2,424)
Obligations of state and political subdivisions	80,445	(8,331)	2,047	(418)	82,492	(8,749)
Mortgage-backed securities – residential	76,526	(7,586)	24,569	(4,056)	101,095	(11,642)
Mortgage-backed securities – commercial	7,301	(1,322)	—	—	7,301	(1,322)
Collateralized mortgage obligations – residential	30,729	(2,308)	2,713	(466)	33,442	(2,774)
Other debt securities	16,156	(711)	459	(41)	16,615	(752)
Total temporarily impaired	$ 245,869	$ (23,144)	$ 29,788	$ (4,981)	$ 275,657	$ (28,125)

June 30, 2022	Less than 12 Months Fair Value	Less than 12 Months Unrecognized Loss	12 Months or more Fair Value	12 Months or more Unrecognized Loss	Total Fair Value	Total Unrecognized Loss
Held-to-maturity						
Obligations of state and political subdivisions	$ 3,522	$ (90)	$ —	$ —	$ 3,522	$ (90)

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

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

As of June 30, 2023, the Corporation's securities portfolio consisted of 414 available-for-sale and four held-to-maturity securities. There were 400 available-for-sale securities in an unrealized loss position at June 30, 2023, 333 of which were in a continuous loss position for twelve or more months. There were four held-to-maturity securities in an unrealized loss position at June 30, 2023. The unrealized losses within the available-for-sale and held-to-maturity security portfolios in fiscal year 2023 was primarily attributed to a change in rates. The mortgage-backed securities and collateralized mortgage obligations were primarily issued by Fannie Mae, Freddie Mac and Ginnie Mae, institutions which the government has affirmed its commitment to support. The Corporation does not own any private label mortgage-backed securities. Also, management monitors the financial condition of the individual municipal securities to ensure they meet minimum credit standards, all are paying as agreed, and there have been no missed payments. Since the Corporation does not intend to sell these securities and it is not likely the Corporation will be required to sell these securities at an unrealized loss position prior to any anticipated recovery in fair value, which may be maturity, management does not believe there is any OTTI related to these securities at June 30, 2023. Also, there was no OTTI recognized at June 30, 2022.

As of June 30, 2023, the Corporation owned equity securities with an amortized cost of $400. The following table presents the net unrealized gains and losses on equity securities recognized in earnings for the twelve months ended June 30, 2023 and 2022. There were no realized gains or losses on the sale of equity securities during the periods presented.

	2023	2022
Unrealized loss recognized on equity securities held at the end of the period	$ (14)	$ (24)

NOTE 4—LOANS

Major classifications of loans were as follows as of June 30:

	2023	2022
Commercial	$ 112,558	$ 87,008
Commercial real estate:		
Construction	23,981	15,158
Other	318,636	291,847
1 – 4 Family residential real estate:		
Owner occupied	156,989	142,244
Non-owner occupied	23,880	26,029
Construction	8,443	4,317
Consumer	65,617	44,964
Subtotal	710,104	611,567
Net deferred loan fees and costs	258	276
Allowance for loan losses	(7,724)	(7,160)
Net loans	$ 702,638	$ 604,683

The following table presents the activity in the allowance for loan losses by portfolio segment for the year ended June 30, 2023:

	Commercial	Commercial Real Estate	1-4 Family Residential Real Estate	Consumer	Total
Allowance for loan losses:					
Beginning balance	$ 960	$ 3,927	$ 1,645	$ 628	$ 7,160
Provision for loan losses	348	15	(72)	564	855
Loans charged-off	—	—	(6)	(441)	(447)
Recoveries	—	1	4	151	156
Total ending allowance balance	$ 1,308	$ 3,943	$ 1,571	$ 902	$ 7,724

The following table presents the activity in the allowance for loan losses by portfolio segment for the year ended June 30, 2022:

	Commercial	Commercial Real Estate	1-4 Family Residential Real Estate	Consumer	Total
Allowance for loan losses:					
Beginning balance	$ 904	$ 3,949	$ 1,307	$ 311	$ 6,471
Provision for loan losses	33	(24)	359	367	735
Loans charged-off	—	—	(41)	(132)	(173)
Recoveries	23	2	20	82	127
Total ending allowance balance	$ 960	$ 3,927	$ 1,645	$ 628	$ 7,160

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, 2023. Included in the recorded investment in loans is $1,598 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	$ —	$ —	$ —	$ —	$ —
Acquired loans collectively evaluated for impairment	—	40	74	—	114
Originated loans collectively evaluated for impairment	1,308	3,903	1,497	902	7,610
Total ending allowance balance	$ 1,308	$ 3,943	$ 1,571	$ 902	$ 7,724
Recorded investment in loans:					
Loans individually evaluated for impairment	$ 314	$ 88	$ 3	$ —	$ 405
Acquired loans collectively evaluated for impairment	622	6,953	23,038	1,230	31,843
Originated loans collectively evaluated for impairment	111,890	335,660	167,798	64,364	679,712
Total ending loans balance	$ 112,826	$ 342,701	$ 190,839	$ 65,594	$ 711,960

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, 2022. Included in the recorded investment in loans is $1,214 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	$ —	$ —	$ —	$ —	$ —
Acquired loans collectively evaluated for impairment	1	62	85	—	148
Originated loans collectively evaluated for impairment	959	3,865	1,560	628	7,012
Total ending allowance balance	$ 960	$ 3,927	$ 1,645	$ 628	$ 7,160
Recorded investment in loans:					
Loans individually evaluated for impairment	$ 276	$ 42	$ 155	$ —	$ 473
Acquired loans collectively evaluated for impairment	665	10,095	27,731	3,051	41,542
Originated loans collectively evaluated for impairment	86,310	296,776	146,058	41,898	571,042
Total ending loans balance	$ 87,251	$ 306,913	$ 173,944	$ 44,949	$ 613,057

The following table presents information related to loans individually evaluated for impairment by class of loans as of and for the year ended June 30, 2023:

	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	$ 404	$ 314	$ —	$ 306	$ 37	$ 37
Commercial real estate:						
Other	127	88	—	52	6	6
1-4 Family residential real estate:						
Owner occupied	24	—	—	38	2	2
Non-owner occupied	3	3	—	29	—	—
Total	$ 558	$ 405	$ —	$ 425	$ 45	$ 45

The following table presents information related to loans individually evaluated for impairment by class of loans as of and for the year ended June 30, 2022:

	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	$ 414	$ 276	$ —	$ 291	$ —	$ —
Commercial real estate:						
Other	83	42	—	518	193	193
1-4 Family residential real estate:						
Owner occupied	48	22	—	187	8	8
Non-owner occupied	193	133	—	93	75	75
With an allowance recorded:						
Commercial	—	—	—	113	6	6
Total	$ 738	$ 473	$ —	$ 1,202	$ 282	$ 282

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 June 30, 2023 and 2022:

	June 30, 2023		June 30, 2022	
	Non-accrual	Loans Past Due Over 90 Days Still Accruing	Non-accrual	Loans Past Due Over 90 Days Still Accruing
Commercial	$ —	$ —	$ 276	$ 9
Commercial real estate:				
Other	51	—	—	—
1 – 4 Family residential:				
Owner occupied	—	—	22	—
Non-owner occupied	3	—	133	—
Consumer	—	50	—	—
Total	$ 54	$ 50	$ 431	$ 9

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

The following table presents the aging of the recorded investment in past due loans as of June 30, 2023 by class of loans:

	Days Past Due					
	30 – 59 Days	60 - 89 Days	90 Days or Greater	Total Past Due	Loans Not Past Due	Total
Commercial	$ —	$ —	$ —	$ —	$ 112,826	$ 112,826
Commercial real estate:						
Construction	—	—	—	—	23,996	23,996
Other	—	—	51	51	318,654	318,705
1-4 Family residential:						
Owner occupied	17	124	—	141	158,296	158,437
Non-owner occupied	—	—	3	3	23,885	23,888
Construction	—	—	—	—	8,514	8,514
Consumer	438	120	50	608	64,986	65,594
Total	$ 455	$ 244	$ 104	$ 803	$ 711,157	$ 711,960

The above table of past due loans includes the recorded investment in non-accrual loans of $54 in the 90 days or greater category.

The following table presents the aging of the recorded investment in past due loans as of June 30, 2022 by class of loans:

	Days Past Due					
	30 – 59 Days	60 - 89 Days	90 Days or Greater	Total Past Due	Loans Not Past Due	Total
Commercial	$ —	$ —	$ 9	$ 9	$ 87,242	$ 87,251
Commercial real estate:						
Construction	—	—	—	—	15,138	15,138
Other	52	—	—	52	291,723	291,775
1-4 Family residential:						
Owner occupied	125	—	—	125	143,381	143,506
Non-owner occupied	—	—	27	27	26,036	26,063
Construction	—	—	—	—	4,375	4,375
Consumer	381	79	—	460	44,489	44,949
Total	$ 558	$ 79	$ 36	$ 673	$ 612,384	$ 613,057

The above table of past due loans includes the recorded investment in non-accrual loans of $27 in the 90 days or greater category and $404 in the loans not past due category.

Troubled Debt Restructurings (TDR):

The Corporation has certain loans that have been modified in order to maximize collection of loan balances that are classified as TDRs. A modified loan is usually classified as a TDR if, for economic reasons, management grants a concession to the original terms and conditions of the loan to a borrower who is experiencing financial difficulties that it would not have otherwise considered.

The Corporation had $351 and $318 of loans classified as TDRs as of June 30, 2023 and 2022, respectively. There were no specific reserves allocated to these loans and TDRs are also included as impaired loans that are listed above. For the years ended June 30, 2023 and 2022, there were no loans modified that were classified as a troubled debt restructuring.

There were no loans classified as troubled debt restructurings for which there was a payment default within 12 months following the modification during the twelve-month periods ended June 30, 2023 and 2022. A loan is considered in payment default once it is 90 days contractually past due under the modified terms.

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. This analysis is performed monthly. 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, based on 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. These loans are evaluated based on delinquency status, which was discussed previously.

As of June 30, 2023, and based on the most recent analysis performed, the recorded investment by risk category of loans by class of loans is as follows:

	Pass	Special Mention	Substandard	Doubtful	Not Rated
Commercial	$ 110,928	$ 1,174	$ 573	$ —	$ 151
Commercial real estate:					
Construction	23,996	—	—	—	—
Other	310,427	7,097	468	51	662
1-4 Family residential real estate:					
Owner occupied	2,013	—	17	—	156,407
Non-owner occupied	23,474	50	105	3	256
Construction	3,227	—	—	—	5,287
Consumer	597	—	—	—	64,997
Total	$ 474,662	$ 8,321	$ 1,163	$ 54	$ 227,760

As of June 30, 2022, and based on the most recent analysis performed, the recorded investment by risk category of loans by class of loans is as follows:

	Pass	Special Mention	Substandard	Doubtful	Not Rated
Commercial	$ 86,265	$ 350	$ 178	$ 276	$ 182
Commercial real estate:					
Construction	15,138	—	—	—	—
Other	283,877	2,500	4,711	—	687
1-4 Family residential real estate:					
Owner occupied	1,321	—	—	22	142,163
Non-owner occupied	25,606	59	—	133	265
Construction	1,234	—	—	—	3,141
Consumer	605	—	—	—	44,344
Total	$ 414,046	$ 2,909	$ 4,889	$ 431	$ 190,782

NOTE 5—PREMISES AND EQUIPMENT

Major classifications of premises and equipment were as follows as of June 30:

	2023	**2022**
Land	$ 2,417	$ 1,685
Land improvements	414	318
Building and leasehold improvements	15,973	15,608
Furniture, fixture and equipment	7,600	7,206
Total premises and equipment	26,404	24,816
Accumulated depreciation and amortization	(9,222)	(8,296)
Premises and equipment, net	$ 17,182	$ 16,521

Depreciation expenses were $1,051 and $991 for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023, the Corporation leased real estate for seven office locations and various equipment under operating lease agreements. The lease agreements have maturity dates ranging from one year or less to May 31, 2035, including extension periods. Lease agreements for two locations have a lease term of 12 months or less and are therefore considered short-term leases. Most leases include one or more options to renew. The exercise of lease renewal options is typically at our sole discretion. The majority of renewals to extend the lease terms are included in our right-of-use assets and lease liabilities as they are reasonably certain of exercise. As most of our leases do not provide an implicit rate, we use the fully collateralized FHLB borrowing rate, commensurate with the lease terms based on the information available at the lease commencement date in determining the present value of the lease payments. The weighted average remaining life of the lease term for the leases with a term over 12 months was 7.87 years as of June 30, 2023 and the weighted-average discount rate was 1.95%.

Rent expense for all the operating leases was $254 and $228 for the twelve-month periods ended June 30, 2023 and 2022, respectively. The right-of-use asset, included in premises and equipment, and the lease liability, included in other liabilities, were $921 and $951 as of June 30, 2023.

Total estimated rental commitments for the operating leases with a term over 12 months were as follows as of June 30, 2023:

Period Ending June 30		
2024	$	177
2025		145
2026		125
2027		115
2028		115
Thereafter		342
Total undiscounted cash flows	$	1,019
Less: present value discount	$	(68)
Total lease liabilities	$	951

NOTE 6 – GOODWILL AND ACQUIRED INTANGIBLE ASSETS

The change in goodwill was as follows:

		2023		2022
Beginning of year	$	2,452	$	836
Acquired goodwill		—		1,616
Ending balance as of June 30,	$	2,452	$	2,452

The following table summarizes the Corporation’s acquired intangible assets as of June 30, 2023 and 2022.

	June 30, 2023		June 30, 2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Core deposit intangible	$ 565	$ 151	$ 565	$ 95

Goodwill and the core deposit intangible assets resulted from the acquisition of Peoples Bancorp of Mt. Pleasant, Inc. that was completed on January 1, 2020, and the branch acquisition that was completed on July 16, 2021. Goodwill is not amortized but is evaluated for impairment on an annual basis or whenever events or changes in circumstances indicate the asset might be impaired. Impairment exists when a reporting unit’s carrying amount exceeds its fair value. For the goodwill impairment analysis, the Corporation is the only reporting unit. Management performed a quantitative impairment assessment at April 30, 2023. The assessment estimated fair value on an income approach that incorporated a discounted cash flow model that involved management assumptions based upon future growth and earnings projections. The results of the assessment indicated no impairment as of the measurement date. Goodwill is the only intangible asset on the Corporation’s balance sheet with an indefinite life. Management will continue to monitor its goodwill for possible impairment.

The core deposit intangible asset is amortized on a straight-line basis over ten years. The Corporation recorded intangible amortization expense of $56 in 2023 and $54 in 2022. The intangible amortization expense is expected to be $57 per year for each of the next four fiscal years and $186 thereafter.

NOTE 7—DEPOSITS

Interest-bearing deposits as of June 30, 2023 and 2022 were as follows:

		2023		2022
Demand	$	152,053	$	157,462
Savings and money market		335,231		369,054
Time:				
$250 and over		46,822		18,164
Other		167,521		84,217
Total	$	701,627	$	628,897

Scheduled maturities of time deposits at June 30, 2023 were as follows:

Twelve Months Ending June 30		
2024	$	193,381
2025		16,089
2026		2,890
2027		1,373
2028		434
Thereafter		176
	$	214,343

NOTE 8—SHORT-TERM BORROWINGS

Short-term borrowings consisted of federal funds purchased, repurchase agreements, and a line of credit for the Corporation. Information concerning all short-term borrowings at June 30, 2023 and 2022, maturing in less than one year is summarized as follows:

		2023		**2022**
Balance at June 30	$	26,367	$	21,295
Average balance during the year		22,603		12,960
Maximum month-end balance		26,367		21,878
Average interest rate during the year		1.76%		0.36%
Weighted average rate, June 30		2.20%		0.61%

In fiscal year 2022, the Corporation obtained an unsecured $5,000 line of credit to provide capital support to the Bank and for other general corporate purposes. The outstanding balance on the line of credit was $1,200 and $1,270 as of June 30, 2023 and 2022, respectively. Repurchase agreements are financing arrangements that mature daily and are used to facilitate the needs of our customers. Physical control of all the securities is maintained for all securities pledged to secure repurchase agreements. Available-for-sale securities pledged for repurchase agreements as of June 30, 2023 and 2022 are presented in the following table:

	Overnight and Continuous			
		2023		**2022**
U.S. government-sponsored entities and agencies pledged	$	3,730	$	3,331
Residential mortgage-backed securities pledged		19,648		11,954
Commercial mortgage-backed securities		3,641		6,682
Total pledged	$	27,019	$	21,967
Repurchase agreements	$	23,783	$	20,025

Total interest expense on short-term borrowings was $397 and $47 for the years ended June 30, 2023 and 2022, respectively.

NOTE 9—FEDERAL HOME LOAN BANK ADVANCES

A summary of Federal Home Loan Bank (FHLB) advances were as follows:

	Stated Interest Rate Range		June 30, 2023		June 30, 2022	
Advance Type	**From**	**To**	**Amount**	**Weighted Average Rate**	**Amount**	**Weighted Average Rate**
Fixed rate, amortizing	1.37%	1.37%	$ 176	1.37%	$ 256	1.37%
Fixed rate	0.90	1.18	8,000	1.04	8,000	1.04
Variable rate	5.19	5.19	600	5.19	—	—

Each fixed rate advance has a prepayment penalty equal to the present value of 100% of the lost cash flow based upon the difference between the contract rate on the advance and the current rate on a comparable new advance. The following table is a summary of the scheduled principal payments for all advances as of June 30, 2023:

Twelve Months Ending June 30	Principal Payments
2024	$ 671
2025	4,056
2026	46
2027	3
2028	—
Thereafter	4,000
Total	$ 8,776

Pursuant to collateral agreements with the FHLB, advances are secured by all the stock invested in the FHLB and certain qualifying first mortgage and multi-family loans. The advances were collateralized by $169,993 and $152,868 of first mortgage and multi-family loans under a blanket lien arrangement at June 30, 2023 and 2022, respectively. Based on this collateral, the Bank was eligible to borrow up to a total of $109,442 in additional advances at June 30, 2023.

NOTE 10—EMPLOYEE BENEFIT PLANS

The Bank maintains a 401(k) savings and retirement plan that permits eligible employees to make before- or after-tax contributions to the plan, subject to the dollar limits from Internal Revenue Service regulations. The Bank matches 100% of the employee's voluntary contributions to the plan based on the amount of each participant's contributions up to a maximum of 4% of eligible compensation. All regular full-time and part-time employees who complete six months of service and are at least 21 years of age are eligible to participate. Amounts charged to operations were $390 and $364 for the years ended June 30, 2023 and 2022, respectively.

The Bank maintains a nonqualified Salary Continuation Plan (SCP) to reward and encourage certain Bank executives to remain employees of the Bank. The SCP is considered an unfunded plan for tax and Employee Retirement Income Security Act (ERISA) purposes and all obligations arising under the SCP are payable from the general assets of the Corporation. The estimated present value of future benefits to be paid to certain current and former executives totaled $3,687 as of June 30, 2023 and $3,564 as of June 30, 2022 and is included in other liabilities. For purposes of calculating the present value of future benefits, a discount rate of 5.75% was used to project the liability through June 30, 2023 and 3.0% was used at June 30, 2022. For the years ended June 30, 2023 and 2022, $256 and $534, respectively, have been charged to expense in connection with the SCP. Distributions to participants were $133 for the fiscal year ended June 30, 2023 and $110 for the fiscal year ended June 30, 2022.

The Amended and Restated 2010 Omnibus Incentive Plan (2010 Plan) is a nonqualified share-based compensation plan. The 2010 Plan was established to promote alignment between key employees' performance and the Corporation's shareholder interests by motivating performance through the award of stock-based compensation. The purpose of the 2010 Plan was to attract, retain, and motivate talented employees and compensate outside directors for their service to the Corporation. The 2010 Plan was approved by the Corporation's shareholders. The Compensation Committee of the Corporation's Board of Directors has sole authority to select the employees, establish the awards to be issued, and approve the terms and conditions of each award contract.

Under the 2010 Plan, the Corporation could grant, among other things, nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, or any combination thereof to any employee and outside director. Each award was evidenced by an award agreement that specifies the number of shares awarded, the vesting period, the performance requirements, and such other provisions as the Compensation Committee determines. Upon a change-in-control of the Corporation, as defined in the 2010 Plan, all outstanding awards immediately vest.

The Corporation has granted restricted stock awards and restricted stock units to certain employees and directors. Restricted stock units and awards are issued at no cost to the recipient and can be settled in shares or cash at the end of the vesting period depending on the type of award. Restricted stock awards are made at the end of the measurement period once certain specified performance targets as established by the Compensation Committee are achieved with some awards fully vesting on the date of grant and others vesting 25% on the grant date, with the remaining vesting 25% per year over a three-year period. Restricted stock awards provide the holder with dividends during the vesting period. Cash dividends are reinvested into shares of stock and are subject to the same restrictions and vesting as the initial award. Restricted stock units begin to vest at the end of the measurement period once certain specified performance targets as established by the Compensation Committee are achieved. Some units, primarily the awards made to directors and senior management, are 100% vested at the end of the measurement period. For other unit awards, primarily the awards made to executive management, 25% vest at the end of the performance period, with the remaining vesting 25% per year over a three-year period. The fair value of the restricted stock units and awards, which is used to measure compensation expense, is the closing market price of the Corporation's common stock on the date of the grant and compensation expense is recognized over the vesting period. All dividends are forfeitable in the event the shares do not vest.

The following table summarizes the status of the restricted stock awards and restricted stock units:

	Restricted Stock Awards	Weighted-Average Grant Date Fair Value Per Share	Restricted Stock Units	Weighted-Average Grant Date Fair Value Per Share
Outstanding at June 30, 2022	17,069	$ 19.95	—	$ —
Granted	26,743	18.74	17,578	18.74
Vested	(20,768)	18.93	(8,500)	18.74
Non-vested at June 30, 2023	23,044	$ 19.46	9,078	$ 18.74

There was $579 in expense recognized in fiscal year 2023 and $361 in expense recognized in fiscal year 2022 in connection with the restricted stock units and awards. As of June 30, 2023, there was $473 of total unrecognized compensation expense related to non-vested shares and a weighted-average expense recognition period of 1.7 years.

NOTE 11—INCOME TAXES

The provision for income taxes consisted of the following for the years ended June 30, calculated utilizing a statutory federal income tax rate of 21.0%:

	2023	2022
Current income taxes	$ 2,344	$ 2,193
Deferred income tax expense (benefit)	(96)	146
Total income tax expense	$ 2,248	$ 2,339

The net deferred income tax asset (liability) consisted of the following components at June 30:

	2023	2022
Deferred tax assets:		
Allowance for loan losses	$ 1,622	$ 1,504
Deferred compensation	986	999
Deferred income	31	18
Non-accrual loan interest income	20	29
Net unrealized securities loss	7,964	5,876
Other	3	6
Gross deferred tax asset	10,626	8,432
Deferred tax liabilities:		
Depreciation	(783)	(821)
Loan fees	(640)	(582)
FHLB stock dividends	(102)	(102)
Prepaid expenses	(150)	(150)
Intangible assets	(199)	(209)
Gross deferred tax liabilities	(1,874)	(1,864)
Net deferred asset	$ 8,752	$ 6,568

The difference between the provision for income taxes and amounts computed by applying the statutory income tax rate of 21.0% to income before taxes consisted of the following for the years ended June 30:

	2023	2022
Income taxes computed at the statutory rate on pretax income	$ 2,714	$ 2,842
Tax exempt income	(400)	(431)
Cash surrender value income	(55)	(54)
Tax credit	(17)	(22)
Other non-deductible expenses	6	4
Total income tax expense	$ 2,248	$ 2,339

The effective tax rate was 17.4% for the year ended June 30, 2023 compared to 17.3% for the year ended June 30, 2022. At June 30, 2023 and June 30, 2022, the Corporation had no unrecognized tax benefits recorded. The Corporation does not expect the total amount of unrecognized tax benefits to significantly increase within the next twelve months. There were no interest or penalties recorded for the years ended June 30, 2023 and 2022 and there were no amounts accrued for interest and penalties at June 30, 2023 and 2022.

The Corporation and the Bank are subject to U.S. federal income tax as an income-based tax and a capital-based financial institutions tax in the State of Ohio. The Corporation and the Bank are no longer subject to examination by taxing authorities for years before 2019.

NOTE 12—RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has granted loans to certain executive officers, directors, and their affiliates. A summary of activity during the year ended June 30, 2023 of related party loans were as follows:

Principal balance, July 1	$ 2,546
New loans, net of refinancing	210
Repayments	(99)
Principal balance, June 30	$ 2,657

Deposits from executive officers, directors and their affiliates totaled $6,100 at June 30, 2023 and $6,781 at June 30, 2022.

NOTE 13—REGULATORY MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective-action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors and the regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the financial statements.

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required.

As of fiscal year-end 2023 and 2022, the Corporation met the definition of a Small Bank Holding Company and, therefore, was exempt from maintaining consolidated regulatory capital ratios. Instead, regulatory capital ratios only apply at the subsidiary bank level. The Basel III Capital Rules include a capital conservation buffer of 2.5% that is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets above the minimum but below the conservation buffer will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of June 30, 2023, the Bank met all capital adequacy requirements to which it was subject.

The following table presents actual and required capital ratios as of June 30, 2023 and June 30, 2022 for the Bank:

	Actual		**Minimum Capital Required – Basel III (1)**		**Minimum Required To Be Considered Well Capitalized**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
June 30, 2023						
Common equity Tier 1 to risk-weighted assets	$ 83.5	11.05%	$ 34.0	4.50%	$ 49.1	6.50%
Tier 1 capital to risk weighted assets	83.5	11.05	45.4	6.00	60.5	8.00
Total capital to risk weighted assets	91.2	12.07	60.5	8.00	75.6	10.00
Tier 1 capital to average assets	83.5	7.72	43.3	4.00	54.1	5.00

	Actual		**Minimum Capital Required - Basel III (1)**		**Minimum Required To Be Considered Well Capitalized**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
June 30, 2022						
Common equity Tier 1 to risk-weighted assets	$ 74.1	11.39%	$ 29.3	4.50%	$ 42.3	6.50%
Tier 1 capital to risk weighted assets	74.1	11.39	39.0	6.00	52.1	8.00
Total capital to risk weighted assets	81.3	12.49	52.1	8.00	65.1	10.00
Tier 1 capital to average assets	74.1	7.39	40.1	4.00	50.1	5.00

(1) These amounts exclude the capital conservation buffer.

As of the latest regulatory examination, the Bank was categorized as well capitalized. There are no conditions or events since that examination that management believes may have changed the Bank's category.

The Corporation's principal source of funds for dividend payment is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. As of June 30, 2023 the Bank could, without prior approval, declare a dividend of approximately $21,811.

NOTE 14—COMMITMENTS WITH OFF-BALANCE SHEET RISK

The Bank is a party to commitments to extend credit in the normal course of business to meet the financing needs of its customers. Commitments are agreements to lend to customers providing that there are no violations of any condition established in the contract. Commitments to extend credit have a fixed expiration date or other termination clause. These instruments involve elements of credit and interest rate risk more than the amount recognized in the statements of financial position. The Bank uses the same credit policies in making commitments to extend credit as it does for on-balance sheet instruments.

The Bank evaluates each customer's credit on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the customer. The amount of commitments to extend credit and the exposure to credit loss for non-performance by the customer (before considering collateral) was $142,767 and $148,390 as of June 30, 2023 and 2022, respectively. As of June 30, 2023, $126,698 of the commitments carried variable rates and $16,069 carried fixed rates with interest rates ranging from 3.05% to 11.00% with maturity dates from July 2023 to August 2060. As of June 30, 2022, $119,637 of the commitments carried variable rates and $28,753 carried fixed rates with interest rates ranging from 2.62% to 8.25% with maturity dates from July 2022 to December 2053. Financial standby letters of credit were $1,178 and $1,110 as of June 30, 2023 and 2022, respectively. In addition, commitments to extend credit of $11,834 and $11,621 as of June 30, 2023 and 2022, respectively, were available to checking account customers related to the overdraft protection program. Since some loan commitments expire without being used, the amount does not necessarily represent future cash commitments.

NOTE 15—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.

Financial assets and financial liabilities measured at fair value on a recurring basis include the following:

Securities available-for-sale and equity securities: When available, the fair values of available-for-sale and equity 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 unobservable inputs (Level 3 inputs).

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:

	Fair Value Measurements at June 30, 2023 Using			
Assets:	Balance at June 30, 2023	Level 1	Level 2	Level 3
Obligations of U.S. treasury	$ 8,408		$ 8,408	
Obligations of U.S. government-sponsored entities and agencies	25,692	—	25,692	—
Obligations of states and political subdivisions	83,972	—	83,972	—
U.S. government-sponsored mortgage-backed securities - residential	89,635	—	89,635	—
U.S. government-sponsored mortgage-backed securities - commercial	6,795	—	6,795	—
U.S. government-sponsored collateralized mortgage obligations	50,070	—	50,070	—
Other debt securities	15,033	—	15,033	—
Equity securities	386	—	386	—

Assets:	Balance at June 30, 2022	Level 1	Level 2	Level 3
Obligations of U.S. treasury	$ 8,447	—	$ 8,447	—
Obligations of U.S. government-sponsored entities and agencies	26,265		26,265	
Obligations of states and political subdivisions	97,357	—	97,357	—
U.S. government-sponsored mortgage-backed securities - residential	102,183	—	102,183	—
U.S. government-sponsored mortgage-backed securities – commercial	7,301	—	7,301	—
U.S. government-sponsored collateralized mortgage obligations	38,179	—	38,179	—
Other debt securities	16,615	—	16,615	—
Equity securities	400	—	400	—

There were no transfers between Level 1 and Level 2 during the 2023 or the 2022 fiscal year.

Certain assets and 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. Assets and 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 or are charged down to their fair value. 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.

Other Real Estate and Repossessed Assets Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Real estate owned properties and other repossessed assets, which are primarily vehicles, are evaluated on a quarterly basis for additional impairment and adjusted accordingly. There was no other real estate owned or other repossessed assets being carried at fair value as of June 30, 2023 or June 30, 2022. As of June 30, 2023, the balance of other real estate owned was $124.

There were no assets measured at fair value on a non-recurring basis at June 30, 2023 or 2022 and there was no impact to the provision for loan losses for the twelve months ended June 30, 2023 or 2022.

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:

	2023		2022	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial Assets:				
Level 1 inputs:				
Cash and cash equivalents	$ 11,755	$ 11,755	$ 20,952	$ 20,952
Level 2 inputs:				
Certificates of deposit in other financial institutions	2,501	2,450	3,781	3,847
Loans held for sale	764	774	1,165	1,188
Accrued interest receivable	3,024	3,024	2,703	2,703
Level 3 inputs:				
Securities held-to-maturity	6,970	6,294	7,874	7,831
Loans, net	702,638	656,737	604,683	577,708
Financial Liabilities:				
Level 2 inputs:				
Demand and savings deposits	738,190	738,190	784,181	784,181
Time deposits	214,343	211,856	102,381	102,622
Short-term borrowings	26,367	26,367	21,295	21,295
Federal Home Loan Bank advances	8,776	7,678	8,256	7,215
Accrued interest payable	344	344	49	49

The assumptions used to estimate fair value are described as follows:

Cash and cash equivalents: The carrying value of cash and deposits in other financial institutions were considered to approximate fair value resulting in a Level 1 classification.

Certificates of deposits in other financial institutions: Fair value of certificates of deposits in other financial institutions was estimated using current rates for deposits of similar remaining maturities resulting in a Level 2 classification.

Accrued interest receivable and payable, demand and savings deposits and short-term borrowings: The carrying value of accrued interest receivable and payable, demand and savings deposits and short-term borrowings were considered to approximate fair value due to their short-term duration resulting in a Level 2 classification.

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.

Loans: Fair value for loans was estimated for portfolios of loans with similar financial characteristics. The estimated fair value approximates carrying value for variable-rate loans that reprice frequently and with no significant change in credit risk. The fair value of fixed-rate loans and variable-rate loans which reprice on an infrequent basis is estimated by discounting future cash flows using the current interest rates at which similar loans with similar terms would be made to borrowers of similar credit quality resulting in a Level 3 classification. An overall valuation adjustment is made for specific credit risks as well as general portfolio credit risk. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Securities held-to-maturity: The held-to-maturity securities are general obligation and revenue bonds issued by local municipalities. The fair value of these securities are calculated using a spread to the applicable municipal fair market curve resulting in a Level 3 classification.

Time deposits: Fair value of fixed-maturity certificates of deposit was estimated using the rates offered at June 30, 2023 and 2022 for deposits of similar remaining maturities, resulting in Level 2 classification. Estimated fair value does not include the benefit that results from low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market.

Federal Home Loan Bank advances: Fair value of Federal Home Loan Bank advances was estimated using current rates at June 30, 2023 and 2022 for similar financing resulting in a Level 2 classification.

Federal bank and other restricted stocks, at cost: 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.

Off-balance sheet commitments: 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 above table.

NOTE 16—AFFORDABLE TAX CREDIT PARTNERSHIP

In April 2023, the Corporation invested in a limited partnership that will in turn invest in qualified affordable housing projects that will generate tax benefits for the limited partner investors, including federal low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code. This partnership investment is an unconsolidated Variable Interest Entity (VIE) for which the Corporation holds an interest in but is not the primary beneficiary of the VIE. The purpose of this investment is to achieve a satisfactory return on capital, to facilitate the sale of additional affordable housing product offerings, and to assist in achieving goals associated with the Community Reinvestment Act. The primary activities of the limited partnership include the identification, development, and operation of multi-family housing that is leased to qualifying residential tenants. Generally, these types of investments are funded through a combination of debt and equity.

The Corporation uses the proportional amortization method to account for its investment. The investment is included in other assets and the unfunded commitment is included in other liabilities. As of June 30, 2023, the balance of the affordable housing tax credit investment was $10,250 and the balance of the associated unfunded commitment was $9,668. As a limited partner, there is no recourse to the Corporation by the creditors of the limited partnership, however, the tax credits are generally subject to recapture should the partnership fail to comply with the applicable government regulations.

NOTE 17—PARENT COMPANY FINANCIAL STATEMENTS

The condensed financial information of Consumers Bancorp. Inc. (parent company only) follows:

Condensed Balance Sheets	**June 30, 2023**	**June 30, 2022**
Assets:		
Cash	$ 26	$ 76
Equity securities, at fair value	386	400
Other assets	22	17
Investment in subsidiary	56,328	54,823
Total assets	$ 56,762	$ 55,316
Liabilities and Shareholders' Equity:		
Short-term borrowings	$ 1,200	$ 1,270
Other liabilities	78	76
Shareholders' equity	55,484	53,970
Total liabilities & shareholders' equity	$ 56,762	$ 55,316

Condensed Statements of Income and Comprehensive Income	**Year Ended June 30, 2023**	**Year Ended June 30, 2022**
Cash dividends from Bank subsidiary	$ 1,575	$ 195
Dividend income	33	33
Net change in market value of equity securities	(14)	(24)
Other income	14	2
Interest expense	(75)	(31)
Other expense	(295)	(258)
Income (loss) before income taxes and equity in undistributed net income of subsidiary	1,238	(83)
Income tax benefit	(76)	(63)
Income (loss) before equity in undistributed net income of Bank subsidiary	1,314	(20)
Equity in undistributed net income of subsidiary	9,360	11,212
Net income	$ 10,674	$ 11,192
Comprehensive income (loss)	$ 2,819	$ (14,464)

Condensed Statements of Cash Flows	**Year Ended June 30, 2023**	**Year Ended June 30, 2022**
Cash flows from operating activities:		
Net income	$ 10,674	$ 11,192
Equity in undistributed net income of Bank subsidiary	(9,360)	(11,212)
Net change in market value of equity securities	14	24
Change in other assets and liabilities	(3)	24
Net cash flows from operating activities	1,325	28
Cash flows from investing activities:		
Disposal of premises and equipment	—	18
Net cash flows from investing activities	—	18
Cash flows from financing activities:		
Dividend paid	(2,095)	(1,949)
Restricted stock units	159	—
Net change in short-term borrowings	(70)	1,270
Proceeds from dividend reinvestment and stock purchase plan	238	174
Issuance of treasury stock for stock awards	393	309
Net cash flows from financing activities	(1,375)	(196)
Change in cash and cash equivalents	(50)	(150)
Beginning cash and cash equivalents	76	226
Ending cash and cash equivalents	$ 26	$ 76

NOTE 18—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 and restricted stock units. There were 14,800 shares of restricted stock and 9,078 restricted stock units that were anti-dilutive for the year ending June 30, 2023. There were 7,911 shares of restricted stock that were anti-dilutive for the year ending June 30, 2022. The following table details the calculation of basic and diluted earnings per share:

	For the year Ended June 30,	
	2023	**2022**
Basic:		
Net income available to common shareholders	$ 10,674	$ 11,192
Weighted average common shares outstanding	3,090,187	3,039,607
Basic income per share	$ 3.45	$ 3.68
Diluted:		
Net income available to common shareholders	$ 10,674	$ 11,192
Weighted average common shares outstanding	3,090,187	3,039,607
Dilutive effect of restricted stock	—	246
Total common shares and dilutive potential common shares	3,090,187	3,039,853
Dilutive income per share	$ 3.45	$ 3.68

NOTE 19–ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income related to unrealized gains (losses) on available-for-sale securities for the periods ended June 30, 2023 and June 30, 2022, were as follows:

	Pretax	Tax Effect	After-tax	Affected Line Item in Consolidated Statements of Income
Balance as of June 30, 2021	**$ 4,493**	**$ (943)**	**$ 3,550**	
Unrealized holding loss on available-for-sale securities arising during the period	(32,469)	6,818	(25,651)	
Amounts reclassified from accumulated other comprehensive income	(6)	1	(5)	(a)(b)
Net current period other comprehensive loss	(32,475)	6,819	(25,656)	
Balance as of June 30, 2022	**$ (27,982)**	**$ 5,876**	**$ (22,106)**	
Unrealized holding loss on available-for-sale securities arising during the period	$ (9,929)	$ 2,085	$ (7,844)	
Amounts reclassified from accumulated other comprehensive income	(14)	3	(11)	(a)(b)
Net current period other comprehensive loss	(9,943)	2,088	(7,855)	
Balance as of June 30, 2023	**$ (37,925)**	**$ 7,964**	**$ (29,961)**	

(a) Securities gain, net
(b) Income tax expense

NOTE 20 – REVENUE RECOGNITION

The Corporation accounts for revenues from contracts with customers under ASC 606, Revenue from Contracts with Customers. Interest income, net securities gains (losses), gains from the sale of mortgage loans and bank-owned life insurance are not included within the scope of ASC 606. For the revenue streams in the scope of ASC 606, service charges on deposits and electronic banking fees, there are no significant judgments related to the amount and timing of revenue recognition. All the Corporation's revenue from contracts with customers is recognized within noninterest income.

Service charges on deposit accounts: The Corporation earns fees from its deposit customers for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as stop payment charges, statement rendering and other fees, are recognized at the time the transaction is executed as that is the point in time the Corporation fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Interchange income: The Corporation earns interchange income from cardholder transactions conducted through the various payment networks. Interchange income from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The gross amount of these fees are processed through noninterest income.

Other income: Other noninterest income consists of other recurring revenue streams such as check order fees, wire transfer fees, and other miscellaneous revenue streams. Check order income mainly represents fees charged to customers for checks. Wire transfer fees represent revenue from processing wire transfers.

The following table presents the Corporation's sources of noninterest income for the years ended June 30, 2023 and 2022.

	For the year Ended June 30, 2023	2022
Noninterest income		
In scope of Topic 606:		
Service charges on deposit accounts	$ 1,598	$ 1,460
Debit card interchange income	2,181	2,069
Other income	360	335
Noninterest income (in scope of Topic 606)	4,139	3,864
Noninterest income (out-of-scope of Topic 606)	608	871
Total noninterest income	$ 4,747	$ 4,735

Item 9—Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A—Controls and Procedures

Evaluation of Disclosure Controls and Procedures

With the participation of the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the Corporation's disclosure controls and procedures (as defined under Rule 13a-15(e) of the Securities Exchange Act of 1934) was performed, as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

The management of Consumers Bancorp, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by the board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Management assessed the effectiveness of our internal control over financial reporting as of June 30, 2023 based on the criteria for effective internal control over financial reporting established in "Internal Control-Integrated Framework," issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in 2013. Based on that assessment, we have concluded that, as of June 30, 2023, our internal control over financial reporting is effective based on those criteria.

This annual report does not include an attestation report of the Corporation's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Corporation's registered public accounting firm pursuant to rules of the SEC that permit the Corporation to provide only management's report in this annual report.

Changes In Internal Control Over Financial Reporting

There were no changes in the Corporation's internal controls over financial reporting that occurred during the fourth quarter of fiscal year 2023 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Item 9B—Other Information

None.

Item 9C—Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable.

PART III

Item 10— Directors, Executive Officers and Corporate Governance

The information required by this item is set forth in the Corporation's Proxy Statement dated September 7, 2023, under the captions "Election of Directors," "Directors and Executive Officers," "The Board of Directors and its Committees," "Delinquent Section 16(a) Reports," and "Certain Transactions and Relationships and Legal Proceedings," and is incorporated herein by reference.

The Corporation's Code of Ethics Policy, which is applicable to all directors, officers and employees of the Corporation, and its Code of Ethics for Principal Financial Officers, which is applicable to the principal executive officer and the principal financial officer, are each available on the Investor Relations section under Governance Documents of the Corporation's website (www.consumers.bank). Copies of either of the Code of Ethics Policies are also available in print to shareholders upon request, addressed to the Corporate Secretary at Consumers Bancorp, Inc., 614 East Lincoln Way, Minerva, Ohio 44657. The Corporation intends to post amendments to or waivers from either of its Code of Ethics Policies on its website.

Item 11—Executive Compensation

The information required by this item is set forth in the Corporation's Proxy Statement dated September 7, 2023 under the captions "Director Compensation," "Executive Compensation," "Defined Contribution Plan," "Outstanding Equity Awards at Fiscal Year-End," and "Salary Continuation Program," and is incorporated herein by reference.

Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table sets forth information about common stock authorized for issuance, segregated between stock-based compensation plans approved by shareholders and stock-based compensation plans not approved by shareholders, as of June 30, 2023. Additional information regarding stock-based compensation plans is presented in Note 10 - Employee Benefit Plans to the Consolidated Financial Statements located elsewhere in this report.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities issuable under outstanding options, warrants and rights)
Plans approved by shareholders	—	—	199,560
Plans not approved by shareholders	—	—	—
Total	—	—	199,560

The remaining information required by this item is set forth in the Corporation's Proxy Statement, dated September 7, 2023, under the caption "Security Ownership of Certain Beneficial Owners," and is incorporated herein by reference.

Item 13—Certain Relationships and Related Transactions, and Director Independence

The information required by this item is set forth in the Corporation's Proxy Statement, dated September 7, 2023, under the caption "Certain Transactions and Relationships and Legal Proceedings," and is incorporated herein by reference.

Item 14— Principal Accounting Fees and Services

Our independent registered public accounting firm is Plante & Moran, PLLC, Auburn Hills, MI (PCAOB ID: 00166).

The information required by this item is set forth in the Corporation's Proxy Statement, dated September 7, 2023, under the caption "Principal Accounting Fees and Services," and is incorporated herein by reference.

PART IV

Item 15— Exhibit and Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) The report of independent registered accounting firm and the consolidated financial statements appearing in Item 8.

(2) Financial statement schedules are omitted as they are not required or are not applicable, or the required information is included in the financial statements.

(3) The exhibits required by this item are listed in the Exhibit Index of this Form 10-K.

(b) The exhibits to this Form 10-K begin on page 62 of this report.

(c) See Item 15(a)(2) above.

Item 16—Form 10-K Summary

Not applicable.

EXHIBIT INDEX

Number	Description of Document
2.1	Agreement and Plan of Merger by and among Consumers Bancorp, Inc., Consumers National Bank, Peoples Bancorp of Mt. Pleasant, Inc., and The Peoples National Bank of Mount Pleasant, dated June 14, 2019. Reference is made to the Registration Statement on S-4 (File No. 333-233306) filed on August 15, 2019.
3.1	Amended and Restated Articles of Incorporation of the Corporation. Reference is made to Form 10-Q (File No. 033-79130) of the Corporation filed November 8, 2019, which is incorporated herein by reference.
3.2	Amended and Restated Code of Regulations of the Corporation. Reference is made to Form 10-K (File No. 033-79130) of the Corporation filed September 15, 2008, which is incorporated herein by reference.
4	Form of Certificate of Common Shares. Reference is made to Form 10-KSB (File No. 033-79130) of the Corporation filed September 30, 2002, which is incorporated herein by reference.
4.1	Description of Securities of Consumers Bancorp, Inc. Reference is made to Form 10-K of the Corporation filed September 23, 2020, which is incorporated herein by reference.
10.3	Lease Agreement entered into between Furey Holdings, LLC and Consumers National Bank on December 23, 2005. Reference is made to Form 10-Q (File No. 033-79130) of the Corporation filed February 14, 2006, which is incorporated herein by reference.
10.8	Consumers Bancorp 2010 Omnibus Incentive Plan Form of Restricted Stock Award Agreement. Reference is made to Form 8-K (File No. 033-79130) of the Corporation filed September 16, 2011, which is incorporated herein by reference.
10.10	First Amendment dated June 13, 2018, to Lease Agreement entered into between Furey Holdings, LLC and Consumers National Bank on December 23, 2005. Reference is made to Form 8-K (File No. 033-79130) of the Corporation filed June 15, 2018, which is incorporated herein by reference.
10.11	Form of Salary Continuation Agreement. Reference is made to Form 8-K (File No. 033-79130) of the Corporation filed December 29, 2020, which is incorporated herein by reference.
10.12	Branch Purchase and Assumption Agreement entered into with CFBank National Association on December 29, 2020. Reference is made to Form 10-Q (File No. 033-79130) of the Corporation filed February 12, 2021, which is incorporated herein by reference.
10.13	Consumers Bancorp Amended and Restated 2010 Omnibus Incentive Plan. Reference is made to the Definitive Proxy Statement for the 2022 Annual Meeting of Shareholders (File No. 033-79130) of the Corporation filed September 15, 2022, which is incorporated herein by reference.
19	Consumers Bancorp, Inc. Insider Trading and Section 16 Reporting Policy
21	Subsidiaries of Consumers Bancorp, Inc. Filed with this Annual Report on Form 10-K.
23	Consent of Plante & Moran, PLLC
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer and Treasurer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document) (1)
101.SCH	Inline XBRL Taxonomy Extension Schema Document (1)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (1)
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document (1)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (1)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101.1)

(1) These interactive date files shall not be deemed filed for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under those sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONSUMERS BANCORP, INC.

Date: September 7, 2023

By: /s/ Ralph J. Lober, II
President and Chief Executive Officer
(principal executive officer)

By: /s/ Renee K. Wood
Chief Financial Officer and Treasurer
(principal financial officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on September 7, 2023.

Signatures	Signatures
/s/ Laurie L. McClellan **Laurie L. McClellan** **Chairman of the Board of Directors**	/s/ Ralph J. Lober, II **Ralph J. Lober, II** **President, Chief Executive Officer and Director** (principal executive officer)
/s/ Renee K. Wood **Renee K. Wood** **Chief Financial Officer and Treasurer** (principal financial officer)	/s/ John P. Furey **John P. Furey** **Director**
/s/ Ann Gano **Ann Gano** **Director**	/s/ Bradley Goris **Bradley Goris** **Director**
/s/ Richard T. Kiko, Jr. **Richard T. Kiko, Jr.** **Director**	/s/ Shawna L’Italien **Shawna L’Italien** **Director**
/s/ Frank L. Paden **Frank L. Paden** **Director**	/s/ John W. Parkinson **John W. Parkinson** **Director**
/s/ Harry W. Schmuck, Jr. **Harry W. Schmuck, Jr.** **Director**	/s/ Michael A. Wheeler **Michael A. Wheeler** **Director**

General Information

Independent Registered Public Accounting Firm
Plante & Moran, PLLC
2601 Cambridge Court, Ste. 500
Auburn Hills, Michigan 48236

Legal Counsel
Squire Patton Boggs (US) LLP
1000 Key Tower
127 Public Square
Cleveland, Ohio 44114
(216) 479-8500

Stock Transfer Agent and Registrar
Computershare Shareholder Services
PO Box 505005
Louisville, KY 40233-5005
(800) 522-6645

Market Makers
D.A. Davidson & Co.
Thomas L. Dooley
Nick Bicking
Powell:
(614) 710-7061
(800) 394-9230

Raymond James Financial, Inc.
The Wealth Advisory Group of DiLauro
Wracher & Thomas
Akron: (330) 564-1700
Boardman: (330) 965-0980

Common Stock Listing
Consumers Bancorp, Inc. common stock trades on the OTCQX Bulletin Board under the symbol CBKM. The CUSIP is 210509105. As of June 30, 2023, there were 3,096,100 shares outstanding with 730 shareholders of record and an estimated 816 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 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 or (800) 368-5948 or a participating broker.

Shareholder Relations
shareholderrelations@consumers.bank

Website
www.consumersbancorp.com

Annual Meeting
The 2023 Annual Meeting of shareholders will be held at 10:00 a.m. on Thursday, October 19, 2023. This year's Annual Meeting will be a virtual meeting of Stockholders conducted solely online via live webcast. Shareholders will be able to attend and participate in the Annual Meeting online, vote your shares electronically and submit questions prior to and during the meeting. Website and password information for joining the meeting online are provided in the accompanying proxy statement.

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, 2023, as filed with the Securities and Exchange Commission, will be furnished without charge to shareholders upon written request to Renee Wood, Corporate Secretary, at 614 East Lincoln Way, P.O. Box 256, Minerva, Ohio 44657. An electronic version is also available on our website at www.consumersbancorp.com.

Directors Emeriti
James V. Hanna
James R. Kiko, Sr
Thomas M. Kishman
John E. Tonti

Branch Locations

Adena
9 E. Main St.

Alliance
610 W. State St.

Bergholz
256 Second St.

Brewster
210 Wabash Ave. S.

Calcutta
49028 Foulks Dr.

Carrollton
1017 Canton Rd. NW

Dillonvale
44 Smithfield St.

East Canton
440 W. Noble St.

Fairlawn
3680 Embassy Pkwy.

Green
4086 Massillon Rd.

Hanoverton
30034 Canal St.

Hartville
1215 W. Maple St.

Jackson-Belden
4026 Dressler Rd. NW

Lisbon
7985 Dickey Dr.

Louisville
1111 N. Chapel St.

Malvern
4070 Alliance Rd. NW

Minerva
614 E. Lincoln Way

Mount Pleasant
298 Union St.

Salem
141 S. Ellsworth Ave.

Waynesburg
8607 Waynesburg Dr. SE

Wellsville
200 Lisbon St.

Boardman Loan Center
725 Boardman Canfield Rd.