

Peoples Bancorp Inc.

*2009 Second Quarter Report*

## Letter To Our Shareholders



Building on the positive results of earlier this year, Peoples Bancorp's second quarter of 2009 was another solid quarter in a tough operating environment.

Second quarter net income was \$2.3 million or \$0.23 per diluted share compared to \$0.19 per share in the same period last year. Second quarter results were impacted by a special FDIC assessment of \$930,000 that lowered after tax earnings by \$0.06 per share. The special assessment was applied to all FDIC insured banks to restore the deposit insurance fund through higher assessments.

Despite this additional expense, Peoples Bancorp continued good trends in core deposit growth and revenue generation. Our capital position was also strengthened and remains well above standards set forth by regulators to be considered a "well-capitalized" institution.

And while many other companies are slashing dividends, Peoples Bancorp continued our long-standing record of returning value to shareholders through a \$0.23 per share dividend during the second quarter.

Asset quality continues to be a primary focus. The good news: at June 30, total nonperforming assets were slightly lower than year-end 2008. The not so good news: second quarter net charge-offs and provision for loan loss remain elevated. Although we are "holding the line" on asset quality, we still have work to do to get back to historically lower levels.

Peoples Bank's position as a strong, stable community bank has led to good deposit growth. At June 30, total deposits were up \$41 million over year-end 2008, while total borrowing balances declined \$56 million.

Second quarter net interest income of \$15.9 million was up 4% over the prior year quarter due mostly to lower funding costs. Through the first half of 2009, net interest income was up 6% over last year, with much of that success due to core deposit growth which has allowed us to pay down more expensive borrowings.

Non-interest income grew 5% compared to 2008's second quarter as mortgage banking activity increased. Operating expenses were up \$2.5 million compared to last year, due primarily to higher FDIC insurance costs, employee medical insurance, plus professional fees related to legal expenses and appraisal valuation services associated with problem loans. We continue to pursue cost control where we can, but FDIC insurance costs alone have increased \$2 million in the first half of 2009 compared to the same period last year.

**“I am pleased to welcome two new members to Peoples Bancorp’s  
Board of Directors: Dave M. Archer and Brenda F. Jones, M.D.”**

On the strategic front in the second quarter, we consolidated four banking offices and opened two new banking offices. We upgraded our facilities in Nelsonville, Ohio by combining two aging locations into a new branch facility on the major transportation route through the city. We also opened our first full-service banking office in Zanesville, Ohio. Peoples Bancorp now has 47 offices and 39 ATM’s to offer our clients, serving all financial needs from investments to insurance to banking.

I am pleased to welcome two new members to Peoples Bancorp’s Board of Directors. Dave M. Archer and Brenda F. Jones, M.D. were unanimously elected as directors at the July board meeting. Since 1993, Mr. Archer has served as a director of Peoples Bank, the national bank subsidiary of Peoples Bancorp Inc. Dr. Jones has served as a director of Peoples Bank since 1994. Their extensive experience as community bank directors and diverse business backgrounds will be positive influences.

The economic outlook is still weak. In addition, the financial services regulatory environment is constantly changing with threats of even more burden for banks. An example is the recent recommendation by the federal government to create an agency to oversee consumer financial products (mortgages, credit cards, etc.).

The last thing a community bank needs is more regulation. For over 100 years, Peoples Bank and affiliates have faithfully and ethically served our clients and communities, abiding by the rules set forth by numerous regulators. Extra regulatory burden can cause inefficiencies and duplication. We will continue to monitor the situation to be sure that community banks can continue to serve our clients and communities.

Regardless of any new regulations, we remain focused on our clients and creating value for our shareholders. Peoples Bancorp’s second quarter results were positive in many aspects, especially considering the challenges of the recessionary economy. We are optimistic about future long-term success. 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

	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 35,707	\$ 34,389
Interest-bearing deposits in other banks	39,764	1,209
Total cash and cash equivalents	75,471	35,598
Available-for-sale investment securities, at fair value (amortized cost of \$689,540 at June 30, 2009 and \$696,855 at December 31, 2008)	693,772	684,757
Other investment securities, at cost	24,356	23,996
Total investment securities	718,128	708,753
Loans, net of unearned interest	1,094,166	1,104,032
Allowance for loan losses	(23,151)	(22,931)
Net loans	1,071,015	1,081,101
Loans held for sale	3,780	791
Bank premises and equipment, net	25,278	25,111
Bank owned life insurance	52,425	51,873
Goodwill	62,520	62,520
Other intangible assets	3,573	3,886
Other assets	27,061	32,705
<b>Total assets</b>	<b>\$ 2,039,251</b>	<b>\$ 2,002,338</b>
<b>LIABILITIES</b>		
Deposits:		
Non-interest-bearing	\$ 199,572	\$ 180,040
Interest-bearing	1,208,018	1,186,328
Total deposits	1,407,590	1,366,368
Short-term borrowings	48,464	98,852
Long-term borrowings	302,533	308,297
Junior subordinated notes held by subsidiary trust	22,513	22,495
Accrued expenses and other liabilities	19,702	19,700
<b>Total liabilities</b>	<b>1,800,802</b>	<b>1,815,712</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, no par value, 50,000 shares authorized – 39,000 shares issued at June 30, 2009 and no shares issued at December 31, 2008	38,494	–
Common stock, no par value, 24,000,000 shares authorized – 11,008,915 shares issued at June 30, 2009 and 10,975,364 shares issued at December 31, 2008	165,813	164,716
Retained earnings	52,200	50,512
Accumulated comprehensive loss, net of deferred income taxes	(1,620)	(12,288)
Treasury stock, at cost, 650,063 shares at June 30, 2009 and 641,480 shares at December 31, 2008	(16,438)	(16,314)
<b>Total stockholders' equity</b>	<b>238,449</b>	<b>186,626</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,039,251</b>	<b>\$ 2,002,338</b>

# PEOPLES BANCORP INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Income

Unaudited – Dollars In Thousands, Except Per Share Data	For the Three Months		For the Six Months	
	Ended June 30,		Ended June 30,	
	2009	2008	2009	2008
Interest income	\$ 25,745	\$ 26,548	\$ 52,079	\$ 53,847
Interest expense	10,315	11,674	21,122	24,687
Net interest income	15,430	14,874	30,957	29,160
Provision for loan losses	4,734	6,765	8,797	8,202
Net interest income after provision for loan losses	10,696	8,109	22,160	20,958
Net gain (loss) on securities transactions and asset disposals	319	(305)	526	(12)
Other income	8,245	7,883	16,482	16,117
Amortization of intangible assets	319	403	649	818
Other expenses	15,202	12,641	29,374	25,968
Income before income taxes	3,739	2,643	9,145	10,277
Income taxes	893	690	2,104	2,676
Net income	\$ 2,846	\$ 1,953	\$ 7,041	\$ 7,601
Preferred dividends	511	—	852	—
<b>Net income available to common shareholders</b>	<b>\$ 2,335</b>	<b>\$ 1,953</b>	<b>\$ 6,189</b>	<b>\$ 7,601</b>

### PER COMMON SHARE DATA

Earnings per share:

- Basic	\$ 0.23	\$ 0.19	\$ 0.60	\$ .74
- Diluted	\$ 0.23	\$ 0.19	\$ 0.60	\$ .73
Cash dividend declared per share	\$ 0.23	\$ 0.23	\$ 0.46	\$ 0.45
Book value per share			\$ 19.30	\$ 19.55
Weighted-average shares outstanding:				
- Basic	10,360,590	10,304,666	10,352,769	10,303,690
- Diluted	10,377,105	10,352,135	10,364,621	10,347,720

### PERFORMANCE AND ASSET QUALITY RATIOS

Return on average assets <sup>(a)</sup>	0.56%	0.41%	0.61%	0.81%
Return on average equity <sup>(a)</sup>	4.93%	3.81%	5.59%	7.41%
Return on average common equity <sup>(a)</sup>	4.85%	3.81%	6.53%	7.41%
Net interest margin (fully tax-equivalent) <sup>(a)</sup>	3.45%	3.61%	3.49%	3.56%
Net loan charge-offs as a % of average loans <sup>(a)</sup>	2.05%	2.70%	1.56%	1.57%
Nonperforming loans as a % of total loans <sup>(b)</sup>			3.72%	1.92%
Nonperforming assets as a % of total assets <sup>(c)</sup>			2.00%	1.13%
Allowance for loan losses as a % of total loans			2.12%	1.38%

### CAPITAL RATIOS

Tier 1 capital ratio	14.85%	12.10%
Total risk-based capital ratio	16.19%	13.33%
Leverage ratio	9.95%	8.72%
Tangible equity to tangible assets <sup>(d)</sup>	8.74%	7.30%
Tangible common equity to tangible assets <sup>(d)</sup>	6.78%	7.30%

<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 June 30, 2009 and 2008.

## Directors

### **Dave M. Archer**

President  
Pioneer Pipe, Inc.

### **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

### **Brenda F. Jones, M.D.**

Medical Director  
Marietta Ophthalmology Associates, Inc.

### **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, McConnelsville, Middleport, Nelsonville, Pomeroy, Quaker City, Reno, 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** 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. Vadakin

## Comparative Stock Data

Quarter Ended	High	Low	Close	Dividend Rate	Book Value	Diluted Earnings Per Common Share
6/30/09	\$19.01	\$12.25	\$17.05	\$0.23	\$19.30	\$0.23
3/31/09	\$19.92	\$ 7.25	\$12.98	\$0.23	\$18.55	\$0.37
12/31/08	\$22.92	\$13.59	\$11.63	\$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

At June 30, 2009, Peoples had approximately 1,202 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)

### 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 PEB0.

### 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 Financial Services, 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

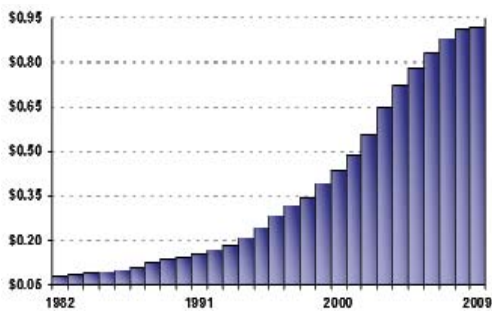
Howe Barnes Investments, Inc  
(800) 621-2364

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

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



Annual Dividends per Common Share\*



\*Current year presented on an annualized basis. Does not guarantee future payments of dividends