

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See attachment

Multiple horizontal lines for listing applicable Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ See attachment

Multiple horizontal lines for providing information regarding loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attachment

Multiple horizontal lines for providing other necessary information.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ Renee Wood Date ▶ 2-3-2020

Print your name ▶ Renee Wood Title ▶ EVP, Chief Financial Officer

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
<u>James D. Slivanya</u>	<u>James D. Slivanya</u>	<u>2/1/2020</u>		<u>P00638817</u>
Firm's name ▶ <u>Crowe LLP</u>	Firm's address ▶ <u>488 Madison Avenue - Floor 3, New York, NY 10022</u>		Firm's EIN ▶	<u>35-0921680</u>
			Phone no.	<u>(212) 572-5500</u>

Consumers Bancorp, Inc.
34-1771400
Attachment to Form 8937

Report of Organizational Actions Affecting Basis of Securities

CONSULT YOUR TAX ADVISOR

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the "Code"), and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects on the tax basis of Consumers Bancorp, Inc. ("Consumers") stock received in exchange for Peoples Bancorp of Mt. Pleasant, Inc. ("Peoples") stock as a result of the merger of Peoples with and into Consumers on January 1, 2020 (the "Merger"). The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Consumers does not provide tax advice to its shareholders. You are urged to consult your own tax advisor regarding the particular consequences of the Merger to you, including the applicability and effect of all U.S. federal, state and local and foreign tax laws.

Form 8937 Part I, Box 9

The securities subject to reporting include all shares of Consumers Bancorp, Inc. ("Consumers") common stock issued in exchange for the outstanding common stock of Peoples Bancorp of Mt. Pleasant, Inc. ("Peoples") as a result of the merger of Peoples with and into Consumers on January 1, 2020 (the "Merger"). The Merger is intended to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Shareholders of Peoples received cash, shares of Consumers common stock or a combination thereof in exchange for their shares of Peoples common stock in the Merger. The total number of shares of Peoples common stock converted to cash was fixed at 50% of total consideration.

Form 8937 Part II, Box 14

The reportable organizational action, effective January 1, 2020, is the merger of Peoples with and into Consumers, with Consumers continuing as the surviving corporation.

As a result of the Merger, each share of Peoples common stock issued and outstanding was converted into either: (i) \$1,200 in cash; (ii) Consumers common stock, of which the value of the stock consideration received was based upon the closing price on the OTCQX Best Market at the date of the Merger; or (iii) a combination thereof. The consideration was subject to proration so that the total number of shares of Peoples common stock converted to cash was fixed at 50% of total consideration.

To the extent that the exchange would have resulted in the issuance of a fractional share of Consumers common stock to a Peoples shareholder, a cash payment equal to multiplying \$19.00 by the fraction of a Consumers share on common stock that such holder would

otherwise have been entitled to receive was paid in lieu of issuing a fractional share of Consumers common stock.

Form 8937 Part II, Box 15

The merger of Peoples with and into Consumers is intended to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code. As a result, each Peoples shareholder receiving solely Consumers stock or a combination of Cash and Consumers common stock will recognize a taxable gain, but not a loss, equal to the lesser of:

- The amount of cash received in the exchange; or
- The amount, if any, by which the sum of the cash received plus the fair market value of the shares of Consumers common stock received in the exchange (measured at the time of the exchange) exceeds the Peoples shareholder's tax basis in the Peoples shares surrendered in the exchange.

For purposes of calculating the taxable gain, the amount of cash received in the exchange does not include cash received in lieu of fractional shares of Consumers common stock (see discussion of cash received in lieu of fractional shares below).

Gain or loss must be calculated separately for each identifiable block of Peoples common shares surrendered in the exchange having a common tax basis. A loss realized on one block of Peoples common shares may not be used to offset a gain realized on another block of Peoples common shares.

Each Peoples shareholder is required to determine the tax basis of the shares of Consumers common stock received in the exchange by performing the following calculations separately for each identifiable block of Peoples common shares surrendered in the exchange having a common tax basis:

- Begin with the aggregate tax basis of the Peoples common shares surrendered in the exchange
- Add the amount of taxable gain, if any, determined from the above calculation (excluding any gain or loss resulting from the deemed receipt and sale of fractional shares described below)
- Subtract the total amount of cash received (excluding any cash received in lieu of fractional shares described below)
- Subtract the tax basis in any fractional shares of Consumers common stock that were deemed to have been received in the exchange and immediately sold (see the treatment of fractional shares described below)

The resulting figure represents the aggregate tax basis of the shares of Consumers common stock received in the exchange for that identifiable block of Peoples common shares transferred. The tax basis of each individual share of Consumers common stock within this

identifiable block is determined by dividing this aggregate tax basis by the number of Consumers common shares that comprise this identifiable block.

Peoples shareholders who receive cash in lieu of a fractional share of Consumers common stock are, for purposes of determining the taxability of that cash, deemed to have received a fractional share in the exchange and then as having sold the fractional share for cash. These Peoples shareholders will generally recognize a taxable gain or loss equal to the difference between the tax basis of the Peoples common shares deemed to have been exchanged for the fractional shares and the amount of cash received.

Peoples shareholders receiving solely cash will have no effect on the basis of their Peoples common stock, and should recognize gain or loss equal to the difference between cash received and the tax basis of Peoples shares of common stock surrendered.

Form 8937 Part II, Box 16

Refer to the description of the basis calculation in Part II, Box 15 above. The merger of Peoples with and into Consumers was completed on January 1, 2020. However, the December 31, 2019 closing price of a single share of Consumers common stock on the OTCQX Best Market of \$19.55 was used as fair market value as the transaction closed at 12:01am on January 1.

Form 8937 Part II, Box 17

The merger of Peoples with and into Consumers is intended to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code. Other relevant Code sections include 354, 356, 358, and 1001.

Form 8937 Part II, Box 18

No loss can be recognized upon the exchange of Peoples common stock for Consumers common stock, including shareholders that received a combination of common stock and cash. If a taxable loss is calculated on the deemed sale of a fractional share of Consumers common stock deemed to have been received in the exchange, this loss can be recognized.

Loss, if any, can be recognized by Peoples shareholders who received only cash. The deductibility of capital losses may be subject to limitations.

Form 8937 Part II, Box 19

The merger of Peoples with and into Consumers was completed on January 1, 2020. Consequently, the reportable tax year of the Peoples shareholders for reporting the tax effect of the share exchange and/or cash receipt is the tax year that includes the January 1, 2020 date. This is the 2020 calendar year for those shareholders who report taxable income on the basis of a calendar year.