

PEOPLES BANCORP INC  
Form 10-Q  
July 28, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_ to \_\_\_\_

Commission File Number: 0-16772

PEOPLES BANCORP INC.

(Exact name of Registrant as specified in its charter)

Ohio 31-0987416

(State

or

other (I.R.S.

jurisdiction Employer

of Identification

incorporation No.)

or

organization)

138

Putnam

Street,

P.

O. 45750

Box

738,

Marietta,

Ohio

(Address

of

principal (Zip Code)

executive

offices)

Registrant's (740)

telephone 373-3155

number,  
including  
area  
code:

Not  
Applicable  
(Former  
name,  
former  
address and  
former  
fiscal year,  
if changed  
since last  
report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 18,183,754 common shares, without par value, at July 27, 2016.

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## PART I

## ITEM 1. FINANCIAL STATEMENTS

## PEOPLES BANCORP INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollars in thousands)	June 30, 2016	December 31, 2015
Assets		
Cash and due from banks	\$54,096	\$ 53,663
Interest-bearing deposits in other banks	12,248	17,452
Total cash and cash equivalents	66,344	71,115
Available-for-sale investment securities, at fair value (amortized cost of \$750,305 at June 30, 2016 and \$780,304 at December 31, 2015)	772,618	784,701
Held-to-maturity investment securities, at amortized cost (fair value of \$46,143 at June 30, 2016 and \$45,853 at December 31, 2015)	44,306	45,728
Other investment securities, at cost	38,402	38,401
Total investment securities	855,326	868,830
Loans, net of deferred fees and costs	2,128,790	2,072,440
Allowance for loan losses	(17,838)	(16,779)
Net loans	2,110,952	2,055,661
Loans held for sale	4,223	1,953
Bank premises and equipment, net	52,731	53,487
Goodwill	132,631	132,631
Other intangible assets	15,340	16,986
Other assets	95,908	58,307
Total assets	\$3,333,455	\$ 3,258,970
Liabilities		
Non-interest-bearing deposits	\$699,695	\$ 717,939
Interest-bearing deposits	1,833,276	1,818,005
Total deposits	2,532,971	2,535,944
Short-term borrowings	173,512	160,386
Long-term borrowings	147,980	113,670
Accrued expenses and other liabilities	41,239	29,181
Total liabilities	2,895,702	2,839,181
Stockholders' equity		
Preferred stock, no par value, 50,000 shares authorized, no shares issued at June 30, 2016 and December 31, 2015	—	—
Common stock, no par value, 24,000,000 shares authorized, 18,934,758 shares issued at June 30, 2016 and 18,931,200 shares issued at December 31, 2015, including shares in treasury	343,540	343,948
Retained earnings	101,095	90,790
Accumulated other comprehensive income (loss), net of deferred income taxes	11,134	(359)
Treasury stock, at cost, 802,957 shares at June 30, 2016 and 586,686 shares at December 31, 2015	(18,016)	(14,590)
Total stockholders' equity	437,753	419,789
Total liabilities and stockholders' equity	\$3,333,455	\$ 3,258,970

See Notes to the Unaudited Consolidated Financial Statements



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CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 2016	2015
Interest income:				
Interest and fees on loans	\$23,391	\$22,146	\$46,357	\$41,306
Interest and dividends on taxable investment securities	4,738	4,553	9,419	8,916
Interest on tax-exempt investment securities	781	806	1,561	1,402
Other interest income	11	61	27	101
Total interest income	28,921	27,566	57,364	51,725
Interest expense:				
Interest on deposits	1,503	1,618	3,104	3,177
Interest on short-term borrowings	105	31	192	66
Interest on long-term borrowings	1,005	1,124	1,993	2,270
Total interest expense	2,613	2,773	5,289	5,513
Net interest income	26,308	24,793	52,075	46,212
Provision for loan losses	727	672	1,682	1,022
Net interest income after provision for loan losses	25,581	24,121	50,393	45,190
Other income:				
Insurance income	3,299	3,283	7,797	7,595
Trust and investment income	2,776	2,544	5,158	4,591
Electronic banking income	2,567	2,312	5,102	4,292
Deposit account service charges	2,563	2,848	5,166	5,143
Net gain on investment securities	767	11	863	611
Mortgage banking income	265	412	425	715
Net loss on asset disposals and other transactions	(769)	(136)	(800)	(1,239)
Other non-interest income	897	527	1,773	1,098
Total other income	12,365	11,801	25,484	22,806
Other expenses:				
Salaries and employee benefit costs	13,972	14,560	28,297	31,921
Net occupancy and equipment expense	2,581	3,138	5,387	5,433
Professional fees	2,123	1,808	3,582	4,255
Electronic banking expense	1,485	1,320	2,918	2,444
Data processing and software expense	1,013	1,025	1,762	1,760
Amortization of other intangible assets	1,007	1,144	2,015	1,817
Communication expense	584	592	1,212	1,094
FDIC insurance expense	540	530	1,157	954
Franchise tax expense	483	502	1,021	1,050
Marketing expense	414	1,071	812	1,716
Foreclosed real estate and other loan expenses	100	551	351	872
Other non-interest expense	2,203	2,537	4,273	8,376
Total other expenses	26,505	28,778	52,787	61,692
Income before income taxes	11,441	7,144	23,090	6,304
Income tax expense	3,479	2,231	7,133	2,080
Net income	\$7,962	\$4,913	\$15,957	\$4,224
Earnings per common share - basic	\$0.44	\$0.27	\$0.88	\$0.25

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Earnings per common share - diluted	\$0.44	\$ 0.27	\$0.88	\$ 0.24
Weighted-average number of common shares outstanding - basic	17,980,797	18,116,090	18,026,277	16,965,603
Weighted-average number of common shares outstanding - diluted	18,113,811	18,253,918	18,154,260	17,094,095
Cash dividends declared	\$2,904	\$ 2,758	\$5,652	\$ 5,030
Cash dividends declared per common share	\$0.16	\$ 0.15	\$0.31	\$ 0.30

See Notes to the Unaudited Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2016	2015	2016	2015
Net income	\$7,962	\$4,913	\$15,957	\$4,224
Other comprehensive income (loss):				
Available-for-sale investment securities:				
Gross unrealized holding gain (loss) arising in the period	6,421	(6,596 )	18,750	2,287
Related tax (benefit) expense	(2,247 )	2,308	(6,563 )	(800 )
Less: reclassification adjustment for net gain included in net income	767	11	863	611
Related tax expense	(268 )	(4 )	(302 )	(214 )
Net effect on other comprehensive income (loss)	3,675	(4,295 )	11,626	1,090
Defined benefit plans:				
Net gain arising during the period	2	533	2	507
Related tax expense	(1 )	(186 )	(1 )	(177 )
Amortization of unrecognized loss and service cost on benefit plans	46	30	45	62
Related tax expense	(16 )	(9 )	(15 )	(21 )
Recognition of loss due to settlement and curtailment	—	103	—	372
Related tax expense	—	(36 )	—	(130 )
Net effect on other comprehensive income	31	435	31	613
Cash flow hedges:				
Net loss arising during the period	(252 )	—	(252 )	—
Related tax benefit	88	—	88	—
Net effect on other comprehensive loss	(164 )	—	(164 )	—
Total other comprehensive income (loss), net of tax expense	3,542	(3,860 )	11,493	1,703
Total comprehensive income	\$11,504	\$1,053	\$27,450	\$5,927





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CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)

(Dollars in thousands)	Common Shares	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2015	\$343,948	\$90,790	\$ (359 )	\$	\$