

Peoples Bancorp Inc.

2009 Third Quarter Report

Letter To Our Shareholders



Peoples Bancorp had a tough third quarter. We are disappointed with our bottom line results. But at the same time, we are encouraged by stable revenue streams and the fact nonperforming assets are unchanged from year-end 2008.

The challenges for Peoples Bancorp and the financial services industry continued, as higher than normal provision for loan losses and one-time investment portfolio charges negatively impacted results.

In the third quarter, Peoples Bancorp recorded a net loss of \$4.6 million or \$0.44 cents per diluted share, with provision for loan losses totaling \$10 million and other-than-temporary-impairment (OTTI) investment charges of \$5.9 million. On a year to date basis, net income was \$1.6 million or \$0.16 per diluted share.

Provision for loan losses was driven higher by declines in the value of real estate that collateralizes loans that have been on nonaccrual status for several months. Also, deterioration in the financial condition of a handful of commercial borrowers due to difficult economic conditions caused us to build allowance for loan losses.

The investment charges stemmed from two specific securities. The first investment was a bank-issued trust preferred security valued at \$4 million which was determined to be a total loss. The other security was a collateralized debt obligation, which was charged down by \$1.9 million, as our analysis indicated that we do not expect to recover its entire amortized cost.

These losses overshadowed positive results in regular operations. Net interest income was up 6% over last year's third quarter, with much of that success coming from core deposit growth that allowed us to pay down higher-cost sources of funding. Throughout the remainder of the year we should have additional opportunities to re-price some maturing liabilities at lower current market rates, which could give net interest margin a slight boost.

Third quarter operating expenses were lower than second quarter 2009 due to the absence of the special FDIC assessment of \$930,000 paid in the second quarter, plus decreased occupancy and

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salaries / benefits expense. Peoples Bancorp’s efficiency ratio improved to 58% in the third quarter from 63% in the second quarter, which compares well to peers. Our management team continues to analyze further reductions in operating expense to optimize efficiency in the short-term due to lower earnings results.

Despite disappointing earnings, all of our regulatory capital ratios at September 30 exceeded the levels needed to be considered a “well capitalized” institution. Our capital position and loan loss reserves are sources of strength to deal with difficult economic conditions and work our way through asset quality issues.

We believe it is prudent in these times to preserve our capital, which led to the recent dividend reduction to \$0.10 per share. It was a difficult decision. We are proud of our long track record of dividend growth. While maintaining the dividend at previous quarter levels was important to management and our shareholders, it is equally important to the long-term growth prospects of Peoples Bancorp to have a dividend payout that relates more closely to earnings. As earnings improve, we will look at the dividend as a way of increasing shareholder return for our investors.

Our key priorities include continued management of asset quality and capital, progression on client focused sales and service strategy, attainment of operating efficiencies and revenue enhancements where possible, and proactive management of the balance sheet to minimize risk while providing adequate return.

Peoples’ associates remain committed to providing excellent service to our clients and working as teammates across our lines of business. While it is difficult to predict the depth and duration of the economic downturn, we remain focused on implementing strategies that build long-term value. Thank you for your continued support.



Mark F. Bradley
President and Chief Executive Officer



PEOPLES BANCORP INC. AND SUBSIDIARIES

Consolidated Balance Sheets

<i>Unaudited – Dollars In Thousands</i>	September 30, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 29,699	\$ 34,389
Interest-bearing deposits in other banks	11,999	1,209
Total cash and cash equivalents	41,698	35,598
Available-for-sale investment securities, at fair value (amortized cost of \$704,388 at September 30, 2009 and \$696,855 at December 31, 2008)	725,898	684,757
Other investment securities, at cost	24,356	23,996
Total investment securities	750,254	708,753
Loans, net of unearned interest	1,068,039	1,104,032
Allowance for loan losses	(26,249)	(22,931)
Net loans	1,041,790	1,081,101
Loans held for sale	2,591	791
Bank premises and equipment, net	24,952	25,111
Bank owned life insurance	52,679	51,873
Goodwill	62,520	62,520
Other intangible assets	3,285	3,886
Other assets	24,985	32,705
Total assets	\$ 2,004,754	\$ 2,002,338
LIABILITIES		
Deposits:		
Non-interest-bearing	\$ 187,011	\$ 180,040
Interest-bearing	1,206,564	1,186,328
Total deposits	1,393,575	1,366,368
Short-term borrowings	48,344	98,852
Long-term borrowings	277,085	308,297
Junior subordinated notes held by subsidiary trust	22,522	22,495
Accrued expenses and other liabilities	18,865	19,700
Total liabilities	1,760,391	1,815,712
STOCKHOLDERS' EQUITY		
Preferred stock, no par value, 50,000 shares authorized – 39,000 shares issued at September 30, 2009 and no shares issued at December 31, 2008	38,518	–
Common stock, no par value, 24,000,000 shares authorized – 11,023,079 shares issued at September 30, 2009 and 10,975,364 shares issued at December 31, 2008	166,090	164,716
Retained earnings	46,576	50,512
Accumulated comprehensive income (loss), net of deferred income taxes	9,638	(12,288)
Treasury stock, at cost, 651,722 shares at September 30, 2009 and 641,480 shares at December 31, 2008	(16,459)	(16,314)
Total stockholders' equity	244,363	186,626
Total liabilities and stockholders' equity	\$ 2,004,754	\$ 2,002,338

PEOPLES BANCORP INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Income

Unaudited – Dollars In Thousands, Except Per Share Data	For the Three Months		For the Nine Months	
	Ended September 30,		Ended September 30,	
	2009	2008	2009	2008
Interest income	\$ 25,472	\$ 26,063	\$ 77,551	\$ 79,910
Interest expense	10,003	11,461	31,125	36,148
Net interest income	15,469	14,602	46,426	43,762
Provision for loan losses	10,168	5,996	18,965	14,198
Net interest income after provision for loan losses	5,301	8,606	27,461	29,564
Net impairment losses on investment securities	(5,930)	—	(5,930)	(260)
Net gain (loss) on securities transactions and asset disposals	235	(125)	761	123
Other income	7,786	8,156	24,268	24,273
Amortization of intangible assets	307	390	956	1,208
Other expenses	13,780	12,803	43,154	38,771
(Loss) income before income taxes	(6,695)	3,444	2,450	13,721
Income tax (benefit) expense	(2,630)	493	(526)	3,169
Net (loss) income	\$ (4,065)	\$ 2,951	\$ 2,976	\$ 10,552
Preferred dividends	512	—	1,364	—
Net (loss) income available to common shareholders	\$ (4,577)	\$ 2,951	\$ 1,612	\$ 10,552

PER COMMON SHARE DATA

Earnings per share:

- Basic	\$ (0.44)	\$ 0.29	\$ 0.16	\$ 1.02
- Diluted	\$ (0.44)	\$ 0.28	\$ 0.16	\$ 1.02
Cash dividend declared per share	\$ 0.10	\$ 0.23	\$ 0.56	\$ 0.68
Book value per share			\$ 19.85	\$ 19.09

Weighted-average shares outstanding:

- Basic	10,372,946	10,319,534	10,359,569	10,309,010
- Diluted	10,390,275	10,354,522	10,372,630	10,350,008

PERFORMANCE AND ASSET QUALITY RATIOS

Return on average assets ^(a)	(0.79%)	0.61%	0.20%	0.74%
Return on average equity ^(a)	(6.70%)	5.82%	1.74%	6.88%
Return on average common equity ^(a)	(8.97%)	5.82%	1.11%	6.88%
Net interest margin (fully tax-equivalent) ^(a)	3.45%	3.50%	3.47%	3.54%
Net loan charge-offs as a % of average loans ^(a)	2.57%	0.74%	1.90%	1.29%
Nonperforming loans as a % of total loans ^(b)			3.94%	3.21%
Nonperforming assets as a % of total assets ^(c)			2.16%	1.88%
Allowance for loan losses as a % of total loans			2.46%	1.72%

CAPITAL RATIOS

Tier 1 capital ratio	15.06%	12.32%
Total risk-based capital ratio	16.39%	13.65%
Leverage ratio	9.82%	8.66%
Tangible equity to tangible assets ^(d)	9.21%	7.03%
Tangible common equity to tangible assets ^(d)	7.22%	7.03%

^(a) Presented on an annualized basis.

^(b) Nonperforming loans include loans 90 days past due and accruing, nonaccrual loans and renegotiated loans.

^(c) Nonperforming assets included nonperforming loans and other real estate owned.

^(d) 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 September 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

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

Daniel K. McGill

Executive Vice President,
Chief Commercial Lending Officer

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 and Chief Credit Officer

Larry E. Holdren

Executive Vice President,
Business and Corporate Development

Douglas G. Ankrom

Vice President and 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
9/30/09	\$18.70	\$13.05	\$13.05	\$0.10	\$19.85	(\$0.44)
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	\$19.13	\$0.23	\$18.06	(\$0.30)
9/30/08	\$29.25	\$17.33	\$21.77	\$0.23	\$19.09	\$0.28

At September 30, 2009, Peoples had approximately 1,192 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

TRANSFER AGENT

Shareowner Services

161 N. Concord Exchange

South St. Paul, Minnesota 55075

Phone number: (800) 468-9716

Website: 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 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



Annual Dividends per Common Share*

