



ESTABLISHED 1997

# PEOPLES BANCORP, INC.

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September 15, 2016

**Re: Semi-Annual Dividend**

**Greetings and salutations to our Shareholders! The Bank continues to make improvements in its return to profitability. Earnings totaled \$656,879 for the first six months ending June 30, 2016; up from \$409,647 for the prior year, representing a 60% increase. The team efforts of bank management, the Board, bank employees and our insurance professionals at FAM&M have all contributed to this achievement.**

**Improving shareholder value is still our most important strategic objective. Our stock price on the Over-the-Counter (OTC) market has recently traded as high as \$22.50 per share representing a significant improvement over the last year. Additionally, one of our top priorities is the continued payment of dividends. Based upon our year to date earnings, we are pleased to report today's payment of \$0.23 per share for shareholders of record as of July 27, 2016. Future dividends will continue be evaluated on a six-month cycle based upon profitability for the previous period.**

**In addition to cash dividends, the Board of Directors is considering stock buy-back opportunities. Such buybacks would enhance remaining shareholders percentage of ownership, book value and earnings per share.**

**Despite noted improvement, our core earnings remain a challenge. The primary factor remains the real estate market and economy in Kent County and the current interest rate environment. Economic conditions within our core market continue to lag behind adjacent markets. To that end I am pleased to report the opening of our Easton location at 204 N. Washington Street on July 25, 2016. This strategic move allows for diversification into adjacent markets that are experiencing population growth and more robust real estate activity.**

**I again want to express our thanks for your loyalty and support. We continue in our quest to remain the best community bank on the Eastern Shore.**

**Ralph Dowling  
President and CEO**