

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PEOPLES BANCORP AND SUBSIDIARIES

Consolidated Condensed Statements of Financial Condition

	<u>March 31, 2010</u> (Unaudited)	<u>September 30, 2009</u>
ASSETS		
Cash and due from financial institutions	\$5,409,553	\$5,433,053
Short-term interest-bearing deposits	2,311,671	3,175,589
Total cash and cash equivalents	<u>7,721,224</u>	<u>8,608,642</u>
Interest-bearing time deposits	0	0
Securities available for sale	171,791,445	173,246,748
Securities held to maturity (approximate fair value \$0 and \$264,118)	0	252,351
Loans:		
Loans	266,811,947	279,696,744
Less: Allowance for loan losses	2,138,155	1,653,931
Net loans	<u>264,673,792</u>	<u>278,042,813</u>
Loans held for sale	410,500	839,400
Premises and equipment	5,289,656	5,555,970
Federal Home Loan Bank of Indianapolis stock, at cost	4,462,500	4,462,500
Goodwill	2,330,198	2,330,198
Cash surrender value of life insurance	8,560,203	8,377,308
Other assets	6,905,011	6,125,797
Total assets	<u>\$472,144,529</u>	<u>\$487,841,727</u>
LIABILITIES		
NOW and savings deposits	\$159,240,797	\$150,528,982
Certificates of deposit	178,559,534	184,184,838
Total deposits	<u>337,800,331</u>	<u>334,713,820</u>
Short-term borrowings	2,930,343	1,255,599
Federal Home Loan Bank advances	69,662,704	87,250,000
Other liabilities	2,733,345	3,751,568
Total liabilities	<u>413,126,723</u>	<u>426,970,987</u>
Commitments and Contingent Liabilities	0	0
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$1;		
Authorized and unissued - 5,000,000 shares	0	0
Common stock, par value\$1;		
Authorized - 7,000,000 shares:		
Issued and outstanding - 2,559,747 and 2,667,725 shares	2,559,747	2,667,725
Additional paid-in capital	0	0
Retained earnings	54,794,955	55,467,946
Accumulated other comprehensive loss	1,663,104	2,735,069
Total stockholders' equity	<u>59,017,806</u>	<u>60,870,740</u>
Total liabilities and stockholders' equity	<u>\$472,144,529</u>	<u>\$487,841,727</u>

See notes to consolidated condensed financial statements.

PEOPLES BANCORP AND SUBSIDIARIES

Consolidated Condensed Statements of Income
(Unaudited)

	Three months ended		Six months ended	
	March 31,		March 31,	
	2010	2009	2010	2009
Interest Income:				
Loans	\$4,092,745	\$4,798,171	\$8,215,780	\$9,649,666
Securities	1,419,844	1,165,184	2,966,640	2,286,942
Other interest and dividend income	23,272	(4,200)	53,921	55,967
	<u>5,535,861</u>	<u>5,959,155</u>	<u>11,236,341</u>	<u>11,992,575</u>
Interest Expense:				
NOW and savings deposits	147,384	194,924	328,034	442,065
Certificates of deposit	1,170,697	1,474,148	2,445,671	2,909,952
Short-term borrowings	5,421	1,294	9,216	3,160
Federal Home Loan Bank advances	828,873	823,186	1,706,903	1,657,923
	<u>2,152,375</u>	<u>2,493,552</u>	<u>4,489,824</u>	<u>5,013,100</u>
Net Interest Income	<u>3,383,486</u>	<u>3,465,603</u>	<u>6,746,517</u>	<u>6,979,475</u>
Provision for losses on loans	<u>310,723</u>	<u>100,000</u>	<u>738,680</u>	<u>256,095</u>
Net Interest Income After Provision for Losses on Loans	<u>3,072,763</u>	<u>3,365,603</u>	<u>6,007,837</u>	<u>6,723,380</u>
Non-Interest Income:				
Trust income	95,394	90,260	225,671	215,320
Net gains on sale of loans	73,132	221,783	196,324	254,932
Gains/(loss) on sale of securities	143,812	191,574	457,204	331,567
Fees and service charges	286,102	264,255	606,253	564,920
Other income	112,685	84,744	245,604	187,482
	<u>711,125</u>	<u>852,616</u>	<u>1,731,056</u>	<u>1,554,221</u>
Non-Interest Expense:				
Salaries and employee benefits	1,654,449	1,806,152	3,376,333	3,506,954
Net occupancy expenses	257,670	256,418	483,163	507,047
Equipment expenses	192,841	223,164	380,034	452,653
Data processing expense	137,569	91,609	261,681	177,833
Deposit insurance expense	126,746	125,250	239,452	175,500
Other expenses	533,121	601,849	1,111,943	1,173,886
	<u>2,902,396</u>	<u>3,104,442</u>	<u>5,852,606</u>	<u>5,993,873</u>
Income Before Income Tax	<u>881,492</u>	<u>1,113,777</u>	<u>1,886,287</u>	<u>2,283,728</u>
Income tax expense	<u>120,747</u>	<u>242,492</u>	<u>281,929</u>	<u>510,284</u>
Net Income	<u>\$760,745</u>	<u>\$871,285</u>	<u>\$1,604,358</u>	<u>\$1,773,444</u>
Basic Income Per Common Share	\$0.30	\$0.32	\$0.62	\$0.64
Diluted Income Per Common Share	\$0.30	\$0.32	\$0.62	\$0.64
Dividends Declared Per Common Share	\$0.19	\$0.19	\$0.38	\$0.38

See notes to consolidated condensed financial statements.