

Peoples Bancorp Inc.

*2009 First Quarter Report*

## Letter To Our Shareholders



Peoples Bancorp's first quarter was a solid start to the year. We substantially grew deposits, improved net interest income, enhanced net interest margin, while asset quality stabilized. Also, while many financial institutions are cutting dividends, Peoples Bancorp maintained its dividend of \$0.23 per share.

In the first quarter of 2009, Peoples Bancorp reported net income of \$4.2 million, or \$0.37 per diluted common share after the impact of preferred dividends, versus \$5.6 million and \$0.55 per diluted common share in last year's first quarter. The difference in net earnings was primarily a higher provision for loan losses, which more than offset growth in net interest income.

Despite lower earnings compared to first quarter last year, the first three months of 2009 compared favorably to the fourth quarter of 2008, with highlights including growth in net interest income, deposits, and good operating efficiency. Peoples Bank's position as a strong, stable community bank has led to strong deposit growth over the last few months, which has enabled us to reduce wholesale funding balances.

In January, Peoples Bancorp issued new capital through participation in the U.S. Treasury's TARP Capital Purchase Program. This action increased capital by \$39 million in the form of preferred stock. At March 31, 2009, Peoples' total risk-based capital ratio exceeded 16%, which is well above the standards for "well-capitalized" institutions.

Peoples' total nonperforming assets decreased by \$3 million for the quarter, and no significant new loans were placed on nonperforming status. In addition, net charge-offs were down sharply from the fourth quarter of 2008, and we continued to build our allowance for loan losses.

Another major success in the first quarter came from our mortgage banking area, which grew revenues 300% over 2008's first quarter as mortgage refinancing activity and new client service opportunities expanded. With long-term interest rates at historically low levels, our real estate loan production sold to the secondary market in first quarter 2009 approached \$40 million, compared to \$8 million for the same period in 2008.

Operating expenses were \$14.5 million as compared with \$13.7 million in last year's first quarter, due

**“We substantially grew deposits, improved net interest income, enhanced net interest margin, while asset quality stabilized.”**

mostly to higher costs from FDIC insurance and loan-related costs associated with external legal and valuation services. Offsetting these increases were drops in salaries and benefit costs, intangible asset amortization, and marketing expenses.

In April, Peoples Bank opened our first full-service location in Zanesville, Ohio, which gives us presence in an area with good growth prospects. In the second quarter, we will also consolidate four offices into existing or new branches, which will improve our operating costs and give us a more efficient branch network as we move forward.

On April 23, 2009, Peoples Bancorp's Annual Meeting of Shareholders was held in Marietta, Ohio, and current Directors Carl L. Baker, Jr., George W. Broughton, Wilford D. Dimit, and Chairman Richard Ferguson were re-elected to the Board of Directors. The meeting was well attended. Shareholders also overwhelmingly ratified Peoples Bancorp's external accounting firm and approved executive compensation. Thank you to all shareholders who voted and participated in the meeting.

I also have sad news to report. On April 30, 2009, longtime bank subsidiary director Larry J. Armstrong passed away. For more than 20 years, Larry provided thoughtful leadership as a Peoples Bank director and other bank subsidiaries of Peoples Bancorp Inc. A retired CPA, Larry was a loyal, caring man. He was a person of integrity and will be missed by our directorship, his many friends and family members.

The short-term economic outlook will undoubtedly present new challenges. Capital is still “king” in times like these, with consistent operating results achieved through good execution and discipline that we maintain in good times and bad. We will continue to focus on our clients' success and leverage our associates to make the most out of each client relationship.

Even in these difficult times, we remain optimistic and believe that the long term success of our shareholders, clients, employees and communities, is our primary goal. Thank you for your continued support.



**Mark F. Bradley**  
President and Chief Executive Officer



**PEOPLES BANCORP INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**

*Unaudited – Dollars In Thousands*

	March 31, 2009	December 31, 2008
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 41,711	\$ 34,389
Interest-bearing deposits in other banks	55,632	1,209
Total cash and cash equivalents	97,343	35,598
Available-for-sale investment securities, at fair value (amortized cost of \$689,337 at March 31, 2009 and \$696,855 at December 31, 2008)	681,816	684,757
Other investment securities, at cost	23,996	23,996
Total investment securities	705,812	708,753
Loans, net of unearned interest	1,100,910	1,104,032
Allowance for loan losses	(24,076)	(22,931)
Net loans	1,076,834	1,081,101
Loans held for sale	1,486	791
Bank premises and equipment, net	24,742	25,111
Bank owned life insurance	52,172	51,873
Goodwill	62,520	62,520
Other intangible assets	3,752	3,886
Other assets	31,283	32,705
<b>Total assets</b>	<b>\$ 2,055,944</b>	<b>\$ 2,002,338</b>
<b>LIABILITIES</b>		
Deposits:		
Non-interest-bearing	\$ 190,754	\$ 180,040
Interest-bearing	1,230,837	1,186,328
Total deposits	1,421,591	1,366,368
Short-term borrowings	50,027	98,852
Long-term borrowings	312,932	308,297
Junior subordinated notes held by subsidiary trust	22,504	22,495
Accrued expenses and other liabilities	18,583	19,700
<b>Total liabilities</b>	<b>1,825,637</b>	<b>1,815,712</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, no par value, 50,000 shares authorized – 39,000 shares issued at March 31, 2009 and no shares issued at December 31, 2008	38,470	–
Common stock, no par value, 24,000,000 shares authorized – 10,989,887 shares issued at March 31, 2009 and 10,975,364 shares issued at December 31, 2008	165,540	164,716
Retained earnings	51,965	50,512
Accumulated comprehensive loss, net of deferred income taxes	(9,292)	(12,288)
Treasury stock, at cost, 645,913 shares at March 31, 2009 and 641,480 shares at December 31, 2008	(16,376)	(16,314)
<b>Total stockholders' equity</b>	<b>230,307</b>	<b>186,626</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,055,944</b>	<b>\$ 2,002,338</b>

# PEOPLES BANCORP INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Income

Unaudited – Dollars In Thousands

	At or For the Three Months Ended March 31,	
	2009	2008
Interest income	\$ 26,334	\$ 27,299
Interest expense	10,807	13,013
Net interest income	15,527	14,286
Provision for loan losses	4,063	1,437
Net interest income after provision for loan losses	11,464	12,849
Net gain on securities transactions and asset disposals	207	293
Other income	8,237	8,234
Amortization of intangible assets	330	415
Other expenses	14,172	13,327
Income before income taxes	5,406	7,634
Income tax expense	1,211	1,986
Net income	<b>\$ 4,195</b>	<b>\$ 5,648</b>
Preferred dividends	341	—
<b>Net income available to common shareholders</b>	<b>\$ 3,854</b>	<b>\$ 5,648</b>

### PER COMMON SHARE DATA

Earnings per share:		
- Basic	\$ 0.37	\$ 0.55
- Diluted	\$ 0.37	\$ 0.55
Cash dividends declared per share	\$ 0.23	\$ 0.22
Book value per share	\$ 18.55	\$ 20.15
Weighted-average shares outstanding:		
- Basic	10,344,862	10,302,713
- Diluted	10,355,280	10,345,180

### PERFORMANCE AND ASSET QUALITY RATIOS

Return on average assets <sup>(a)</sup>	0.84%	1.21%
Return on average equity <sup>(a)</sup>	7.91%	11.00%
Return on average common equity <sup>(a)</sup>	8.27%	11.00%
Net interest margin (fully tax-equivalent) <sup>(a)</sup>	3.52%	3.51%
Net loan charge-offs as a % of average loans <sup>(a)</sup>	1.07%	0.43%
Nonperforming loans as a % of total loans <sup>(b)</sup>	3.50%	1.57%
Nonperforming assets as a % of total assets <sup>(c)</sup>	1.89%	0.94%
Allowance for loan losses as a % of total loans	2.19%	1.43%

### CAPITAL RATIOS

Tier 1 capital ratio	14.80%	12.12%
Total risk-based capital ratio	16.08%	13.43%
Leverage ratio	9.97%	8.81%
Tangible equity to tangible assets <sup>(d)</sup>	8.24%	7.67%
Tangible common equity to tangible assets <sup>(d)</sup>	6.31%	7.67%

<sup>(a)</sup> Presented on an annualized basis.

<sup>(b)</sup> Nonperforming loans include loans 90 days past due and accruing, nonaccrual loans and renegotiated loans.

<sup>(c)</sup> Nonperforming assets included nonperforming loans and other real estate owned.

<sup>(d)</sup> Excludes balance sheet impact of tangible assets acquired through acquisitions on each of total stockholders' equity, total common equity and total assets.

Financial data reflects comparative financial information as of March 31, 2009 and 2008.

## Directors

**Carl L. Baker, Jr.**  
President and Chief Executive Officer  
B & N Coal, Inc.

**Mark F. Bradley**  
President and Chief Executive Officer  
Peoples Bancorp Inc. and Peoples Bank

**George W. Broughton**  
President  
Broughton Commercial Properties, LLC  
GWB Specialty Foods, LLC  
GWB Oil & Gas, LLC

**Frank L. Christy**  
President  
Christy & Associates, Inc.

**Wilford D. Dimit**  
Retired  
First Settlement, Inc.

**Richard Ferguson, Chairman of the Board**  
Owner  
Ferguson Consulting, LLC

**David L. Mead**  
Vice President for Business Affairs  
Otterbein College

**Robert W. Price**  
Private Investor

**T. Pat Sauber**  
Vice President  
T.C.K.S., Inc.

**Paul T. Thelsen, Vice Chairman**  
Retired  
Attorney-At-Law

**Joseph H. Wesel**  
President  
W.D.A., Inc.

**Thomas J. Wolf**  
Owner  
McDonald's Restaurants

### **Peoples Bank**

**Ohio offices:** Marietta, Athens, Baltimore, Belpre, Byesville, Caldwell, Cambridge, Carroll, Flushing, Gallipolis, Lancaster, Lowell, Lower Salem, McConnelsville, Middleport, Nelsonville, Pomeroy, Quaker City, Reno, Rutland, The Plains, Westerville, Zanesville

**West Virginia offices:** Huntington, New Martinsville, Parkersburg, Point Pleasant, Steelton, Vienna

**Kentucky offices:** Ashland, Greenup, Russell, Summit

**Peoples Financial Advisors** provides customer-tailored financial services for fiduciary needs, investment alternatives, financial planning, retirement plans, life insurance and other asset management needs. Brokerage services are offered exclusively through Raymond James Financial Services, member FINRA/SIPC, an independent broker/dealer located at Peoples.

**Peoples Insurance Agency, Inc.**, which includes the Putnam and Barengo Divisions, provides a full set of property and casualty insurance products and services.

### **www.peoplesbancorp.com is your entryway to e-commerce...**

Enroll in *Peoples OnLine Connection* internet banking service and explore Peoples' financial products and services, free billpay, local news, weather, and much more.

## Officers

**Mark F. Bradley**  
President and Chief Executive Officer

**Deborah K. Hill**  
Executive Vice President,  
Consumer and Business Financial Services

**Carol A. Schneeberger**  
Executive Vice President, Operations

**Edward G. Sloane**  
Executive Vice President  
Chief Financial Officer and Treasurer

**David T. Wesel**  
Executive Vice President, Investment and Insurance Services

**Joseph S. Yazombek**  
Executive Vice President, Chief Lending Officer

**Larry E. Holdren**  
Executive Vice President,  
Business and Corporate Development

**Jeffrey A. Baran**  
Controller

**Karen V. Clark**  
Auditor

**Rhonda L. Mears**  
General Counsel and Corporate Secretary

**Amy M. Auch**  
Assistant Corporate Secretary

**Karen L. Mills**  
Assistant Corporate Secretary

## Director Emeritus

**Jewell Baker**  
**Barton S. Holl**  
**Norman J. Murray**

**Fred R. Price**  
**Thomas C. Vadakim**

## Comparative Stock Data

Quarter <u>Ended</u>	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Dividend Rate</u>	<u>Book Value</u>	<u>Diluted Earnings Per Common Share</u>
3/31/09	\$19.92	\$ 7.25	\$12.98	\$0.23	\$18.55	\$0.37
12/31/08	\$22.92	\$13.59	\$19.13	\$0.23	\$18.06	(\$0.30)
9/30/08	\$29.25	\$17.33	\$21.77	\$0.23	\$19.09	\$0.28
6/30/08	\$25.75	\$18.33	\$18.98	\$0.23	\$19.55	\$0.19
3/31/08	\$26.10	\$20.38	\$24.11	\$0.22	\$20.15	\$0.55

At March 31, 2009, Peoples had approximately 1,221 shareholders of record.

## Shareholder Information

### CORPORATE OFFICES

Peoples' headquarters:

138 Putnam Street, PO Box 738

Marietta, Ohio 45750-0738

Investor Relations phone number: (740) 374-6136

Website: [www.peoplesbancorp.com](http://www.peoplesbancorp.com)

### TRANSFER AGENT

Shareowner Services

161 N. Concord Exchange

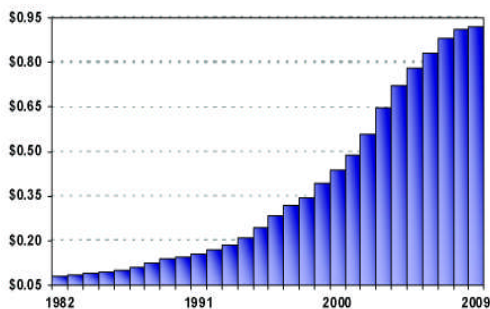
South St. Paul, Minnesota 55075

Phone number: (800) 468-9716

Website: [www.shareowneronline.com](http://www.shareowneronline.com)



Annual Dividends per Common Share\*



\*Current year presented on an annualized basis that does not guarantee future payments of dividends

### FINANCIAL INFORMATION

Peoples' Annual Report on Form 10-K and other financial information, including recent news releases, are available on or through Peoples' website or upon written request to Peoples' Investor Relations Department.

### DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

Peoples offers shareholders a convenient and economical method to purchase additional common shares of Peoples, without payment of any brokerage commissions, through the Dividend Reinvestment and Stock Purchase Plan administered by its transfer agent. Each shareholder can arrange to automatically reinvest common dividends, in full or in part, or make optional cash investments. Interested shareholders can contact our Investor Relations Department at (740) 374-6136 for a prospectus of the Plan, an enrollment card, or more information.

### COMMON STOCK LISTING

The common shares of Peoples Bancorp Inc. are traded on the NASDAQ Global Select Market under the symbol PEBO.

### MARKET MAKERS

Sandler O'Neill & Partners  
(800) 635-6860

Merrill Lynch  
(800) 937-0516

FTN Financial Securities  
(888) 801-3477

FBR Capital Markets & Co.  
(800) 688-3272

Goldman Sachs & Co.  
(800) 221-8320

Citigroup Global Markets inc.  
(800) 223-7743

UBS Securities, LLC  
(800) 421-6172

Sweney Cartwright & Company  
(800) 334-7481

Keefe, Bruyette & Woods, Inc.  
(800) 342-5529

Knight Equity Markets L.P.  
(800) 222-4910

Howe Barnes Investments, Inc  
(800) 621-2364

Morgan Stanley & Co., Inc.  
(800) 223-6559

Morgan Keegan & Co., Inc.  
(800) 366-7426



*The right time. The right place.*

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