

PEOPLES BANCORP INC  
Form 10-Q  
July 24, 2014

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, 2014

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 jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

138 Putnam Street, P. O. Box 738,

45750

Marietta, Ohio

(Address of principal executive  
offices)

(Zip Code)

Registrant's telephone number,  
including area code:

(740) 373-3155

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.

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Large accelerated filer  Accelerated filer  Non-accelerated filer   
(Do not check if a smaller reporting company) 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: 10,929,048 common shares, without par value, at July 23, 2014.

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## PART I

## ITEM 1. FINANCIAL STATEMENTS

## PEOPLES BANCORP INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollars in thousands)	June 30, 2014	December 31, 2013
Assets		
Cash and due from banks	\$ 47,737	\$ 36,016
Interest-bearing deposits in other banks	6,225	17,804
Total cash and cash equivalents	53,962	53,820
Available-for-sale investment securities, at fair value (amortized cost of \$592,954 at June 30, 2014 and \$621,126 at December 31, 2013)	593,803	606,108
Held-to-maturity investment securities, at amortized cost (fair value of \$49,239 at June 30, 2014 and \$46,094 at December 31, 2013)	49,376	49,222
Other investment securities, at cost	21,808	25,196
Total investment securities	664,987	680,526
Loans, net of deferred fees and costs	1,319,352	1,196,234
Allowance for loan losses	(17,384)	)(17,065)
Net loans	1,301,968	1,179,169
Loans held for sale	3,436	1,688
Bank premises and equipment, net	33,122	29,809
Goodwill	71,843	70,520
Other intangible assets	7,430	7,083
Other assets	27,144	36,493
Total assets	\$ 2,163,892	\$ 2,059,108
Liabilities		
Non-interest-bearing deposits	\$ 426,384	\$ 409,891
Interest-bearing deposits	1,234,534	1,170,867
Total deposits	1,660,918	1,580,758
Short-term borrowings	115,869	113,590
Long-term borrowings	118,815	121,826
Accrued expenses and other liabilities	24,019	21,381
Total liabilities	1,919,621	1,837,555
Stockholders' Equity		
Preferred stock, no par value, 50,000 shares authorized, no shares issued at June 30, 2014 and December 31, 2013	—	—
Common stock, no par value, 24,000,000 shares authorized, 11,529,732 shares issued at June 30, 2014 and 11,206,576 shares issued at December 31, 2013, including shares in treasury	176,406	168,869
Retained earnings	85,902	80,898
Accumulated other comprehensive loss, net of deferred income taxes	(2,994)	)(13,244)
Treasury stock, at cost, 603,296 shares at June 30, 2014 and 600,794 shares at December 31, 2013	(15,043)	)(14,970)
Total stockholders' equity	244,271	221,553
Total liabilities and stockholders' equity	\$ 2,163,892	\$ 2,059,108

See Notes to the Unaudited Consolidated Financial Statements



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CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(Dollars in thousands, except per share data)	2014	2013	2014	2013
Interest Income:				
Interest and fees on loans	\$ 14,072	\$ 11,533	\$ 27,445	\$ 22,987
Interest and dividends on taxable investment securities	4,140	4,159	8,480	8,374
Interest on tax-exempt investment securities	446	394	862	773
Other interest income	(42)	)25	(19)	)43
Total interest income	18,616	16,111	36,768	32,177
Interest Expense:				
Interest on deposits	1,466	1,798	3,034	3,737
Interest on short-term borrowings	36	22	68	35
Interest on long-term borrowings	1,069	1,136	2,141	2,275
Total interest expense	2,571	2,956	5,243	6,047
Net interest income	16,045	13,155	31,525	26,130
Provision for (recovery of) loan losses	583	(1,462)	) 591	(2,527)
Net interest income after provision for (recovery of) loan losses	15,462	14,617	30,934	28,657
Other Income:				
Insurance income	3,443	3,220	7,559	6,098
Deposit account service charges	2,227	2,045	4,338	4,102
Trust and investment income	1,933	1,772	3,780	3,474
Electronic banking income	1,562	1,561	3,101	2,980
Mortgage banking income	311	365	538	1,083
Net gain on investment securities	66	26	36	444
Net loss on asset disposals and other transactions	(187)	)(6	) (176	)(11
Other non-interest income	243	253	698	551
Total other income	9,598	9,236	19,874	18,721
Other Expenses:				
Salaries and employee benefit costs	11,241	8,934	22,033	17,651
Net occupancy and equipment	1,739	1,626	3,555	3,484
Professional fees	1,320	1,002	2,174	1,896
Electronic banking expense	951	885	2,033	1,725
Data processing and software	555	488	1,125	949
Franchise tax	442	413	827	826
Marketing expense	413	562	872	1,012
Communication expense	390	361	749	664
FDIC insurance	287	250	547	530
Amortization of other intangible assets	282	164	545	353
Foreclosed real estate and other loan expenses	197	162	332	317
Other non-interest expense	2,186	1,575	4,028	3,200
Total other expenses	20,003	16,422	38,820	32,607
Income before income taxes	5,057	7,431	11,988	14,771
Income tax expense	1,579	2,510	3,727	4,828
Net income	\$ 3,478	\$ 4,921	\$ 8,261	\$ 9,943
Earnings per share - basic	\$ 0.32	\$ 0.46	\$ 0.77	\$ 0.93
Earnings per share - diluted	\$ 0.32	\$ 0.46	\$ 0.76	\$ 0.93
Weighted-average number of shares outstanding - basic	10,755,509	10,576,643	10,696,129	10,566,508

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Weighted-average number of shares outstanding - diluted	10,880,090	10,597,033	10,807,688	10,584,383
Cash dividends declared	\$ 1,634	\$ 1,512	\$ 3,257	\$ 2,807
Cash dividends declared per share	\$0.15	\$0.14	\$0.30	\$0.26

See Notes to the Unaudited Consolidated Financial Statements

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## PEOPLES BANCORP INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
Net income	\$3,478	\$4,921	\$8,261	\$9,943
Other comprehensive income (loss):				
Available-for-sale investment securities:				
Gross unrealized holding gain (loss) arising in the period	7,258	(16,727)	15,898	(16,270)
Related tax (expense) benefit	(2,541)	5,854	(5,565)	5,694
Less: reclassification adjustment for net gain included in net income	66	26	36	444
Related tax expense	(24)	(9)	(13)	(155)
Net effect on other comprehensive income (loss)	4,675	(10,890)	10,310	(10,865)
Defined benefit plans:				
Net loss arising during the period	(126)	—	(1,179)	—
Related tax benefit	43	—	413	—
Amortization of unrecognized loss and service cost on benefit plans	34	52	65	97
Related tax expense	(12)	(18)	(23)	(34)
Recognition of loss due to settlement and curtailment	536	—	1,022	—
Related tax expense	(188)	—	(358)	—
Net effect on other comprehensive income (loss)	287	34	(60)	63
Total other comprehensive income (loss), net of tax	4,962	(10,856)	10,250	(10,802)
Total comprehensive income (loss)	\$8,440	\$(5,935)	\$18,511	\$(859)

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)

(Dollars in thousands)	Common Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2013	\$168,869	\$80,898	\$(13,244)	\$(14,970)	\$221,553
Net income		8,261			8,261
Other comprehensive income, net of tax			10,250		10,250
Cash dividends declared		(3,257)			(3,257)
Reissuance of treasury stock for common stock option exercises				21	21
Tax benefit from exercise of stock options	77				77
Reissuance of treasury stock for deferred compensation plan for Boards of Directors				148	148
Purchase of treasury stock				(359)	(359)
Common shares issued under dividend reinvestment plan	209				209
Common shares issued under compensation plan for Board of Directors	(8)			117	