



2006
Annual Report

Our Mission

To be the primary financial resource for our target customers. We grow these relationships by delivering trusted advice, extraordinary personal service, and a seamless, integrated suite of services that meets all their needs. Our target customers are businesses and consumers who value us as true financial partners.

Our success depends on empowering our skilled and dedicated personnel to meet and exceed our customers' needs. We win by serving customers, supporting those who serve customers, and delivering a competitive return to our shareholders.

We are a team and we are good teammates. We take care of our customers and we take care of each other.



Our Core Values

Clients as a Focus

Business with Integrity

Continuous Will to Win

Commitment to Communities

Trust Among Clients, Communities and Associates

Development of Associate Skills

Financial Highlights

Dollars in Thousands, except Per Share Data

	2006	2005	2004
Earnings and Dividends			
Net income	\$ 21,558	\$ 20,499	\$ 18,275
Total Revenues ⁽¹⁾	\$ 83,596	\$ 80,776	\$ 77,237
Dividends declared	\$ 8,859	\$ 8,201	\$ 7,614
Dividend payout ratio	41.09%	40.01%	41.66%

Per Share Data

Earnings per share - Basic	\$ 2.03	\$ 1.96	\$ 1.74
Earnings per share - Diluted	\$ 2.01	\$ 1.94	\$ 1.71
Cash dividends	\$ 0.83	\$ 0.78	\$ 0.72
Book value at end of period	\$ 18.51	\$ 17.40	\$ 16.81
Tangible book value at end of period ⁽²⁾	\$ 12.05	\$ 10.82	\$ 10.00
Closing stock price	\$ 29.70	\$ 28.53	\$ 27.43

Performance Ratios

Return on average assets	1.15%	1.12%	1.04%
Return on average stockholders' equity	11.33%	11.52%	10.60%
Net interest margin	3.29%	3.32%	3.39%
Efficiency ratio ⁽³⁾	57.51%	59.05%	57.18%

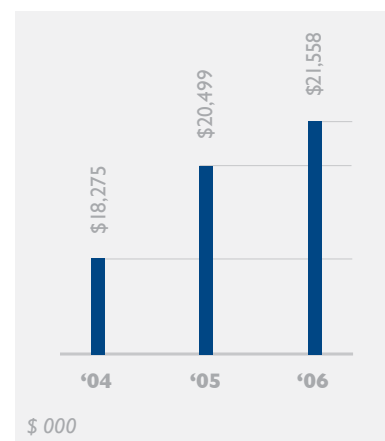
At year end:

Total assets	\$1,875,255	\$1,855,277	\$1,809,086
Total investment securities	\$ 548,733	\$ 589,313	\$ 602,364
Gross loans	\$1,132,394	\$1,071,876	\$1,023,058
Total deposits	\$1,233,529	\$1,089,286	\$1,069,421
Stockholders' equity	\$ 197,169	\$ 183,077	\$ 175,418
Market capitalization	\$ 316,364	\$ 300,106	\$ 286,235
Trust and brokerage assets under management	\$ 840,562	\$ 753,415	\$ 737,135

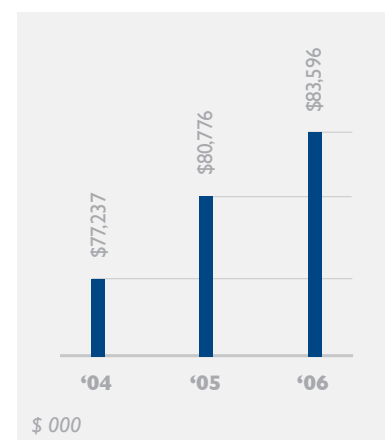
(1) Net interest income and non-interest income.

(2) Tangible book value per share reflects capital calculated for banking regulatory requirements and excludes balance sheet impact of intangible assets acquired through purchase accounting for acquisitions.

(3) Non-interest expense (less intangible amortization) as a percentage of fully-tax equivalent net interest income plus non-interest income.



Net Income



Total Revenues

Working Together We're Better.

From investments to banking to insurance, working as a team enables us to deliver smart, universal financial solutions to our

clients. When done correctly, it should also lead to revenue growth and increased shareholder value.



Mark F. Bradley
President and
Chief Executive Officer

We are pleased to report another year of earnings growth for our company. Despite a tough interest rate environment, higher loan loss expense, and slower economic growth conditions in many of our markets, total revenues at Peoples Bancorp topped \$83 million and net income grew over \$1 million to \$21.5 million.

In 2006, earnings per share reached \$2.01, a 4% increase over 2005. We are also proud to report that dividends per share increased for the 41st consecutive year, from \$0.78 in 2005 to \$0.83 in 2006, a 6% increase.

Our goals in 2006 included to work together as financial professionals to serve our clients; to continue realigning our balance sheet with more loans and less investment securities; to expand in better growth markets and to reduce our investment in slower growth areas.

Along those lines, we sold our South Shore, Kentucky and Chesterhill, Ohio banking offices in 2006, generating gains of over \$450,000. More importantly, we expanded in Lancaster, Ohio by opening a new office in May 2006. Later in the

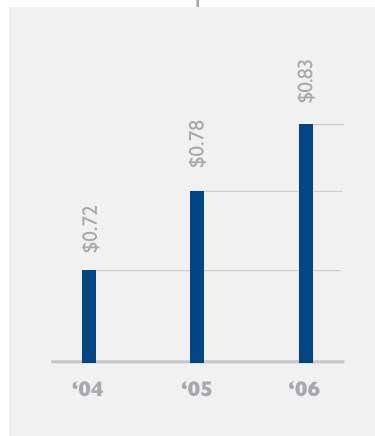
year, Peoples Bank acquired a banking office in Carroll along State Route 33, the main highway connecting Lancaster to Columbus, Ohio. Through our expanded presence, we now serve customers in 4 locations in central Ohio's Fairfield County.

Our bankers grew loans at a brisk pace, with total loans reaching \$1.13 billion, up \$60 million or 6% over the previous year, with most of our growth occurring in commercial loans. Our central Ohio offices, in particular our loan production office in Westerville, had a strong year. Our central Ohio operations now account for more than \$300 million of total loans, as we continue to serve more customers in that economically active area. In 2006, personal loans also grew \$10 million, or 15%, as we successfully served many individual consumers and added new consumer loans through our indirect lending processes.

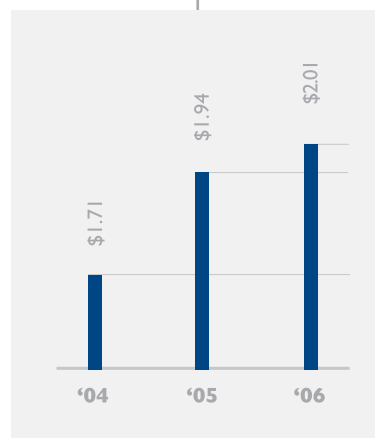
Loan quality was a challenge in 2006, as net loan chargeoffs were \$3.8 million compared to \$2.1 million in 2005. Commercial loan chargeoffs accounted for most of the increase, as a chargeoff of a single commercial loan relationship in the fourth quarter of 2006 pushed chargeoffs and loan loss provision higher. However, it is also important to note that although net loan chargeoffs increased to 0.35% of average loans, our chargeoff ratio is similar to historical results over the last 10 years. Nonperforming loans are higher at year-end 2006 compared to previous periods, but our ratios remain comparable to peers and loan delinquencies are at low levels. Our lenders and loan review staff continue to focus on quality loan growth and manage risk with a long-term focus.

Non-interest income grew \$1.9 million in 2006, an increase of 7% to over \$30 million. Peoples Financial Advisors, our wealth management unit, had a very successful year. Revenue growth from fiduciary and brokerage activities grew 10% to \$4.2 million, and assets under management now total over \$800 million. We continue to look for ways to add value to customer relationships and in 2007 and we plan to make investments in technology that will enhance our ability to serve our wealth management clients.

Peoples Insurance Agency, including our Putnam and Barenco insurance divisions, also had strong growth, with revenues exceeding \$9.6 million, up 9% over the



**Dividends
per Share**



**Earnings
per Share**

The “volunteer spirit” is vibrant at our company, as evidenced by the over 25,000 hours that Peoples associates gave to help local charities and community events during 2006.

previous year. Commercial property and casualty insurance accounted for most of our insurance income, and health insurance revenues also increased in 2006.

Peoples' investment and insurance operations add diversity to our revenue streams, which is important in difficult interest rate environments experienced in 2006 and expected to continue into 2007. The yield curve is “flat,” which means short and long-term rates are basically equal, making it a challenge to generate net interest income without taking significant risk.

Due to the interest rate environment and competitive pressure on loan and deposit pricing, net interest margin declined to 3.29% in 2006 compared to 3.32% in 2005. We also expect net interest income and margin to be challenged in 2007, as short-term interest rates are expected to remain stable in the near term.

In 2006, we also made several enhancements to our online banking services at www.peoplesbancorp.com and introduced new security features. The website now offers enhanced ease of navigation and new, more efficient internet banking service that allows clients to customize their online experience with specialized reporting tools.

New technology we will offer to our business clients in 2007 includes “remote deposit capture,” which allows clients to make deposits electronically from their business locations using scanners and electronic data transmission. We are currently testing the software and processes with a handful of clients, and early results indicate good success. Over time, this new technology will save our business customers time and money, and is another example of how we make banking easier for our customers. We are excited to be able to introduce enhancements to our client base and view remote capture technology as a way to strengthen relationships and grow deposits.

A commitment to technology is one part of a successful company. You also need quality products. But most importantly, you need great people. And our people recently earned some exceptional recognition.

I am pleased to report that Peoples Bank earned an “Outstanding” rating, the highest possible, for activities governed under the Community Reinvestment Act (CRA), which was established to ensure that federally insured banks are meeting the credit and other financial needs of low to moderate income groups. Not only

do we offer expanded banking services and financial support to local economic development groups, our associates also provide support through charitable donations and thousands of hours of community service. The “volunteer spirit” is vibrant at our company, as evidenced by the over 25,000 hours that Peoples associates gave to help local charities and community events during 2006. Simply put, our people are the biggest reason we are successful in serving our communities’ financial needs.

Looking forward to 2007 and beyond, our strategy is to provide sustainable, long-term growth of earnings and dividends to our shareholders. Our core values and personal approach include involvement in our communities and supporting the vitality of our markets. Personalized delivery of service and attention to detail, combined with our universal offering of financial services, creates our competitive advantage.

We intend to continue our efforts to gain more business in our markets, especially from our current customer base, and make additional investments in communities where stronger growth prospects appear more promising. We have already announced plans to expand in Huntington, West Virginia, a good economic area with a great deal of potential for our company.

Our new office will be at the corner of First Street and Fifth Avenue in downtown Huntington. The full-service office, which will include an ATM and motor banking facilities, should be completed in September 2007. The new location will add convenience for our existing customers, and also give us the opportunity to reach many new clients with our full-service offering of banking, insurance, investment, and wealth management services. The office will offer customers the ability to satisfy all their financial needs in one place.

In addition to expansion by building new offices, we will also consider acquisitions of banking, investment and insurance firms if such additions align with our strategies. Our goal is to expand in communities with economic growth potential, and where opportunities exist to serve clients that desire our relationship-based sales and service model.

Also in 2007, we will renew our commitment to great customer service. We have already taken steps to ensure quality service is being provided in person, on the phone, and through peoplesbancorp.com, but there is always room for improvement. We actively measure our levels of service and will continue

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Performance with integrity and a commitment to our communities, customers, and shareholders are at the core of who we are and what we do every day.

to work hard to create an environment in which our associates can quickly and professionally serve our clients in a pleasing manner.

In the last few months we also welcomed a new director to our board. The Peoples Bancorp Board of Directors unanimously approved David L. Mead's appointment at the company's September 2006 board meeting. Mr. Mead will stand for re-election at our April 2007 shareholders meeting.

We are fortunate to be able to add a director with a strong financial background and financial services experience. Previously Mr. Mead served as Chief Financial Officer for two Ohio-based bank holding companies and has over 30 years experience in accounting and finance. He is a CPA who also serves on our Peoples Bank subsidiary Board of Directors.

As I shared before, we are blessed at Peoples Bancorp to have a great team of hard-working associates dedicated to serving our customers and each other. To quote legendary Ohio State head football coach Woody Hayes, "You win with people." His talented teams worked hard and were prepared to win. He won 5 national championships and 13 conference titles while leading the Buckeye football team, and he was never more right than when he described the key to his success: *people*. With the same ingredients of talent, hard work, and preparation, I am confident Peoples Bancorp will continue to add value for our customers as their trusted financial advisors.

Our Directors, management team, and many associates are dedicated to serving our customers and delivering value to our shareholders. The better our associates work together, with each other and with our clients, to design financial solutions that fit client needs, the better we become. Our goal is to simply and quickly deliver the right products and services to every customer. We accomplish this goal by combining the best-educated and energized people with powerful technology that is designed to enhance the customer experience.

As we embark on a new year, we want to thank our customers, shareholders, and our team of over 600 associates who have supported the Peoples Bancorp family of companies. Performance with integrity and a commitment to our communities, customers, and shareholders are at the core of who we are and what we do every day. We look forward to continuing to the positive long-term growth trends of the last several years.



Mark F. Bradley
President and Chief Executive Officer

Our Family of Companies

Our companies offer diversified financial products and services through a complete line of banking, investment and insurance solutions.

We pride ourselves on a long-established reputation as a customer focused financial institution with an entrepreneurial spirit. This customer focus guides us to identify and cultivate opportunities in the markets we serve, allowing us to offer more to our clients.



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Giving back to our communities and meeting the needs of our neighbors are a huge part of who we are. Our philosophy of volunteering and giving can be felt in every area of our organization. We believe in investing our assets in people and projects that support and build our communities.

We are proud that Peoples Bank recently received an “Outstanding” rating from a Community Reinvestment Act Performance Evaluation in all areas of the review; lending, investments and service. A key aspect of this outstanding rating is the “volunteer spirit” that is exhibited by our associates.

We care about our communities and are willing to roll up our sleeves to make a difference. Peoples Bancorp and our associates provide thousands of volunteer hours to many local, regional and national charities, including America’s Promise, the March of Dimes, the American Heart Association, the American Cancer Society, Habitat for Humanity and the United Way.

We do this because it is a key component of our core values. And, because it is the right thing to do.

We recognize that it is important to financially support our communities so we established the Peoples Bancorp Foundation. Charitable giving is focused in four major areas: community investment and economic development; youth and education; human services programs that meet social needs for low to moderate-income communities and individuals; and the arts and culture. Through our Foundation, we accomplish great things, such as the Robert E. Evans Education Fund, which awarded scholarships to 9 college bound high school students this year.

Giving back to our communities will continue to guide us, not only in our charitable endeavors, but also in every decision we make. After all, the communities we serve aren’t just where we do business. They are our homes, too. Being outstanding in our field helps our communities grow and be successful.

Peoples Bancorp Inc. Directors

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B & N Coal, Inc.

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

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Owner & President
Broughton Commercial Properties, LLC
GWB Specialty Foods, LLC
George Broughton Family, LLC

Frank L. Christy
President
Christy & Associates, Inc.

Wilford D. Dimit
Owner
First Settlement, Inc.

David L. Mead
Vice President of Business Affairs
Otterbein College

Richard Ferguson
Owner
Ferguson Consulting, LLC

Robert W. Price
General Manager, Findlay District
Shelly Materials, Inc.

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

Paul T. Theisen, Vice Chairman/Leadership Director
Attorney-At-Law
Of Counsel to TheisenBrock

Joseph H. Wesel, Chairman of the Board
President
W.D.A., Inc.

Thomas J. Wolf
Owner
McDonald's Restaurants

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Barton S. Holl
Fred R. Price
Norman J. Murray
Thomas C. Vadakin

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Executive Vice President

Donald J. Landers, Jr.
Chief Financial Officer and Treasurer

Carol A. Schneeberger
Executive Vice President Operations

David T. Wesel
Executive Vice President

Joseph S. Yazombek
Executive Vice President
Chief Lending Officer

Charles R. Hunsaker
General Counsel

Jeffrey A. Baran
Controller

Karen V. Clark
Auditor

Rhonda L. Mears
Corporate Secretary

Amy Myers Auch
Assistant Corporate Secretary

Karen L. Mills
Assistant Corporate Secretary



Peoples Bank Directors

Dave M. Archer
President
Pioneer Pipe, Inc.

Larry J. Armstrong
Retired
Armstrong and Smith, C.P.A.

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

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Owner & President
Broughton Commercial Properties, LLC
GWB Specialty Foods, LLC
George Broughton Family, LLC

Wilford D. Dimit, Vice Chairman
Owner
First Settlement, Inc.

Brenda F. Jones, M.D.
Medical Director
Marietta Ophthalmology Associates, Inc.

David L. Mead
Vice President of Business Affairs
Otterbein College

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

Paul T. Theisen, Chairman of the Board
Attorney-At-Law
Of Counsel to TheisenBrock

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

Peoples Bank Director Emeritus

Harold D. Laughlin

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President and Chief Executive Officer

Larry E. Holdren
President, Retail and Banking Division

Donald J. Landers
Chief Financial Officer and Treasurer

Carol A. Schneeberger
Executive Vice President of Operations and Cashier

David T. Wesel
President, Peoples Financial Advisors

Joseph S. Yazombek
Executive Vice President and Chief Lending Officer

Peoples Bank Officers (continued)

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Senior Vice President
Auditor

John E. Dakesian
Senior Vice President
Director of Human Resources

Matthew C. Evans
Senior Vice President
Director of Risk Management

Thomas R. Greathouse
Senior Vice President
Commercial Lending

Michael W. Hobbs
Senior Vice President
Kentucky Market

John G. Hock
Senior Vice President
Commercial Lending

Charles R. Hunsaker
Senior Vice President
General Counsel

Patrick L. Arnold
Vice President
Commercial Lending

Jason K. Baker
Vice President
Commercial Lending

Jeffrey A. Baran
Vice President
Controller

Thomas E. Betz
Vice President
Regional Sales Manager

Patrick W. Bryan
Vice President
Commercial Lending

Neal S. Clark
Vice President
Commercial Lending

Ronald L. Close
Vice President
Peoples Financial Advisors

Laura J. Cox
Vice President
Marketing

Eric E. Erb
Vice President
Peoples Financial Advisors

Joseph P. Flinn
Vice President
Personal Loan Manager

J. Richard Lentz
Vice President
Commercial Lending

Pamela K. McCauley
Vice President
Secondary Mortgage Lending

Lance E. McComis
Vice President
Peoples Financial Advisors

Rose C. Nardi
Vice President
Senior Investment Officer
Peoples Financial Advisors

Stephen L. Nulter
Vice President
Director of Information Technology

Deborah L. Roberts
Vice President
Commercial Lending

George K. Smalley
Vice President
Real Estate Loan Manager

Denise D. Terrell
Vice President
Regional Sales Manager

Jeffrey D. Welch
Vice President
Business Services

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Senior Financial Advisor
Peoples Financial Advisors

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Assistant Vice President
Operations

David L. Batten
Assistant Vice President

R. Dan Coffill
Assistant Vice President
Peoples Financial Advisors

Barbara J. Conlon
Assistant Vice President
Purchasing Manager

Susan L. Corcoran
Assistant Vice President
CRM Manager

Sandra A. Delong
Assistant Vice President
Business Services

K. Michele Enoch
Assistant Vice President
Home Loan Specialist

Julie L. Giffin
Assistant Vice President
Deposit Operations

V. Scott Harris
Assistant Vice President
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Cathleen S. Knox
Assistant Vice President
Office Manager

Katie B. Matthews
Assistant Vice President
Commercial Lending

Larry B. Miller
Assistant Vice President
Office Manager

Karen L. Mills
Secretary of the Board

Mary Ann Mitchell
Assistant Vice President
Human Resources

Catherine R. Ogle
Assistant Vice President
Home Loan Specialist

Deborah A. Rhoades
Assistant Vice President
Peoples Financial Advisors

Robyn A. Stevens
Assistant Vice President
Loan Review

Jason A. Suman
Assistant Vice President
Business Services

Tina M. Weckbacher
Assistant Vice President
Peoples Financial Advisors

Sondra K. Wenzel
Assistant Vice President
Personal Lending

Michael J. Yanico
Assistant Vice President
Commercial Lending

Douglas G. Ankrom
Manager of External Reporting

Amy Myers Auch
Assistant Secretary of the Board

Stacie B. Johnson
Accounting Manager

Cathy M. Lawrence
Education and Training Officer

Rhonda L. Mears
Associate Counsel

Mark T. O'Connor
Investment Officer
Peoples Financial Advisors

Teresa A. Pyles
Security Officer

Carl A. Stanley
Office Manager

Peoples Insurance Agency Officers

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James H. Barengo
Senior Vice President

Randall T. Barengo
Senior Vice President

Thomas G. Chaffin
Senior Vice President

Dana N. Conley
Vice President

Clarence "Jack" Massey
Vice President

David L. Mitchem
Vice President

Thomas C. Phipps
Vice President

Laura V. Covault
Assistant Vice President

Donald J. Landers, Jr.
Treasurer

Charles R. Hunsaker
Secretary

Office Locations



OHIO

Athens County

Athens
Nelsonville
The Plains

Belmont County

Flushing

Fairfield County

Baltimore
Carroll
Lancaster

Franklin County

Westerville

Gallia County

Gallipolis

Guernsey County

Byesville
Cambridge
Quaker City

Meigs County

Middleport
Pomeroy
Rutland

Morgan County

McConnelsville

Noble County

Caldwell

Washington County

Belpre
Lowell
Lower Salem
Marietta
Reno

WEST VIRGINIA

Cabell County

Huntington

Mason County

Point Pleasant

Wetzel County

New Martinsville
Steelton

Wood County

Parkersburg
Vienna

KENTUCKY

Boyd County

Ashland
Summit

Carter County

Grayson

Greenup County

Greenup
Russell