CONSUMERS BANCORP INC /OH/
Form DEF 14A
September 22, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Consumers Bancorp, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

CONSUMERS BANCORP, INC.

614 East Lincoln Way

P.O. Box 256

Minerva, Ohio 44657

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON OCTOBER 27, 2010

To Our Shareholders:

Notice is hereby given that the Annual Meeting of Shareholders of Consumers Bancorp, Inc. will be held at Courtney s Banquet Center, 981 East State Street, Alliance, Ohio, on Wednesday, October 27, 2010, at 4:00 p.m. (local time), for the following purposes:

1. To elect three Class I directors to serve a three-year term until the Annual Meeting of Shareholders in 2013 or until their successors are elected and qualified;

2. To adopt the Consumers Bancorp 2010 Omnibus Incentive Plan; and

3. For the transaction of any other business that may properly come before the meeting or any adjournment thereof.

Only those shareholders of record at the close of business on September 7, 2010 are entitled to notice of and to vote at the Annual Meeting of Shareholders and any adjournment thereof.

By Order of the Board of Directors

/s/ Laurie L. McClellan
Laurie L. McClellan

Chairman

Minerva, Ohio

September 22, 2010

YOUR VOTE IS IMPORTANT. WE URGE YOU TO SIGN, DATE AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON. IF YOU ATTEND THE MEETING AND SO DESIRE, YOU MAY WITHDRAW YOUR PROXY BY GIVING A WRITTEN NOTICE OF REVOCATION AND VOTE IN PERSON.

CONSUMERS BANCORP, INC.

614 East Lincoln Way

P.O. Box 256

Minerva, Ohio 44657

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON OCTOBER 27, 2010

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Consumers Bancorp, Inc. (the Company or Consumers Bancorp) for use at the Annual Meeting of Shareholders (the Annual Meeting) to be held at Courtney s Banquet Center, 981 East State Street, Alliance, Ohio, on Wednesday, October 27, 2010, at 4:00 p.m., E.S.T and any adjournments thereof.

This Proxy Statement and the accompanying proxy are first being mailed to shareholders on or about September 22, 2010. It is contemplated that solicitation of proxies generally will be by mail. However, officers or employees of Consumers Bancorp or Consumers National Bank, a wholly-owned subsidiary of Consumers Bancorp, may also solicit proxies by electronic media without additional compensation. Consumers Bancorp will pay the costs associated with the solicitation of proxies.

Shareholders of record at the close of business on September 7, 2010 are entitled to notice of and to vote at the Annual Meeting. As of September 7, 2010, 2,037,887 Consumers Bancorp common shares, no par value, were issued and outstanding. Each shareholder will be entitled to one vote for each common share beneficially owned on all matters that come before the Annual Meeting.

Proxies solicited by the Board of Directors will be voted in accordance with the instructions given, unless revoked. Where no instructions are provided, all properly executed proxies will be voted (1) **for** the election to the Board of Directors of all nominees for Class I directors named in this Proxy Statement; (2) **for** the Consumers Bancorp 2010 Omnibus Incentive Plan; and (3) at the discretion of the holders of the proxies, on such other business that may properly come before the meeting or any adjournment thereof.

The shareholders present in person or by proxy shall constitute a quorum. The three nominees receiving the highest number of votes cast, including votes cast cumulatively, shall be elected Directors. Abstentions and broker non-votes will be counted in establishing the quorum. A proxy may be revoked at any time before it is voted by providing written notice to Consumers Bancorp, by submitting a later dated proxy or by voting in person at the Annual Meeting. Any written notice revoking a proxy should be sent to Ms. Theresa Linder, Secretary, Consumers Bancorp, Inc., P.O. Box 256, Minerva, Ohio 44657.

PROPOSAL 1

ELECTION OF DIRECTORS

Election of Directors

The Board of Directors, acting through the Nominating Committee, is responsible for identifying and evaluating candidates for Board membership. The Board currently consists of nine members and the Company s Amended and Restated Articles of Incorporation provides that the Board of Directors be divided as equally as possible into three classes designated as Class I, Class II and Class III. Generally, the directors in each class are elected to serve staggered three year terms so that the term of office of one class of directors expires at each annual meeting. Currently, the Board of Directors has three directors in Class I with terms expiring in 2010, three directors in Class II with terms expiring in 2011 and three directors in Class III with terms expiring in 2012.

The terms of office of current Class I directors James V. Hanna, James R. Kiko, Sr., and John E. Tonti will expire at the annual meeting on October 27, 2010 and the current Class I directors constitute the nominees to be elected to serve until the 2013 annual meeting and until their successors are elected. Additional information concerning the nominees for director, the directors and executive officers of Consumers Bancorp is provided in the following pages.

The common shares represented by the accompanying proxy will be voted **for** the election of the nominees to serve as directors, unless contrary instructions are indicated on the proxy card. The nominees for director receiving the greatest number of for votes will be elected as directors. If the election of directors is by cumulative voting, the persons appointed by the accompanying proxy intend to cumulate the votes represented by the proxies they receive and distribute such votes in accordance with their best judgment.

If one or more of the nominees should at the time of the Annual Meeting be unavailable or unable to serve as a director, the common shares represented by the proxies will be voted to elect the remaining nominees and any substitute nominee or nominees designated by the Board of Directors. The Board of Directors knows of no reason why any of the nominees will be unavailable or unable to serve.

The Board of Directors recommends that the shareholders vote FOR

the election of the nominees for Class I directors.

DIRECTORS AND EXECUTIVE OFFICERS

Director Nominees for Election at the Annual Meeting

Class I Directors Term ending in 2013

James V. Hanna (age 67) has served as a Director of Consumers Bancorp, Inc. and Consumers National Bank since February of 2005. Mr. Hanna is a Member of the Asset Liability Committee and Loan Committee. He is retired from a career in security and law enforcement, having spent 13 years as a Security Officer for the Ford Motor Company and five years as a Patrolman and Narcotics Agent for the Canton City Police Department. He continues as a Deputy Sheriff for the Carroll County Sheriff s Department, having served since 1999. Mr. Hanna is Manager for the Hanna Family Investment Company, LLC. Having experience in the investment area, he has actively served on the Asset Liability Committee since joining the Company.

James R. Kiko, Sr. (age 66) has served as a Director of Consumers Bancorp, Inc. and Consumers National Bank since February of 1997. He is an Independent Member of the Audit Committee, Executive Committee, Loan Committee (Chairman) and Nominating Committee. Mr. Kiko was a Director for Kiko Auctioneers, Inc. until 2009. He is a Certified Auctioneer and has held various positions including Auctioneer, Vice President and President with Kiko Auctioneers, Inc. and Russ Kiko Associates, Inc., in Canton,, Ohio, conducting business in real estate brokerage and auction services, and he is a Realtor with the Richard T. Kiko Agency, involved with real estate sales since 1962. Mr. Kiko is a part owner and operator of Kiko Farms. He has a strong background in real estate and equipment sales and evaluation as well as experience in business management and agriculture. He has served on the Loan Committee since joining the Board in 1997, offering current trend information on property values that are appropriate for the varying economic conditions.

John E. Tonti (age 69) has served as a Director of Consumers Bancorp, Inc. and Consumers National Bank since March of 2004. He is an Independent Member of the Asset Liability Committee, Audit Committee (Chairman) and Executive Committee. He is a CPA and former Partner of Hill, Barth & King, in Salem, Ohio, serving from 1963 to 2000. Mr. Tonti is currently the President of the Salem Community Foundation and is retired from the former Key Bank, Canton-Mahoning Advisory Board. He served as Executive Director of the Northern Columbiana County United Way from 2003 to 2006. Mr. Tonti brings a strong financial and investing background, serving as the Audit Committee s Chairman and as the Board s Financial Expert since 2005. He brings a long history of involvement with the banking industry, has an extensive community service background and has a good understanding of nonprofits.

Continuing Directors

Class II Directors Term ending in 2011

David W. Johnson (age 50) has served as a Director of Consumers Bancorp, Inc. and Consumers National Bank since July of 1997. He is an Independent Member of the Asset Liability Committee, the Corporate Governance Committee (Chairman), the Compensation Committee and the Nominating Committee. Mr. Johnson has been in the tile manufacturing business since 1984. He is currently the Chief Executive Officer of Summitville Tiles, Inc., previously serving as President and Vice President of Administration, located in Summitville, Ohio. He is currently President of Spread Eagle Tavern & Inn, serving in that capacity since 1990, a fine dining restaurant and restored inn in Hanoverton, Ohio. Mr. Johnson is a Partner in PCJ Ltd. and Johnson Joint Venture, both family holding companies. Mr. Johnson has extensive management knowledge, business experience and is dedicated to community and civic affairs, serving on various educational, political and business boards. As a leader in manufacturing, Mr. Johnson has represented the industry at both the State and Federal levels. Having served as Chairman of Corporate Governance and as member of the Asset and Liability Committee since joining the Board, Mr. Johnson has a strong history in bank governance.

Laurie L. McClellan (age 57) has served as a Director of Consumers Bancorp, Inc. and Consumers National Bank since October of 1987 and as Chairman of the Boards since March of 1998. During the past year Ms. McClellan performed internal corporate duties with an emphasis on investor and community relations and was named the Director of Investor Relations for Consumers Bancorp, Inc. Prior to becoming Chairman, she served as Corporate Secretary and Vice Chairman of the Boards. In 2005, Ms. McClellan was appointed Acting Treasurer of Consumers Bancorp. She is a Registered Radiologic Technologist and practiced at Westwood Urgent Care in Alliance, Ohio from 1994 to 2002 and at Immediate Medical Services in Alliance, Ohio from 2003 to 2004. Ms. McClellan is the Manager of the Romain Fry Investment Company, LLC and has served on various community and nonprofit advisory boards. She has 23 years experience in Community Banking with an extensive knowledge of the Company s history and operations and has a good understanding of banking regulation and compliance.

Harry W. Schmuck (age 61) has served as a Director of Consumers Bancorp, Inc. and Consumers National Bank since November of 2005. Mr. Schmuck is an Independent Member of the Asset Liability Committee, Audit Committee, Corporate Governance Committee and Loan Committee. He is the Operations Manager of Schmuck Partnership, an Agricultural Business, working in the business since 1970, and a Farm Sales Associate of Russ Kiko & Associates, Inc. Mr. Schmuck brings experience in agricultural

products and livestock sales and valuation. He is responsible for guiding the Schmuck Partnership in security and investment decisions. Mr. Schmuck brings strong interpersonal skills, having a firm understanding of management, operations and marketing. He has served on various community agencies and boards. His knowledge in agriculture has benefited the Loan Committee in analyzing farm credits since joining the Board in 2005.

Class III Directors Term ending in 2012

John P. Furey (age 58) has served as a Director of Consumers Bancorp, Inc. and Consumers National Bank since August of 1995. Mr. Furey is an Independent Member of the Audit Committee, the Compensation Committee (Chairman), the Executive Committee and the Loan Committee. He is currently Corporate President of Furey s Wheel World, Inc., located in Malvern, Ohio, an automotive retail sales business, serving in that capacity since 1974. He is a Licensed Pilot, Certified Flight Instructor and Aircraft Builder. During his career in the Automotive Industry he has served on several automotive and finance advisory boards and has a strong management background with extensive knowledge in automotive sales, marketing, financing and customer service. Over his fifteen year history as a director of the bank, Mr. Furey has served on various standing and ad hoc committees and has developed a valuable background in community banking.

Thomas M. Kishman (age 61) has served as a Director of Consumers Bancorp, Inc. and Consumers National Bank since March of 1995. Mr. Kishman is an Independent Member of the Audit Committee, the Compensation Committee, the Corporate Governance and the Nominating Committee (Chairman). He is currently the Co-owner of Kishman s IGA and GasNGo located in Minerva, Ohio, a retail grocery and fuel center. Mr. Kishman has spent his entire career in retail sales, working in the family s grocery business since 1964. He has a strong management background and is a dedicated member and supporter of the local community. Serving as past Chairman of the Audit Committee and as a member of Corporate Governance Committee for ten years, Mr. Kishman has a good understanding of banking risks and controls.

Ralph J. Lober, II (age 43) has served as a Director of Consumers Bancorp, Inc. and Consumers National Bank since 2008. Mr. Lober is currently the President and Chief Executive Officer, first joining the Company in 2007 as Executive Vice President and Chief Operating Officer. Mr. Lober was promoted to President and was appointed to Consumers National Bank Board of Directors in January 2008. In December 2008, Mr. Lober was appointed to Consumers Bancorp., Inc. Board of Directors. Mr. Lober currently is a Member of the Asset Liability Committee (Chairman) and Loan Committees. Having served as Cashier, Executive Vice President and Chief Financial Officer at Morgan Bank National Association from 1999 until May of 2007, Mr. Lober came to Consumers with a strong background in finance, funds management and operations. In addition, Mr. Lober spent the first part of his career at Mellon Bank before becoming the Internal Audit Manager at S.R. Snodgrass, A.C. from 1995 to 1999 where he developed, implemented and managed outsourced internal audit and compliance for community banks throughout Pennsylvania and Ohio.

THE BOARD OF DIRECTORS AND

ITS COMMITTEES

The Board of Directors conducts its business through meetings of the Board and its committees. Consumers Bancorp held 16 Board meetings during the 2010 fiscal year. All directors attended at least 75% of the total number of Consumers Bancorp Board meetings and meetings held by all committees of the Board on which they served during the 2010 fiscal year. Currently, each member of the Board of Directors of Consumers Bancorp also serves as a member of the Board of Directors of Consumers National Bank. Consumers National Bank held 14 Board of Directors meetings during the 2010 fiscal year, plus two days of Strategic Planning meetings. The Company has determined that all directors, except Mr. Hanna, Ms. McClellan and Mr. Lober are independent directors under the listing standards of the NASDAQ Stock Market Marketplace Rules and the additional independence requirements of the Company.

Although the Company does not have a formal policy with respect to Board member attendance at the annual meeting of shareholders, each member is encouraged to attend. All Board members attended the 2009 Annual Meeting of Shareholders.

Consumers Bancorp has an Asset/Liability Committee, Audit Committee, Compensation Committee, Corporate Governance Committee, Executive Committee, Loan Committee and Nominating Committee, each of which serves in dual capacity as a committee of Consumers Bancorp and Consumers National Bank.

The Asset/Liability Committee is comprised of Mr. Hanna, Mr. Johnson, Mr. Schmuck, Mr. Tonti and Mr. Lober, who serves as chairman. The Asset/Liability Committee is primarily responsible for ensuring both Consumers Bancorp and Consumers National Bank have adequate investment and funds management policies. The committee makes recommendations relative to the strategic direction of the Company and establishes key benchmarks relative to performance. The Asset/Liability Committee is also responsible for establishing procedures for monitoring the management of the investment portfolio and Consumers National Bank s liquidity, capital and interest rate risk position. During the fiscal year 2010, the Asset/Liability Committee met four times.

The Audit Committee is comprised of Mr. Furey, Mr. Kiko, Mr. Kishman, Mr. Schmuck and Mr. Tonti, who serves as chairman. The oversight function of the Audit Committee includes the review of all internal and external audit functions and the approval and engagement of the Company s independent auditors. The Board of Directors of Consumers Bancorp adopted a revised Audit Committee Charter in May 2010 which is attached as Exhibit B and is also available on the Company s website www.consumersbank.com. The Board of Directors of Consumers Bancorp has determined that each member of the Audit Committee meets the independence standards of the NASDAQ Stock Market Marketplace Rules and that Mr. Tonti satisfies the requirements of a financial expert as defined by the applicable Security and Exchange Commission rules and regulations. The Report of the Audit Committee is on page 15 of this Proxy Statement. During fiscal year 2010, the Audit Committee met five times.

The Compensation Committee reviews overall bank compensation policies and executive management compensation. This committee is comprised of Mr. Kishman, Mr. Johnson, Ms. McClellan and Mr. Furey, who serves as chairman. The Report of the Compensation Committee is on page 16 of this Proxy Statement. Our compensation philosophy and objectives are described in the Compensation Discussion and Analysis section beginning on page 12 of this proxy statement. During the fiscal year 2010, the Compensation Committee met six times. The Compensation Committee Charter is available on the Company s website www.consumersbank.com.

The Corporate Governance Committee is comprised of Mr. Kishman, Mr. Schmuck and Mr. Johnson, who serves as chairman. The committee is responsible for making independent recommendations to the Board of Directors as to best practices for Board governance and conducting an evaluation of Board performance. During the fiscal year 2010, the Corporate Governance Committee met once.

The Executive Committee reviews various executive and interim Board matters as outlined by its charter. This committee is comprised of Mr. Furey, Mr. Kiko, Mr. Tonti and Ms. McClellan, who serves as the chairperson. During the fiscal year 2010, the Executive Committee met six times.

The Loan Committee is comprised of Mr. Furey, Mr. Hanna, Mr. Lober, Ms. McClellan, Mr. Schmuck, and Mr. Kiko, who serves as chairman. The Loan Committee reviews loan requests and is responsible for approving loans that exceed an individual loan officer s or Internal Loan Committee s lending authority. During the fiscal year 2010, the Loan Committee met 27 times.

The Nominating Committee is comprised of Mr. Kiko, Mr. Johnson, Ms. McClellan and Mr. Kishman, who serves as chairman. The Board of Directors of Consumers Bancorp has determined that Mr. Johnson, Mr. Kiko and Mr. Kishman meet the independence standards of the NASDAQ Stock Market Marketplace Rules. In addition, the Board of Directors has determined that it is in the best interest of the Company to have Ms. McClellan, who owns or controls more than 20% of the Company s voting securities, serve on the Nominating Committee. During the fiscal year 2010, the Nominating Committee met once.

Under the terms of the Nominating Committee Charter the Nominating Committee is responsible for developing and implementing a process and guidelines for the selection of individuals for nomination to the Board of Directors and considering incumbent directors for nomination for re-election. The Nominating Committee will consider candidates for director who are recommended by shareholders in accordance with the Company s Code of Regulations and the Board Addition/Replacement Procedures found in the Board Supervision Policy. Candidates must be individuals with a good reputation who demonstrate civic character, business success and community involvement. They must be willing to commit their time to Board and committee meetings, keep apprised of banking issues and complete continuing education courses. The Nominating Committee is responsible for the selection of the final slate of nominees for election to the Board of Directors. Those nominees recommended by the Committee are then submitted to the Board of Directors for approval. The Nominating Committee Charter is available on the Company s website www.consumersbank.com.

Shareholders desiring to nominate a candidate for election as a director at the 2011 Annual Meeting of Shareholders other than for inclusion in Consumers Bancorp s proxy statement and form of proxy must deliver written notice to the Secretary of Consumers Bancorp, at its executive offices, 614 East Lincoln Way, Minerva, Ohio 44657, not later than August 7, 2011 or such nomination will be untimely. Consumers Bancorp reserves the right to exercise discretionary voting authority on the nomination if a shareholder has failed to submit the nomination by August 7, 2011 or if the candidate does not meet criteria set forth in the Company s Amended and Restated Regulations.

Board Leadership Structure; Role in Risk Oversight

In accordance with our regulations, the Board elects our Chairman and Chief Executive Officer, or CEO, and each of these positions may be held by the same person or may be held by different people. Currently the offices of Chairman and CEO are separated. The Board believes that the separation of offices of the Chairman and CEO is appropriate at this time as it allows our CEO to focus primarily on management and operating responsibilities.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including economic risks, financial risks, legal and regulatory risks, and others, such as the impact of competition. Management is responsible for the day-to-day management of the risks that we face, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board is responsible for satisfying itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

Director Compensation

The Compensation Committee annually reviews and recommends to the Board of Directors the proposed director fees after consideration of information from peer surveys, past compensation practices and the Company s performance. The Board is responsible for approving the fees for attending Board meetings and committee meetings. The Board believes the fees are competitive with the fees paid by other peer banks of a comparable size and will ensure the Company attracts and retains qualified Board members.

Non-employee directors received an annual retainer of $2,000 and are compensated for each meeting of the Consumers National Bank Board of Directors and each committee meeting they attend. Compensation for attendance at a Board of Directors meeting was $800 per meeting. The following table details the fees paid to each non-employee director for attendance at committee meetings:

	Asset/ Liability	Audit	Compensation	Corporate Governance	Executive	Loan	Nominating
Committee Chair	$ *	$ 300	$ 200	$ 200	$ *	$ 200	$ 200
Committee Member	$ 100	$ 200	$ 100	$ 100	$ 200	$ 100	$ 100

* Denotes committee chaired by an employee of the Company

In addition, an incentive pool based on overall Company profitability was available to non-employee directors. For the 2010 fiscal year, the Compensation Committee selected net income of $2.1 million as the corporate performance target. A reduced incentive was available if the Company achieved at least 95.0% of the net income target, or net income of $2.0 million. Reported net income results for the 2010 fiscal year were above 95.0% of the targeted level therefore, an incentive was earned by each non-employee director as part of this program.

Ms. McClellan and Mr. Lober are employees of Consumers National Bank and received no additional compensation for their service as a director.

The following table summarizes the compensation earned by or awarded to each non-employee director who served on the Board during the 2010 fiscal year. The compensation received by Mr. Lober is shown in the Summary Compensation Table which is included under the Executive Officers section in the following pages.

Name	Fees earned or paid in cash ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
John P. Furey	$ 19,300	$ 1,143	$	$	$ 20,443
James V. Hanna	16,000	1,143			17,143
David W. Johnson	14,300	1,143			15,443
James R. Kiko, Sr.	21,800	1,143			22,943
Thomas M. Kishman	15,000	1,143			16,143
Harry W. Schmuck, Jr.	21,200	1,143			22,343
John E. Tonti	16,400	1,143			17,543

At the beginning of the 2011 fiscal year, the director board meeting and committee meeting fees remained the same as the previous fiscal year. During the 2011 fiscal year, the Compensation Committee will complete a peer study review of director fees to determine if any changes will be recommended. A total incentive pool for all non-employee directors of $10,000 has been established that will be paid if certain corporate performance targets are achieved.

PROPOSAL 2

ADOPTION OF CONSUMERS BANCORP 2010 OMNIBUS INCENTIVE PLAN

The Board of Directors is requesting that shareholders approve the adoption of the Consumers Bancorp 2010 Omnibus Incentive Plan (the Plan). On September 7, 2010, the Board adopted the Plan, subject to approval by the Company s shareholders. Set forth below is a summary of the material features of the Plan. A copy of which is attached to this Proxy Statement as Exhibit A, and the following summary is qualified in its entirety by reference to the Plan.

The purpose of the Plan is to promote alignment between key employee s performance and Consumers shareholder interests by motivating performance through the award of stock-based incentive compensation. The Plan is intended to attract and retain talented employees and directors to the Company, motivate such individuals by means of performance-related incentives to achieve longer-range performance goals, and enable such individuals to participate in the long-term growth and financial success of the Company. The Plan serves these purposes by making equity-based awards (Awards) available for grant, either singly or in combination, to eligible participants in the form of stock options (both nonqualified and incentive stock options), stock appreciation rights, restricted stock, restricted stock units, performance awards, and other stock-based awards.

Administration

The Board of Directors will determine the types of Awards the Company may grant in any fiscal year and the Plan will be administered by the Compensation Committee. The Compensation Committee will be comprised of at least two directors, each of whom will be a non-employee director (within the meaning of Rule 16b-3 under the Exchange Act). The Compensation Committee will select the participants in the Plan, determine the sizes of Awards and determine the terms and conditions of the awards. The Plan is designed to provide incentive compensation to key employees and non-employee directors over a multi-year period in alignment with the interests of Consumers shareholders by motivating and rewarding actions that increase or create shareholder value. The Compensation Committee will determine the level of incentive compensation based on an evaluation of competitive factors in conjunction with the total compensation of Consumers key employees. Each Award will be evidenced by a written award agreement setting forth the applicable terms and provisions.

Eligibility

The Compensation Committee may select any employee of the Company and its affiliates, any prospective employee and non-employee directors of the Company and its affiliates to receive Awards under the Plan. As of June 30, 2010, there were seven non-employee directors of the Company and approximately 109 employees of the Company and its affiliates who are eligible for selection to participate in the Plan.

Available Common Shares

The aggregate number of common shares available for the grant of Awards under the Plan will not exceed, at any time, 100,000 shares; and the aggregate number of shares available for the grant of Awards in any fiscal year shall not exceed 40,000. Common shares issued under the Plan may consist of treasury shares, authorized but unissued common shares not reserved for any other purpose or common shares purchased by us or on our behalf in the open market for such purpose. Upon the grant of an Award, we will reduce the number of common shares available for issuance under the Plan by an amount equal to the number of common shares subject to such Award.

In the event of any common share dividend, common share split, recapitalization, merger, reorganization, consolidation, combination, spin-off, distribution of assets to shareholders, exchange of common shares or any other change affecting the common shares, the Compensation Committee will make such substitutions and adjustments as it deems equitable and appropriate to (1) the number of common shares that may be issued under the Plan, (2) any common share-based limits imposed under the Plan and (3) the exercise price, number of common shares and other terms or limitations applicable to outstanding Awards.

Types of Awards

Stock Options. The Compensation Committee has the authority to grant Incentive Stock Options, Nonqualified Stock Options, or to grant both types of Options. The exercise price of any Option granted will be at least equal to the fair market value of Consumers common shares on the date of the grant. As a result, stock options reward the participant only if the price of Consumers stock increases after the date of the grant. The Compensation Committee will determine the term of the Option (which may not exceed ten years), the vesting terms and conditions and any other terms and conditions of the Option, all of which will be reflected in the related award agreement. The maximum number of shares with respect to which Incentive Stock Options may be granted under the Plan is 20,000. The maximum number of shares with respect to which Options may be granted to one participant in any fiscal year is 20,000.

Upon exercise of an option, the participant must pay the full exercise price in cash, by tendering previously-acquired common shares, by a cashless exercise, or through any other method approved by the Compensation Committee.

Stock Appreciation Rights. Stock Appreciation Rights (SARs) entitle the participant to receive a payment based on the appreciation in the value of Consumers stock. The amount payable to the participant will equal the appreciation in the fair market value of Consumers stock from the grant date to the participant s date of exercise of the SAR. The exercise price of any SAR will be at least equal to the fair market value of the common shares on the date the SAR is granted. The Compensation Committee will also determine the term of the SAR (which may not exceed ten years), the vesting terms and conditions and any other terms and conditions of the SAR, all of which will be reflected in the related award agreement. The maximum number of shares with respect to which SARs may be granted to one participant in any fiscal year is 20,000. The Compensation Committee will determine whether a SAR will be settled in common shares, cash or a combination thereof.

Restricted Stock and Restricted Stock Units. Restricted stock programs promote immediate stock ownership and the forfeiture provisions can aid in the retention of key employees. Restricted stock consists of common shares that are issued to a participant but are subject to forfeiture based upon satisfaction of certain terms, conditions and restrictions. The restrictions and forfeiture provisions lapse after the specified period of time and/or after the specified performance is achieved.

Restricted stock unit awards are a form of deferred compensation subject to the provisions of Section 409A and are nonforfeitable as certain corporate and/or individual performance targets are met. At the end of the restriction period, vested restricted stock unit awards are paid to the participant, either in Consumers stock, cash, or a combination thereof. The Compensation Committee will determine the terms, conditions and restrictions applicable to each Restricted Stock or Restricted Stock Units Award.

Performance-Based Awards. The Plan permits for the grant of Performance Awards in the form of cash or Consumers stock subject to the attainment of such performance criteria as the Compensation Committee may determine from time to time during a specified performance period. The maximum number of shares which may be awarded in respect of a single performance period is 20,000 shares, or in the event such Award is paid in cash, the equivalent cash value thereof.

Other Stock-Based Awards. The Plan permits for the grant of Other Stock-Based Awards in the form of Consumers stock, or denominated, payable or valued in whole or in part by reference to Consumers stock as deemed by the Compensation Committee to be consistent with the purposes of the Plan. The Compensation Committee will determine the terms, conditions and restrictions applicable to each Other Stock-Based Award.

Amendment and Termination

The Board may alter, amend, or discontinue the Plan, but no amendment, alteration or discontinuation may impair the rights of a participant under an outstanding award without the participant s consent. The Company will obtain shareholder approval of any Plan amendment (i) to the extent necessary or desirable to comply with applicable laws, (ii) if the amendment would materially increase the benefits for participants and (iii) if the amendment would materially increase the number of securities issued under the Plan or materially modify the requirements for participation in the Plan. The Compensation Committee may amend the terms of any award, prospectively or retroactively, but no award amendment may impair a participant s rights without his or her consent. Except in the case of certain permitted adjustments, the terms of outstanding awards may not be amended to reduce the exercise or grant price to less than the original exercise or grant price without shareholders approval.

Change in Control

Unless otherwise determined by the Compensation Committee at the time of granting an Award, in the event of a change of control, as defined in the Plan, all outstanding Awards will become fully exercisable and vested, as applicable, all restrictions will lapse, and all performance goals shall be deemed satisfied at target. However, to the extent any outstanding Award is converted, assumed or replaced by the resulting entity, (i) outstanding Awards with performance goals will be converted as if the target performance had been achieved, (ii) each Performance Award or Performance Compensation Award with service requirements shall continue to vest during the applicable period, and (iii) all other Awards shall continue to vest during the remaining period set forth in the award agreement. Also, to the extent any outstanding Award is converted, assumed or replaced by the resulting entity, if a participant s service or employment is terminated without cause or for good reason (as defined in the Plan) during the two years following a change in control, then all outstanding Awards held by the participant shall become fully exercisable and vested, and all restrictions shall lapse.

Transferability

No Award may be sold, assigned, pledged, or otherwise transferred by a participant other than by will or the laws of descent and distribution.

Dodd-Frank Mandatory Executive Compensation Clawback

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires that every public company adopt a policy whereby, in the event of a restatement, the company will recover from current and former executives any incentive-based compensation, for the three years preceding the restatement, that would not have been awarded under the restated financial statements. The individual Award Agreements that will be issued to Participants under the Plan will include a provision to ensure compliance with these regulations once they are promulgated.

Effective Date and Term

The Plan will become effective as of the date of its approval by the Board of Directors, subject to approval by the shareholders and, unless earlier terminated, will continue until September 7, 2020.

Vote Required

The affirmative vote of holders of a majority of the outstanding common shares represented at the Annual Meeting, in person or by proxy, and entitled to vote on the proposal is required to approve the adoption of the Plan. Abstentions and broker non-votes will have the same effect as a vote against this proposal.

The Board of Directors recommends that the shareholders vote FOR the proposal

to approve the adoption of the Consumers Bancorp 2010 Omnibus Incentive Plan.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

Generally, under the rules of the Securities and Exchange Commission, a person is deemed to be the beneficial owner of securities, such as common shares, if such person has or shares voting power or investment power in respect of such securities. In addition, a person is deemed to be the beneficial owner of a security if he or she has the right to acquire such voting or investment power over the security within sixty days, for example, through the exercise of a stock option. Information is provided below about each person known to the Company to be the beneficial owner of more than 5% of the outstanding shares of the Company s common stock as of June 30, 2010.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership as of June 30, 2010	Percent of Common Shares
Laurie L. McClellan 28 Tepee Drive Minerva, Ohio 44657	432,512(1)	21.30%
James V. Hanna 14269 Lincoln S.E. Minerva, OH 44657	158,384(2)	7.77%

(1) Includes 426,206 shares owned by or jointly with family members, trusts, various corporations and partnerships.
(2) Includes 154,494 shares owned by or jointly with family members, trusts, various corporations and partnerships.

Security Ownership of Management

The following table shows the beneficial ownership of the Company s common stock as of June 30, 2010 for each director and named executive officers of the Company and for all current directors and executive officers as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Common Shares (if 1% or Greater)
John P. Furey	29,701(1)	1.46%
James V. Hanna	158,384(2)	7.77%
David W. Johnson	11,252(3)	*
James R. Kiko, Sr.	8,166(4)	*
Thomas M. Kishman	12,702(5)	*
Ralph J. Lober, II	7,139(6)	*
Laurie L. McClellan	432,512(7)	21.30%
Harry W. Schmuck, Jr.	6,521	*
John E. Tonti	6,420(8)	*
Paul B. Hugenberg, III	241	*
Renee K. Wood	1,267(9)	*
All directors and executive officers as a group (14 persons)	677,216	33.23%

* Denotes less than one percent of outstanding shares.

(1) Includes 25,301 shares owned by or jointly with family members or trusts.
(2) Includes 154,494 shares owned by or jointly with family members, trusts, various corporations and partnerships.
(3) Shares are pledged as collateral.
(4) Includes 2,534 shares owned by family members or partnerships.
(5) Includes 4,526 shares owned by or jointly with family members.
(6) Shares are owned jointly with family members.
(7) Includes 426,206 shares owned by or jointly with family members, trusts, various corporations and partnerships.
(8) Includes 4,100 shares held in a trust.
(9) Includes 667 shares owned jointly with family members.

EXECUTIVE OFFICERS

The following information is provided with respect to each person who currently serves as an executive officer of the Company.

Stormie Gross (age 53) serves as Senior Vice President Risk Management and joined the Company in January 2007. Ms. Gross served as Vice President Risk Manager, Compliance Officer from January 2007 to January 2010 and was promoted to Senior Vice President Risk Management in January 2010. Ms. Gross has over 28 years of banking experience with 21 of them in the risk management and credit areas. Ms. Gross also served as the Internal Audit Manager from 2005 to 2006 and Risk Management Loan Review Officer from 2003 to 2005.

Paul B. Hugenberg, III (age 38) serves as Senior Vice President, Chief Information Officer and joined the Company in May 2005. Mr. Hugenberg has worked in banking for the past 13 years and joined Consumers as the Chief Information Officer and was promoted to Senior Vice President, Chief Information Officer in January 2010. His previous occupations and employment include Senior Manager, Information Risk and Performance Services with Crowe Chizek and Company LLC from 2003 to 2005 and Adjunct Faculty, Stark State Technical College from 2007 to 2008.

Philip M. Suarez (age 61) has served as Executive Vice President, Chief Credit Officer since January 2010 and served as Chief Credit Officer from July 2009 to January 2010. Mr. Suarez joined Consumers in 2000 as Senior Vice President and Senior Loan Officer. His prior banking experience covers over 25 years, including many years of commercial banking in the Chicago and Youngstown areas.

Larry Marcus (age 51) has served as Senior Vice President and Senior Loan Officer since joining the Bank in July 2009. Mr. Marcus came to the Bank with 23 years of experience which include Vice President of Finance with The Stark Development Board from 1999 to July 2009 where he was responsible for the lending area of Small Business Association loan programs, coordinating with bankers, professionals and small business owners. Prior banking experience includes commercial lending from 1986 to 1999 with an emphasis in small and middle markets.

Renee K. Wood (age 39) serves as Senior Vice President, Chief Financial Officer and Treasurer, having been appointed to this position in January 2010. Ms. Wood served as Chief Financial Officer and Treasurer beginning in July 2005 and joined Consumers in January 2005 as Controller. Prior to joining Consumers, Ms. Wood served as Vice President, Controller of the Finance Department for Unizan Bank, National Association from 2002 to 2005. Her 16 years of experience have been in senior or management level positions in the accounting or finance areas of banking.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction and Overview

This Compensation Discussion and Analysis provides information regarding the compensation awarded to, earned by, or paid to the named executive officers serving as of June 30, 2010 whose compensation is detailed in this proxy statement. These named executive officers are the president and chief executive officer, chief financial officer and the chief information officer. The Board of Directors has delegated to the Compensation Committee responsibility for the oversight and administration of compensation of the Company. The committee reviews and recommends company benefit and incentive plans, as well as, reviewing the individual performance of the chief executive officer and executive management.

Compensation Philosophy and Objectives

The objective of the Company s compensation program is to fairly compensate the executive officers in light of their individual performances and their contributions to the performance of the Company, thereby aligning executives incentives with shareholder value creation. The compensation philosophy is designed to reward effort and achievement by the officers and provide them with compensation targeted at market competitive levels. The Company s compensation program includes the following core components: base salary, cash incentive compensation, long-term compensation and certain change of control agreements. The Compensation Committee manages all components on an integrated basis to achieve the following objectives: to attract and retain highly qualified management, to provide shorter-term incentive compensation that varies directly with the Company s financial performance and to focus management on both annual and long-term goals. The Company believes that, by setting and adjusting these elements, it has the flexibility to offer appropriate incentives to its executive officers.

During the 2010 fiscal year, the Compensation Committee retained Meyer-Chatfield Compensation Advisors in order to review executive officers compensation and to make recommendations regarding the structure of these compensation packages.

Comparison information was gathered from public data for peer banks and from regional and national compensation survey information. Some of the resources used to compare the compensation offered by peer banks were American Bankers Association, Bank Administration Institute, Watson Wyatt Data Services and CompAnalyst. The primary factors used to determine an appropriate community bank peer group included, asset size, per capita income of the surrounding market and general performance metrics, such as return on equity (ROE). An analysis of ROE as of the third quarter of 2009, demonstrated that the performance of Consumers was within the high performing group when compared to publicly traded peer banks with assets below $300 million. The next higher asset size group of $300 to $500 million was considered when no comparable data was available for the job responsibilities of a particular executive or when the job duties did not align with Consumers executive officer positions.

Based on Meyer-Chatfield s Executive Compensation study, the Compensation Committee adopted the philosophy to target executive compensation at the midpoint of compensation paid to similarly situated executive officers at comparable high performing peer banks within our region and asset size. Individual opportunities may be above or below this general target level at times for a variety of reasons, including individual and corporate performance, recruiting and retention reasons.

In addition, as part of the compensation review, Meyer-Chatfield noted that there was not a long-term compensation plan in place for all executive officers. The Compensation Committee recognizes the need for a performance incentive plan that ties long-term compensation in the form of equity awards that will encourage long-term strategic planning. Additionally, a long-term equity compensation plan will allow the Company to recruit and retain quality management. As a result of these considerations, the Compensation Committee recommended to the Board of Directors the approval of the Consumers Bancorp 2010 Omnibus Incentive Plan.

Components of Compensation

Base Salary

Base salary is a major factor in attracting and retaining key personnel and therefore is the primary component of our executive officer s compensation. In setting an officer s base salary, the Company considers parameters set by its size and complexity and the salaries offered by peers. Based on Meyer-Chatfield s Executive Compensation study, the Compensation Committee adopted the philosophy to target executive compensation to the midpoint of high performing banks within our region and asset size. In order to develop individualized plans to achieve total compensation at the midpoint of high performing banks within our region and asset size, an average of the base gap and total compensation gap was calculated, and existing long-term compensation and targeted long-term compensation was considered for each executive officer. The Company s performance as measured by its results compared to previous years is also considered in determining the overall adjustments to executive officers salaries. Specific salaries are adjusted to reflect the contributions of the executive officer to the Company s operations and the accomplishment of its long-term goals.

Based on a review of the company s strategic direction, individual career path objectives and succession planning in conjunction with the broad databases and other publicly available information, the Company believes that its executive compensation practices are in line with its compensation philosophy and objectives described above.

Incentive Compensation

On January 1, 2008, an annual incentive compensation program went into effect in which all participants are eligible to earn incentive compensation based on corporate financial performance, departmental, and individual goals as determined by each participant s manager. All employees, except seasonal and temporary employees, are eligible to participate in the annual incentive plan. Positions are classified into various levels according to overall responsibilities within the organization and the impact each position has on the organization s overall financial performance.

For the 2010 fiscal year, the Compensation Committee selected net income as the corporate performance target for the plan. The targeted net income for the 2010 fiscal year was $2.1 million, with a reduced bonus amount available for payment if the Company achieved at least 95.0% of the target, or net income of $2.0 million. Reported net income results for the 2010 fiscal year were above 95.0% of the targeted level of financial performance. Based on these net income results, there was $50,000 available company wide based on corporate performance and $50,000 available company wide based on individual and departmental goals.

The table below shows how each plan component for 2010 is weighted when evaluating each of the named executive officers:

	Corporate Performance	Individual/ Departmental Goals
Ralph J. Lober, II	75.0%	25.0%
Renee K. Wood	50.0%	50.0%

Paul B. Hugenberg, III	50.0%	50.0%

The total amount awarded for the incentive plan for each executive officer is disclosed under the Bonus column of the Summary Compensation Table.

Long-term Compensation

Long-term compensation includes a qualified retirement plan in the form of a 401(k) Plan and a non-qualified Salary Continuation Program. The Company provides safe harbor contributions under the 401(k) Plan, matching up to 100% of the first 4.0% contributed by the employee. The amount contributed on behalf of the executive officers is determined in accordance with the provisions of the plan applicable to all employees. The Salary Continuation Plan is designed to retain executive and senior management personnel. Entrance to the Salary Continuation Plan is limited and is subject to meeting performance criteria, established by the Compensation Committee and approved by the Board of Directors. The Company expects these plans to promote longevity with the Company and discourage turnover among its executive officers and other employees.

Change of Control Agreements

The Company recognizes change of control agreements can help it to attract and keep talented executives and can minimize the impact on key executives of a job loss due to a change of control. In the event a transaction that would lead to a change of control is proposed, such agreements can help assure the executives analyze the transaction without undue focus on its effect upon them personally. In addition, if a transaction would occur, change of control agreements can encourage key executives to stay and help accomplish a smooth transition. As a result, the Board believes offering such agreements to certain executives who are important to the Company s operation and whose jobs may be imp