

With Improved Credit Quality and Earnings, an Experienced Management Team and a Scalable Infrastructure, Peoples Bancorp Inc. is Showing the Ability for Positive Operating Leverage in Terms of Growing Revenues Faster Than Expenses

**Financial
Regional – Midwest Banks
(PEBO-NASDAQ)**

Peoples Bancorp Inc.

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**Charles W. Sulerzyski
President and CEO**

BIO:

Chuck Sulerzyski is President and Chief Executive Officer for Peoples Bancorp Inc. and Peoples Bank, National Association. He was elected to this role by the Peoples Board of Directors on March 24, 2011. He joined the company on April 4, 2011. He is responsible for the future growth and

financial success of Peoples and continues to keep the company focused on being a leading innovative provider of financial products and services.

Prior to joining Peoples, Sulerzyski was employed as President of the Great Lakes Region for KeyBank, N.A. There he managed commercial banking, business banking, private banking and retail banking initiatives for seven districts (2,500 employees, 340 branches) in Ohio, Michigan and Indiana.

Sulerzyski's career in the banking industry spans more than 35 years, 25 of those years spent in various senior-level financial services executive roles. He served as a Managing Director with Marsh & McLennan, Inc., a company located in New York, New York, which provides risk and insurance services. Preceding these positions, he served with The Provident Bank, located in Cincinnati, Ohio, with Fidelity Investments, located in Boston, Massachusetts and with Banc One Corporation located in Columbus, Ohio. While at Banc One, Sulerzyski was CEO of the Investment Management and Trust Group.

Sulerzyski earned his Bachelor of Arts in Economics from New York University and his MBA in Marketing from Fordham University Graduate School of Business. Sulerzyski also holds the National Association of Security Dealers Series 7, 24, and 63 licenses.

Giving back to the community is a value Sulerzyski embraces and encourages. He has served on various boards and service organizations during the past three decades. He has

also successfully integrated his passions for cycling and funding cancer research by participating in numerous long-distance charity cycling tours. Most recently, Sulerzyski was instrumental in leading local fundraising initiatives that raised more than \$23,000 toward cancer research.

Company Profile:

Peoples Bancorp Inc. is the holding company for Peoples Bank, National Association, a diversified financial products and services company with \$1.8 billion in assets. Peoples Bank offers a complete line of banking, investment, insurance, and trust solutions through more than 40 locations and 42 ATMs in Ohio, West Virginia, and Kentucky.

Peoples Bank has been in business for more than 100 years with a strong record of financial stability and growth that has remained unshaken in these uncertain economic times. Peoples Bank is a well-capitalized financial services company that is proud of its history of shareholder dividends.

Peoples Insurance Agency, LLC, a subsidiary of Peoples Bank, provides its clients with a wide range of insurance products and services. Peoples Financial Advisors, a division of Peoples Bank, provides the banks clients with investment and trust solutions. Together, with the banks personal and commercial banking products and services, Peoples Bank has positioned itself to meet the financial needs of all of its clients.

Peoples Bancorp's common shares are traded on the NASDAQ Global Select Market under the symbol "PEBO" and Peoples Bancorp is a

member of the Russell 3000 index of US publicly traded companies.

**Interview conducted by:
Lynn Fosse, Senior Editor**

CEOCFO: Mr. Sulerzyski, Peoples Bank has more than a 100-year history; what is the focus of Peoples Bank today?

Mr. Sulerzyski: We are a community bank in Ohio, West Virginia and Eastern Kentucky. We want to partner with our clients and grow relationships with them. We want to understand their needs and their financial goals and customize a solution for them to meet both.

CEOCFO: How do you get to understand the characteristics of potential client/company? What intangibles are important for Peoples?

Mr. Sulerzyski: Some of that comes from experience. The average experience of our commercial professionals is close to 30 years in the industry. You can learn a lot by looking at financial statements, but you can learn a lot more by talking to the entrepreneur. It is about really understanding and seeing the business, as well as getting an understanding of how they have been driving their business for success and what are their points of emphasis. Therefore, it is a combination of the financial and analytics and then just asking what is going on in their business.

CEOCFO: Is there a particular type of company that Peoples would target as a client?

Mr. Sulerzyski: We are looking for owner occupied commercial real estate opportunities, commercial businesses and manufactures. In our area, we have a bit of an oil and gas boom so we are looking to build relationships with businesses that are related to that industry. Our niche is really the owner operator businesses. While we have commercial clients with sales of up to \$1 billion, the vast majority of our commercial clients have sales of less than \$50 million. They are usually in or close to our

footprint.

CEOCFO: How has the area that Peoples is in fared economically, compared to the rest of the country?

Mr. Sulerzyski: Our area has probably had less of a depression, relative to its normal run rates than the rest of the country. Our area has never been a boom area. We have high unemployment, low average incomes and slower growth. That might be new for certain areas of the country, but our area was hit pretty hard by the demise of US manufacturing.

CEOCFO: What is the competitive landscape like with regard to the local and regional banks and why are people looking at Peoples Bank?

Mr. Sulerzyski: The larger regional banks are doing their activities in the

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large metro areas. So, they are operating out of Columbus, Cincinnati or Pittsburg. However, we are local, which is a huge advantage. They are always having to drive people in, such as many of the higher-level investment people, whereas our people live here and work in the communities we serve, which is a huge advantage. As far as other local banks in the area, there are a bunch of smaller community banks, but in general we have a lot more capabilities, not only in terms of the fact that we can lend more money, but we have a broader set of products and electronic capabilities. There are some banks in the area just north of us, in the \$10 to \$20 billion asset range, that are probably our toughest competitors. This is because they have the ability to lend out more than we do. We have some product superiority, because if you look at our electronic capabilities, we are very

sophisticated and stack up well compared to the largest banks across the country. That is an advantage. However, they are good competitors. They are disciplined from a credit standpoint and I have a lot of respect for them.

CEOCFO: Are there services that Peoples is not currently providing that you would like to add to the mix?

Mr. Sulerzyski: Our international capabilities are not as robust as we will make them in the future. We do not currently have a leasing business, however we are interested in having this line of business.

CEOCFO: Peoples Bank has more than 40 locations, which is more than most typical community banks; how do you make sure that your corporate culture is the same in every bank?

Mr. Sulerzyski: We get together frequently. We communicate broadly in terms of electronic announcements. We just put all of our client facing associates in every line of business, and in every position, through sales training. This sales training addressed what we stand for and how we want to be viewed in the communities, we serve. Every associate in every line of business has had the opportunity to learn the important factors of every other line of business in the company so that regardless of the clients' location, they are provided the same financial solutions. Our commitment to our clients is clear and consistent across all lines of business.

CEOCFO: Do you find that your clients in general are taking advantage of the broad range of services that you offer?

Mr. Sulerzyski: Yes, they are.

CEOCFO: How does Peoples Bank attract new business?

Mr. Sulerzyski: It is a combination of different things. We get some new clients by referrals from centers of influence. Probably the best source of our new client base is from existing clients, making referrals for us. In ad-

dition, we do good old fashion cold calling. We actively work prospect lists and it pays off over time.

CEO CFO: Peoples has very up to date technology; how do you ensure that it is as user friendly as it could be?

Mr. Sulerzyski: We have partnered with some companies that are very adept in technology and knowledgeable of Peoples Bank and its commitment to its clients. We consumer test every aspect of our client focused technology, before we make it available to insure that it is user friendly.

CEO CFO: What is a client of Peoples Bank likely to find different between you and your competitors?

Mr. Sulerzyski: Recently a very large equipment company, that was a 40-year client with a large competitor that had been acquired, transferred its accounts to Peoples Bank. The competitors' client contact representative was going to be 80 miles away after the acquisition however Peoples Bank was big enough and sophisticated enough to provide them the level of service they were accustomed to and with a representative located about 3 miles away from their facility to manage their accounts Peoples Bank was the right choice for them.

Another example would be a large hospital in our footprint. It's a similar story regarding a larger regional bank that changed where the account was serviced and while it worked at first, over time, there was turnover in who was handling the account. That turnover led to a lack of response, because the banker there really lost the client in terms of understanding their needs. Therefore, that hospital consolidated more of their business with us.

I could go on with those types of stories as it relates to large regional banks. We also have stories where smaller companies that have outgrown their local bank, which may be a \$300 or \$400 million bank that can only lend so much money, have chosen to transfer their accounts to Peoples Bank because we can meet their financial needs as the company grows. Similarly, we occasionally lose

a client, because they get too big for us.

CEO CFO: How does Peoples break down between business and consumer, and are you looking to make a change in the mix?

Mr. Sulerzyski: From a loan standpoint, about $\frac{2}{3}$ or our loans are commercial and $\frac{1}{3}$ are consumer. We would like to increase the relative percentage of consumer. Within the commercial space, we would like to do more industrial, manufacturing and healthcare loans. However, we would like to do less real estate loans, because currently our mix is heavily skewed towards real estate.

CEO CFO: What are you doing to attract consumers to Peoples?

Mr. Sulerzyski: We invest in our advertising and are currently in the process of modernizing our signage, our look, our feel and our message. Branch location is very critical so we are also in the process of thinking through our branch system. We build relationships with our commercial clients and get a lot of accounts from our commercial clients' employees as a result of those relationships. Being the financial partner of a commercial client and their employees is beneficial for both the bank and the commercial client.

CEO CFO: What is the financial picture like today for Peoples Bancorp?

Mr. Sulerzyski: We are improving rapidly. Earnings were up pretty significantly last year. We have a long way to go, but we are headed in the right direction. Our credit quality statistics are significantly better than they have been. We are holding our expenses flat and we are very much focused on positive operating leverage in terms of growing revenues faster than expenses. Unfortunately, it has been a number of years since we have done that, but it looks like we will do that this year and we will do it for years to come.

CEO CFO: Is giving back to the community a focus for Peoples?

Mr. Sulerzyski: Giving back to the community is a cornerstone for Peoples Bancorp. It is ingrained in our culture and has been for many years.

For example, in our local community, we are nowhere near the largest employer, but our employees donate more to the United Way than any other company or organization in the area. Our people spend countless hours doing volunteer work for a variety of non-profit organizations. We established a foundation years ago with the sole focus of giving back to our communities and that foundation continues today with the same focus; our dedication to the communities we serve is unwavering. As an example, in the last few years we have been working with the local food banks and are actively trying to understand and hopefully one day, with the help of our community partners, resolve the hunger issues within our communities. We are taking steps with a couple of local community partners, to see if we can make more progress in that area.

CEO CFO: Do you think that your employees pick up on the community involvement because it is part of the corporate culture or does Peoples look to hire people who are likely to give back?

Mr. Sulerzyski: It is a bit of both.

CEO CFO: Do you see potential acquisitions or consolidations in the future of Peoples Bank?

Mr. Sulerzyski: Very much so. We are very interested in acquiring our competitors. This is a tough time for small banks, so we are looking at banks to acquire however, we are also looking at insurance agencies and investment companies.

CEO CFO: Final thoughts, why should investors consider Peoples Bancorp today?

Mr. Sulerzyski: From an investor's standpoint, our ability to grow earnings from where we are standing today is pretty strong. We are looking to get our return on assets north of 1%. We have demonstrated some ability to cut costs. If somebody takes a look at our data, they would see that we are very focused on positive leverage. We have had dramatic improvement in our credit quality and we have a management team and an infrastructure that is very much scalable. Therefore, there is a lot of upside at Peoples.



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