



ESTABLISHED 1997

# PEOPLES BANCORP, INC.

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November 1, 2016

Dear Shareholder,

I am pleased to report progress in two significant areas. First, our profitability continues to improve. Earnings for the period ending September 30, 2016 totaled \$1,007,000 representing an increase of 42.7% over prior year earnings for the same period. This is primarily due to ongoing expense controls and an increase in our level of earning loans. This increase was in part driven by our expansion into the Talbot County market strengthened with our new branch location in Easton.

The second part of my message relates to a significant stock transaction in Peoples Bancorp stock. The Holding Company was provided the opportunity to buy back 50,594 shares of outstanding stock at \$24 per share, well below the September 30, 2016 book value of \$31.91 per share. As a result of the transaction, we have repurchased and retired these shares of outstanding stock, which represented a 6.49% position in the outstanding shares. The repurchase increases your pro rata share of ownership in the Company, essentially acting as a tax free enhancement to your stock position.

This transaction was submitted for review and non-objection to our regulators, and the Investment Banking firm of FIG Partners, Inc., one of the "Market Makers" in our stock who evaluated the proposed transaction for "fair value". The terms and conditions of the repurchase were deemed to be at "fair value", and beneficial to the Company and remaining shareholders.

The Board of Directors continues in its endeavors to provide our shareholders with value enhancement, return on investment, and transparency of operation. We appreciate your ownership and continued support.

Ralph Dowling  
President & CEO