QUAKER CHEMICAL CORP
Form 4/A
March 10, 2014

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Nieman Jan

(Last) (First) (Middle)

QUAKER CHEMICAL CORPORATION, ONE QUAKER PARK, 901 E. HECTOR STREET

(Street)

CONSHOHOCKEN, PA 19428-2380

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
QUAKER CHEMICAL CORP [KWR]

3. Date of Earliest Transaction (Month/Day/Year)
02/27/2014

4. If Amendment, Date Original Filed(Month/Day/Year)
03/03/2014

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP/G Leader-Grease, FP, Mining

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee Stock Option (right to buy)	$ 73.47 (1)	02/27/2014		M		2,209		(2)	02/27/2021	Common Stock	2,209

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Nieman Jan QUAKER CHEMICAL CORPORATION ONE QUAKER PARK, 901 E. HECTOR STREET CONSHOHOCKEN, PA 19428-2380			VP/G Leader-Grease, FP, Mining	

Signatures

Irene M. Kisleiko, Attorney-in-Fact for Jan F. Nieman	03/10/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The exercise price of the employee stock option was erroneously reported on the reporting person's original Form 4.

(2) Stock options granted to reporting person under the Company's 2011 Long-Term Performance Incentive Plan and exercisable in three consecutive annual installments commencing February 27, 2015: 737 (year 1); 736 (year 2); and 736 (year 3).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 1%; VERTICAL-ALIGN: bottom; BORDER-BOTTOM: #000000 1px solid; BACKGROUND-COLOR: #ffffff"> (2,552)

Balance as of December 31, 2016

$(246) $83 $(163)

Balance as of June 30, 2015

$1,363 $(464) $899

Unrealized holding gain on available-for-sale securities arising during the period

403 (137) 266

Amounts reclassified from accumulated other comprehensive income

(35) 12 (23)

(a)(b)

Net current period other comprehensive income

368 (125) 243

Balance as of December 31, 2015

$1,731 $(589) $1,142

(a) Securities gains, net

(b) Income tax expense

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Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in thousands, except per share data)

General

The following is management's analysis of the Corporation's results of operations for the three and six months ended December 31, 2016, compared to the same period in 2015, and the consolidated balance sheet at December 31, 2016, compared to June 30, 2016. This discussion is designed to provide a more comprehensive review of the operating results and financial condition than could be obtained from an examination of the financial statements alone. This analysis should be read in conjunction with the consolidated financial statements and related footnotes and the selected financial data included elsewhere in this report.

Overview

Consumers Bancorp, Inc., a bank holding company incorporated under the laws of the State of Ohio (the Corporation), owns all of the issued and outstanding common shares of Consumers National Bank, a bank chartered under the laws of the United States of America (the Bank). The Corporation's activities have been limited primarily to holding the common shares of the Bank. The Bank's business involves attracting deposits from businesses and individual customers and using such deposits to originate commercial, mortgage and consumer loans in its market area, consisting primarily of Carroll, Columbiana, Stark, Summit, Wayne and contiguous counties in Ohio. The Bank also invests in securities consisting primarily of U.S. government sponsored entities, municipal obligations, mortgage-backed and collateralized mortgage obligations issued by Fannie Mae, Freddie Mac and Ginnie Mae.

Results of Operations

Three and Six Months Ended December 31, 2016 and December 31, 2015

In the second quarter of fiscal year 2017, net income was $722, or $0.27 per common share, compared to $639, or $0.23 per common share for the three months ended December 31, 2015. The following are key highlights of our results of operations for the three months ended December 31, 2016:

- net interest income increased by $99 to $3,536, or by 2.9%, in the second quarter of fiscal year 2017 from the same prior year period;
- loan loss provision expense in the second quarter of fiscal year 2017 totaled $140 compared to $192 in the same prior year period;
- non-interest income increased by $75, or 10.4%, in the second quarter of fiscal year 2017 from the same prior year period; and

non-interest expenses increased by $120, or 3.7%, in the second quarter of fiscal year 2017 from the same prior year period principally as a result of higher occupancy and equipment expenses.

CONSUMERS BANCORP, INC.

Management's Discussion and Analysis of Financial Condition

and Results of Operations (continued)

(Dollars in thousands, except per share data)

In the first six months of fiscal year 2017, net income was $1,623, or $0.60 per common share, compared to $1,366, or $0.50 per common share for the six months ended December 31, 2015. The following are key highlights of our results of operations for the six months ended December 31, 2016:

- net interest income increased by $433 to $7,263, or by 6.3%, in fiscal year 2017 from the same prior year period;
- non-interest income increased by $188, or 12.9%, in fiscal year 2017 from the same prior year period; and
- non-interest expenses increased by $269, or 4.2%, in fiscal year 2017 from the same prior year period principally as a result of higher occupancy and equipment expenses.

Return on average equity and return on average assets were 7.34% and 0.74%, respectively, for the first six months of fiscal year 2017 compared to 6.43% and 0.65%, respectively, for the same prior year period.

Net Interest Income

Net interest income, the difference between interest income earned on interest-earning assets and interest expense incurred on interest-bearing liabilities, is the largest component of the Corporation’s earnings. Net interest income is affected by changes in the volumes, rates and composition of interest-earning assets and interest-bearing liabilities. Net interest margin is calculated by dividing net interest income on a fully tax equivalent basis (FTE) by total average interest-earning assets. FTE income includes tax-exempt income, restated to a pre-tax equivalent, based on the statutory federal income tax rate. All average balances are daily average balances. Non-accruing loans are included in average loan balances.

The Corporation’s net interest margin was 3.62% for the three months ended December 31, 2016, compared with 3.68% for the same period in 2015. FTE net interest income for the three months ended December 31, 2016 increased by $99, or 2.7%, to $3,721 from $3,622 for the same year ago period. The increase in net interest income was primarily the result of an increase of $17,080, or 4.4%, in average interest-earning assets from the same prior year period.

FTE interest income for the three months ended December 31, 2016 increased by $128, or 3.3%, from the same year ago period. The Corporation's yield on average interest-earning assets was 3.86% for the three months ended December 31, 2016, a decrease from 3.90% for the same period last year. Interest expense for the three months ended December 31, 2016 increased by $29, or 13.1%, from the same year ago period. The Corporation's cost of funds was 0.34% for the three months ended December 31, 2016 compared with 0.32% for the same year ago period.

The Corporation's net interest margin was 3.74% for the six months ended December 31, 2016, compared with 3.69% for the same period in 2015. FTE net interest income for the six months ended December 31, 2016 increased by $433, or 6.0%, to $7,629 from $7,196 for the same year ago period. Interest income was positively impacted by $191 in the first quarter of fiscal year 2017 as the result of the payoff of two loan relationships that were on non-accrual. Excluding the interest income recognized on the non-accrual loans, the net interest margin would have been 3.65% for the six-month period ended December 31, 2016.

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CONSUMERS BANCORP, INC.

Management's Discussion and Analysis of Financial Condition

and Results of Operations (continued)

(Dollars in thousands, except per share data)

Average Balance Sheets and Analysis of Net Interest Income for the Three Months Ended December 31,

(In thousands, except percentages)

	2016 Average Balance	Interest	Yield/ Rate	2015 Average Balance	Interest	Yield/ Rate
Interest-earning assets:						
Taxable securities	$75,524	$377	2.01 %	$87,685	$488	2.24 %
Nontaxable securities (1)	60,326	535	3.58	55,415	528	3.84
Loans receivable (1)	263,909	3,029	4.55	237,148	2,797	4.68
Interest bearing deposits and federal funds sold	9,907	30	1.20	12,338	30	0.96
Total interest-earning assets	409,666	3,971	3.86 %	392,586	3,843	3.90 %
Noninterest-earning assets	29,148			27,183		
Total Assets	$438,814			$419,769		
Interest-bearing liabilities:						
NOW	$48,960	$19	0.15 %	$47,291	$18	0.15 %
Savings	138,402	36	0.10	135,549	30	0.09

Time deposits	66,425	128	0.76	64,812	123	0.75
Short-term borrowings	20,481	11	0.21	22,084	10	0.18
FHLB advances	14,042	56	1.58	5,863	40	2.71
Total interest-bearing liabilities	288,310	250	0.34 %	275,599	221	0.32 %
Noninterest-bearing liabilities:						
Noninterest-bearing checking accounts	103,143			98,235		
Other liabilities	3,695			3,251		
Total liabilities	395,148			377,085		
Shareholders’ equity	43,666			42,684		
Total liabilities and shareholders’ equity	$438,814			$419,769		
Net interest income, interest rate spread (1)		$3,721	3.52 %		$3,622	3.58 %
Net interest margin (net interest as a percent of average interest-earning assets) (1)			3.62 %			3.68 %
Federal tax exemption on non-taxable securities and loans included in interest income		$185			$185	
Average interest-earning assets to interest-bearing liabilities	142.09 %			142.45 %		

(1) calculated on a fully taxable equivalent basis

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CONSUMERS BANCORP, INC.

Management's Discussion and Analysis of Financial Condition

and Results of Operations (continued)

(Dollars in thousands, except per share data)

Average Balance Sheets and Analysis of Net Interest Income for the Six Months Ended December 31,

(In thousands, except percentages)

	2016 Average Balance	Interest	Yield/ Rate	2015 Average Balance	Interest	Yield/ Rate
Interest-earning assets:						
Taxable securities	$75,745	$779	2.07 %	$87,704	$945	2.17 %
Nontaxable securities (1)	59,710	1,061	3.61	54,519	1,045	3.85
Loans receivable (1)	262,296	6,219	4.70	234,689	5,600	4.73
Interest bearing deposits and federal funds sold	9,225	60	1.29	12,068	54	0.89
Total interest-earning assets	406,976	8,119	3.98 %	388,980	7,644	3.92 %
Noninterest-earning assets	28,008			26,541		
Total Assets	$434,984			$415,521		
Interest-bearing liabilities:						
NOW	$48,770	$36	0.15 %	$47,533	$35	0.15 %
Savings	135,957	67	0.10	136,157	60	0.09

Time deposits	66,216	250	0.75	65,102	252	0.77
Short-term borrowings	19,965	23	0.23	20,824	18	0.17
FHLB advances	14,583	114	1.55	6,047	83	2.72
Total interest-bearing liabilities	285,491	490	0.34 %	275,663	448	0.32 %
Noninterest-bearing liabilities:						
Noninterest-bearing checking accounts	102,144			94,231		
Other liabilities	3,507			3,328		
Total liabilities	391,142			373,222		
Shareholders' equity	43,842			42,299		
Total liabilities and shareholders' equity	$434,984			$415,521		
Net interest income, interest rate spread (1)		$7,629	3.64 %		$7,196	3.60 %
Net interest margin (net interest as a percent of average interest-earning assets) (1)			3.74 %			3.69 %
Federal tax exemption on non-taxable securities and loans included in interest income		$366			$366	
Average interest-earning assets to interest-bearing liabilities	142.55 %			141.11 %		

(1) calculated on a fully taxable equivalent basis

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CONSUMERS BANCORP, INC.

Management's Discussion and Analysis of Financial Condition

and Results of Operations (continued)

(Dollars in thousands, except per share data)

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 incurred credit losses in the Bank’s loan portfolio that have been incurred at each balance sheet date. For the three months ended December 31, 2016, the provision for loan losses was $140 compared to $192 for the same prior year period. For the six-month period ended December 31, 2016, the provision for loan losses was $276 compared to $284 for the same prior year period.

For the six-month period ended December 31, 2016, net charge-offs totaled $719, or an annualized net charge-off to total loan ratio of 0.54%, compared with $161, or 0.13% of total loans, for the same period last year. Net charge-offs for the three and six month periods ended December 31, 2016 were impacted by a $700 charge-off related to one commercial real estate credit. The collateral securing this credit is in the process of being liquidated and is expected to result in the Bank receiving payment in the amount of the remaining balance of the recorded investment. The allowance for loan losses as a percentage of loans was 1.18% at December 31, 2016 and 1.39% at June 30, 2016.

The provision for loan losses for the period ended December 31, 2016 was considered sufficient by management for maintaining an appropriate allowance for probable incurred credit losses.

Non-Interest Income

Non-interest income increased by $75 for the second quarter of fiscal year 2017 from the same period last year. Non-interest income increased by $188, or 12.9%, for the first six months of fiscal year 2017 from the same period last year. In the first six months of fiscal year 2017, a $125 net gain was recognized from the sale of securities compared with a $35 net gain in the same prior year period.

Non-Interest Expenses

Total non-interest expenses increased to $3,326, or by 3.7%, during the second quarter of fiscal year 2017, compared with $3,206 during the same year ago period. Total non-interest expenses increased to $6,612, or by 4.2%, during the first six months of fiscal year 2017, compared with $6,343 during the same year ago period. Occupancy and equipment expenses increased by $236, or 34.0%, during the first six months of fiscal year 2017 from the same period last year primarily as a result of an increase in building depreciation expense and real estate taxes since the new branch and corporate office facility in Minerva, Ohio was completed during the third fiscal quarter of 2016.

Income Taxes

Income tax expense for the three months ended December 31, 2016 increased by $23, to $145 compared to a year ago. The effective tax rate was 16.7% for the current quarter as compared to 16.0% for the same period last year.

CONSUMERS BANCORP, INC.

Management's Discussion and Analysis of Financial Condition

and Results of Operations (continued)

(Dollars in thousands, except per share data)

Income tax expense for the first six months ended December 31, 2016 increased by $103, to $397 from $294, compared to a year ago. The effective tax rate was 19.7% for the current period as compared to 17.7% for the same period last year.

The effective tax rate differed from the federal statutory rate principally as a result of tax-exempt income from obligations of states and political subdivisions, loans and earnings on bank owned life insurance.

Financial Condition

Total assets at December 31, 2016 were $441,435 compared to $430,390 at June 30, 2016, an increase of $11,045, or an annualized 5.1%.

Total loans increased by $8,526, or an annualized 6.7%, from $256,278 at June 30, 2016 to $264,804 at December 31, 2016. The growth in loans was primarily attributed to the investments in two newer loan production offices in the Stow and Wooster, Ohio markets as well as additions in commercial loan staff. The loan growth was primarily funded by an increase of $8,797, or an annualized 5.1%, in total deposits. The cash surrender value of life insurance increased to $8,930 at December 31, 2016 from $6,819 at June 30, 2016 primarily as a result of the investment of $2 million in additional BOLI policies.

Non-Performing Assets

The following table presents the aggregate amounts of non-performing assets and respective ratios as of the dates indicated.

	December 31,	June 30,	December 31,

	2016	2016	2015
Non-accrual loans	$ 1,589	$6,034	$ 3,498
Loans past due over 90 days and still accruing	—	—	—
Total non-performing loans	1,589	6,034	3,498
Other real estate owned	—	—	38
Total non-performing assets	$ 1,589	$6,034	$ 3,536
Non-performing loans to total loans	0.60 %	2.35 %	1.45 %
Allowance for loan losses to total non-performing loans	196.54 %	59.10%	73.04 %

Non-accrual loans decreased from June 30, 2016 primarily as a result of receiving full payoff of two loan relationships with a recorded investment of $3.1 million. As of December 31, 2016, impaired loans totaled $1,950, of which $1,589 are included in non-accrual loans. 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. Impaired loans and 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 are closely monitoring these loans and believe that the prospects for recovery of principal and interest, less identified specific reserves, are favorable.

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CONSUMERS BANCORP, INC.

Management's Discussion and Analysis of Financial Condition

and Results of Operations (continued)

(Dollars in thousands, except per share data)

Contractual Obligations, Commitments, Contingent Liabilities and Off-Balance Sheet Arrangements

Liquidity

The objective of liquidity management is to ensure adequate cash flows to accommodate the demands of our customers and provide adequate flexibility for the Corporation to take advantage of market opportunities under both normal operating conditions and under unpredictable circumstances of industry or market stress. Cash is used to fund loans, purchase investments, fund the maturity of liabilities, and at times to fund deposit outflows and operating activities. The Corporation’s principal sources of funds are deposits; amortization and prepayments of loans; maturities, sales and principal receipts from securities; borrowings; and operations. Management considers the asset position of the Corporation to be sufficiently liquid to meet normal operating needs and conditions. The Corporation’s earning assets are mainly comprised of loans and investment securities. Management continually strives to obtain the best mix of loans and investments to both maximize yield and insure the soundness of the portfolio, as well as to provide funding for loan demand as needed.

Net cash inflow from operating activities for the six months ended December 31, 2016 was $2,152, net cash outflows from investing activities was $13,544 and net cash inflows from financing activities was $12,061. A major source of cash was $15,136 from sales, maturities, calls or principal pay downs on available-for-sale securities, a $8,797 increase in deposits and a net increase of $3,695 in Federal Home Loan Bank (FHLB) advances. A major use of cash included the $18,368 purchase of securities and $9,255 increase in loans. Total cash and cash equivalents was $10,850 as of December 31, 2016 compared to $10,181 at June 30, 2016 and $9,888 at December 31, 2015.

The Bank offers several types 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. Deposits totaled $355,445 at December 31, 2016 compared with $346,648 at June 30, 2016.

To provide an additional source of liquidity, the Corporation has entered into an agreement with the FHLB of Cincinnati. At December 31, 2016, advances from the FHLB of Cincinnati totaled $20,976 as compared with $17,281 at June 30, 2016. As of December 31, 2016, the Bank had the ability to borrow an additional $9,952 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.

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CONSUMERS BANCORP, INC.

Management's Discussion and Analysis of Financial Condition

and Results of Operations (continued)

(Dollars in thousands, except per share data)

Short-term borrowings consisted of repurchase agreements, which is a financing arrangement that matures daily, and federal funds purchased from correspondent banks. The Bank pledges securities as collateral for the repurchase agreements. Short-term borrowings increased to $19,352 at December 31, 2016 from $19,129 at June 30, 2016.

Jumbo time deposits (those with balances of $100 and over) totaled $27,917 at December 31, 2016 and $26,879 at June 30, 2016. These deposits are monitored closely by the Corporation and are mainly 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. The Corporation, however, does not rely upon these deposits as a primary source of funding. Although management monitors interest rates on an ongoing basis, a quarterly rate sensitivity report is used to determine the effect of interest rate changes on the financial statements. In the opinion of management, enough assets or liabilities could be repriced over the near term (up to three years) to compensate for such changes. The spread on interest rates, or the difference between the average earning assets and the average interest-bearing liabilities, is monitored quarterly.

Off-Balance Sheet Arrangements

In the normal course of business, to meet the financial needs of our customers, we are a party to financial instruments with off-balance sheet risk. These financial instruments generally include commitments to originate mortgage, commercial and consumer loans, and involve to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the Consolidated Balance Sheets. The maximum exposure to credit loss in the event of nonperformance by the borrower is represented by the contractual amount of those instruments. Since commitments to extend credit have a fixed expiration date or other termination clause, some commitments will expire without being drawn upon and the total commitment amounts do not necessarily represent future cash requirements. The same credit policies are used in making commitments as are used for on-balance sheet instruments and collateral is required in instances where deemed necessary. Undisbursed balances of loans closed include funds not disbursed but committed for construction projects. Unused lines of credit include funds not disbursed, but committed for, home equity, commercial and consumer lines of credit. Financial standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Total unused commitments were $50,237 at December 31, 2016 and $47,728 at June 30, 2016.

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CONSUMERS BANCORP, INC.

Management's Discussion and Analysis of Financial Condition

and Results of Operations (continued)

(Dollars in thousands, except per share data)

Capital Resources

Total shareholders' equity decreased to $42,210 as of December 31, 2016 from $43,793 as of June 30, 2016. The decrease was the result of a net reduction of $2,552 in accumulated other comprehensive income from a decline in unrealized gains on available-for-sale securities and $654 in cash dividends paid, which was partially offset by $1,623 in net income during the first six months of the 2017 fiscal year.

The Bank is subject to various regulatory capital requirements administered by federal regulatory 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. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the Corporation's financial statements.

The Bank's common equity tier 1 capital and tier 1 capital ratios were 13.33% and the leverage and total capital ratios as of December 31, 2016 were 9.34% and 14.35%, respectively. This compares with common equity tier 1 capital and tier 1 capital ratios of 13.37% and leverage and total risk-based capital ratios of 9.25% and 14.58%, respectively, as of June 30, 2016. The Bank exceeded minimum regulatory capital requirements to be considered well-capitalized for both periods. Management is not aware of any matters occurring subsequent to December 31, 2016 that would cause the Bank's capital category to change.

Critical Accounting Policies

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 of Financial Condition and Results of Operations 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 Corporation has identified the appropriateness of the allowance for loan losses as a critical accounting policy and an understanding of this policy is necessary to understand the financial statements. Critical accounting policies are those policies that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Note one (Summary of Significant Accounting Policies - Allowance for Loan Losses), note three (Loans) and Management's Discussion and Analysis of Financial Condition and Results of Operation (Critical Accounting Policies and Use of Significant Estimates) of the 2016 Form 10-K provide detail with regard to the Corporation's accounting for the allowance for loan losses. There have been no significant changes in the application of accounting policies since June 30, 2016.

CONSUMERS BANCORP, INC.

Management's Discussion and Analysis of Financial Condition

and Results of Operations (continued)

(Dollars in thousands, except per share data)

Forward-Looking Statements

When used in this report (including information incorporated by reference in this report), the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “believe” or similar expressions are intended to identify “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements may involve risks and uncertainties that are difficult to predict, may be beyond the Corporation’s 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, the Corporation undertakes no obligation to update these forward-looking statements to reflect subsequent events or circumstances. Factors that could cause actual results for future periods to differ materially from those anticipated or projected include, but are not limited to:

- material unforeseen changes in the financial condition or results of Consumers National Bank’s customers;
- the economic impact from the oil and gas activity in the region could be less than expected or the timeline for development could be longer than anticipated;
- regional and national economic conditions becoming less favorable than expected, resulting in, among other things, a deterioration in credit quality of assets and the underlying value of collateral could prove to be less valuable than otherwise assumed or debtors being unable to meet their obligations;
- pricing and liquidity pressures that may result in a rising market rate environment;
- competitive pressures on product pricing and services;
- rapid fluctuations in market interest rates could result in changes in fair market valuations and net interest income; and
- the nature, extent, and timing of government and regulatory actions.

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

Explanation of Responses:

CONSUMERS BANCORP, INC.

Item 4 – Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by the report, an evaluation was performed under the supervision and with the participation of the Corporation’s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Corporation’s disclosure controls and procedures pursuant to Exchange Act Rule 13a-15e. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation’s disclosure controls and procedures were effective as of December 31, 2016.

Changes in Internal Controls Over Financial Reporting

There have not been any changes in the Corporation’s internal control over financial reporting that occurred during the Corporation’s last quarter that have materially affected, or are reasonably likely to materially affect, the Corporation’s internal control over financial reporting.

CONSUMERS BANCORP, INC.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

None

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3 – Defaults Upon Senior Securities

None

Item 4 – Mine Safety Disclosures

Not Applicable

Item 5 – Other Information

None

Item 6 – Exhibits

Exhibit Number	Description
Exhibit 10.1	Amendment No. 3, dated October 3, 2016, to the Salary Continuation agreement entered into with Mr. Lober on February 11, 2011.

Exhibit 10.2	Salary Continuation Agreement with Scott E. Dodds dated November 4, 2016. Reference is made to Form 8-K filed November 9, 2016, which is incorporated herein by reference.
Exhibit 11	Statement regarding Computation of Per Share Earnings (included in Note 5 to the Consolidated Financial Statements).
Exhibit 31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
Exhibit 31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
Exhibit 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.
Exhibit 101	The following materials from Consumers Bancorp, Inc.'s Form 10-Q Report for the quarterly period ended December 31, 2016, formatted in XBRL (Extensible Business Reporting Language) include: (1) Unaudited Consolidated Balance Sheets, (2) Unaudited Consolidated Statements of Income, (3) Unaudited Consolidated Statements of Comprehensive Income, (4) Unaudited Consolidated Statement of Changes in Shareholders' Equity, (5) Unaudited Condensed Consolidated Statements of Cash Flows, and (6) the Notes to Unaudited Condensed Consolidated Financial Statements.

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CONSUMERS BANCORP, INC.

SIGNATURES

Pursuant to the requirements 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.
	(Registrant)
Date: February 14, 2017	/s/ Ralph J. Lober Ralph J. Lober, II President & Chief Executive Officer
	(principal executive officer)
Date: February 14, 2017	/s/ Renee K. Wood Renee K. Wood Chief Financial Officer & Treasurer (principal financial officer)

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