

Peoples Bancorp Inc.

2009 Fourth Quarter Report

Letter To Our Shareholders



In 2009, Peoples Bancorp Inc. reported net income after preferred dividends of \$2.3 million or \$0.22 per diluted share, down from \$7.5 million and \$0.72 in 2008. It was a challenging year for bottom line earnings, as a sluggish economy and continued weakness in commercial real estate produced higher losses on loans and investment securities.

However, we are encouraged by several positives, including core deposit growth, increased revenue from net interest income, effective expense control, stronger capital levels and a small step toward lower nonperforming assets.

Fourth quarter results were improved over third quarter 2009 due primarily to lower impairment charges on investments and decreased loan loss provision. At year-end 2009, our remaining exposure to high-risk investments was limited to \$1 million, which we believe is a manageable number. We also continued to build loan loss reserves.

Net interest income increased 6% in 2009, reflecting our strategy to grow retail deposits and lower our reliance on higher-cost sources of funding. Peoples Bancorp's balance sheet is prepared for the expected eventual increase in interest rates.

Non-interest income in 2009 was driven by mortgage banking income, which experienced strong revenue growth from loan originations due to refinancings caused by historically low interest rates.

In 2009, increases in operating expense were mostly isolated to higher FDIC insurance expense, professional fees associated with problem loans, and higher employee medical benefit costs. In 2010, we will continue to seek efficiencies wherever possible, without impacting our ability to serve clients.

Another key focus has been stabilizing asset quality and reducing nonperforming loans. We saw some improvement in the fourth quarter, as net charge-offs were lower than recent quarters and nonperforming assets decreased \$3 million. Provision for loan losses was elevated for the quarter and the year, which lowered earnings, but we are pleased that nonperforming assets moved in the right direction.

“We successfully came through 2009 with stronger capital ratios and good liquidity.”

At year-end 2009, our risk-based capital ratios remained substantially higher than the regulatory minimum amounts needed to be considered “well capitalized.”

In January 2010, Peoples Bancorp’s Board of Directors adopted a new schedule for declaring future dividends. In the past, dividends have been declared during the second month of each quarter, and then paid on the first business day of the following quarter. Beginning with the first quarter 2010 dividend, Peoples Bancorp will declare future dividends, if financial conditions warrant, to common shareholders during the last month of each quarter.

This means that future dividends would be paid around the middle of the following month. So you can expect dividends, if paid, in mid-months of April, July, October, and January. This change helps ensure future dividend payments are better aligned with Peoples Bancorp’s performance. If you have any questions, please contact our Investor Relations office at (740) 374-6136 or visit peoplesbancorp.com for more information.

In March, you will receive your Peoples Bancorp Annual Report and Form 10-K, which includes audited financial statements and a complete discussion of 2009 financial results. Peoples Bancorp’s Annual Meeting of Shareholders will be held on April 22, 2010, at 10:00 a.m., in Marietta, Ohio. Current directors Dave M. Archer, David L. Mead, Robert W. Price, Paul T. Theisen and Thomas J. Wolf have been nominated for re-election to the Board of Directors. The record date for shareholder voting is February 26, 2010.

As we look back at 2009, it was a year of challenge for Peoples Bancorp with a number of successes and setbacks. Bottom line earnings were lower due to loan losses and investment impairment charges, but we successfully came through 2009 with stronger capital ratios and good liquidity. 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

	December 31, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 29,969	\$ 34,389
Interest-bearing deposits in other banks	11,804	1,209
Total cash and cash equivalents	41,773	35,598
Available-for-sale investment securities, at fair value (amortized cost of \$706,444 at December 31, 2009 and \$696,855 at December 31, 2008)	726,547	684,757
Held-to-maturity investment securities, at amortized cost (fair value of \$963 at December 31, 2009 and \$0 at December 31, 2008)	963	–
Other investment securities, at cost	24,356	23,996
Total investment securities	751,866	708,753
Loans, net of unearned interest	1,052,058	1,104,032
Allowance for loan losses	(27,257)	(22,931)
Net loans	1,024,801	1,081,101
Loans held for sale	1,874	791
Bank premises and equipment, net	24,844	25,111
Bank owned life insurance	52,924	51,873
Goodwill	62,520	62,520
Other intangible assets	3,079	3,886
Other assets	38,146	32,705
Total assets	\$ 2,001,827	\$ 2,002,338
LIABILITIES		
Deposits:		
Non-interest-bearing	\$ 198,000	\$ 180,040
Interest-bearing	1,197,886	1,186,328
Total deposits	1,395,886	1,366,368
Short-term borrowings	76,921	98,852
Long-term borrowings	246,113	308,297
Junior subordinated notes held by subsidiary trust	22,530	22,495
Accrued expenses and other liabilities	16,409	19,700
Total liabilities	1,757,859	1,815,712
STOCKHOLDERS' EQUITY		
Preferred stock, no par value, 50,000 shares authorized – 39,000 shares issued at December 31, 2009 and no shares issued at December 31, 2008	38,543	–
Common stock, no par value, 24,000,000 shares authorized – 11,031,892 shares issued at December 31, 2009 and 10,975,364 shares issued at December 31, 2008	166,227	164,716
Retained earnings	46,229	50,512
Accumulated comprehensive income (loss), net of deferred income taxes	9,487	(12,288)
Treasury stock, at cost, 657,255 shares at December 31, 2009 and 641,480 shares at December 31, 2008	(16,518)	(16,314)
Total stockholders' equity	243,968	186,626
Total liabilities and stockholders' equity	\$ 2,001,827	\$ 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		At or For the Year	
	Ended December 31,		Ended December 31,	
	2009	2008	2009	2008
Interest income	\$ 24,554	\$ 26,317	\$ 102,105	\$ 106,227
Interest expense	9,137	11,600	40,262	47,748
Net interest income	15,417	14,717	61,843	58,479
Provision for loan losses	6,756	13,442	25,721	27,640
Net interest income after provision for loan losses	8,661	1,275	36,122	30,839
Net impairment losses on investment securities	(1,777)	(4,000)	(7,707)	(4,260)
Net gains on securities transactions and asset disposals	582	1,526	1,343	1,649
Other gains	–	775	–	775
Other income	7,782	7,824	32,050	32,097
Amortization of intangible assets	296	378	1,252	1,586
Other expenses	14,276	13,128	57,430	51,899
Income (loss) before income taxes	676	(6,106)	3,126	7,615
Income tax (benefit) expense	(538)	(3,009)	(1,064)	160
Net income (loss)	\$ 1,214	\$ (3,097)	\$ 4,190	\$ 7,455
Preferred dividends	512	–	1,876	–
Net income (loss) available to common shareholders	\$ 702	\$ (3,097)	\$ 2,314	\$ 7,455

PER COMMON SHARE DATA

Earnings per share:

- Basic	\$ 0.07	\$ (0.30)	\$ 0.22	\$ 0.72
- Diluted	\$ 0.07	\$ (0.30)	\$ 0.22	\$ 0.72
Cash dividend declared per share	\$ 0.10	\$ 0.23	\$ 0.66	\$ 0.91
Book value per share			\$ 19.80	\$ 18.06

Weighted-average shares outstanding:

- Basic	10,376,956	10,333,888	10,363,975	10,315,263
- Diluted	10,387,400	10,359,491	10,374,792	10,348,579

PERFORMANCE AND ASSET QUALITY RATIOS

Return on average assets ^(a)	0.24%	(0.63%)	0.21%	0.39%
Return on average equity ^(a)	1.98%	(6.24%)	1.80%	3.67%
Return on average common equity ^(a)	1.36%	(6.24%)	1.17%	3.67%
Net interest margin (fully tax-equivalent) ^(a)	3.50%	3.44%	3.48%	3.51%
Net loan charge-offs as a % of average loans ^(a)	2.14%	3.45%	1.96%	1.83%
Nonperforming loans as a % of total loans ^(b)			3.27%	3.74%
Nonperforming assets as a % of total assets ^(c)			2.03%	2.09%
Allowance for loan losses as a % of total loans			2.59%	2.08%

CAPITAL RATIOS

Tier 1 capital ratio			15.49%	11.88%
Total risk-based capital ratio			16.80%	13.19%
Leverage ratio			10.06%	8.18%
Tangible equity to tangible assets ^(d)			9.21%	6.21%
Tangible common equity to tangible assets ^(d)			7.22%	6.21%

^(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 December 31, 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, LLC, which includes the Putnam and Barengo Divisions, provides a full set of property and casualty insurance products and services.

www.peoplesbancorp.com allows consumers to explore Peoples' financial products and services, chat directly with a Peoples' associate, enroll in *Online Banking* with free *Bill Pay* and *FinanceWorksSM* - a personal online financial management tool, and so much more. You can also visit our website from any smart phone and enjoy the convenience of *Online Banking* on the go with *Peoples Mobile*.

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

Richard W. Stafford

Executive Vice President, Retail Banking

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

Frank L. Christy
Barton S. Holl

Norman J. Murray

Fred R. Price
Thomas C. Vadakín

Comparative Stock Data

Quarter Ended	High	Low	Close	Dividend Rate	Book Value	Diluted Earnings Per Common Share
12/31/09	\$13.52	\$ 8.51	\$ 9.68	\$0.10	\$19.80	\$0.07
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)

At December 31, 2009, Peoples had approximately 1,187 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

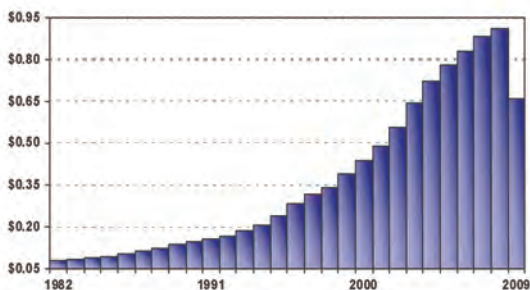
South St. Paul, Minnesota 55075

Phone number: (800) 468-9716

Website: www.shareowneronline.com



Annual Dividends per Common Share



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