

PEOPLES BANCORP INC
Form 11-K
June 24, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
Or

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
For the transition period from _____ to _____ .
Commission file number 0-16772

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Peoples Bancorp Inc. Retirement Savings Plan
138 Putnam Street, P.O. Box 738
Marietta, Ohio 45750
Attn: Retirement Plan Committee

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Peoples Bancorp Inc.
138 Putnam Street, P.O. Box 738
Marietta, Ohio 45750

Peoples Bancorp Inc. Retirement Savings Plan
December 31, 2014 and 2013

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Report of Independent Registered Public Accounting Firm

Plan Administrator
Peoples Bancorp Inc. Retirement Savings Plan
Marietta, Ohio

We have audited the accompanying statements of net assets available for benefits of the Peoples Bancorp Inc. Retirement Savings Plan ("Plan") as of December 31, 2014 and 2013, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Peoples Bancorp Inc. Retirement Savings Plan as of December 31, 2014, and 2013, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule H, Line 4i – Schedule of Assets (Held at End of Year) has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the Schedule H, Line 4i – Schedule of Assets (Held at End of Year) is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ BKD, LLP

Cincinnati, Ohio
June 24, 2015

Federal Employer Identification Number: 44-0160260

Peoples Bancorp Inc. Retirement Savings Plan
Statements of Net Assets Available for Benefits
December 31, 2014 and 2013

	2014	2013
Assets:		
Investments, at fair value	\$40,316,793	\$35,675,650
Employer's contributions receivable	48,157	39,463
Notes receivable from participants	553,281	466,566
Net assets available for benefits, at fair value	\$40,918,231	\$36,181,679

Peoples Bancorp Inc. Retirement Savings Plan
 Statements of Changes in Net Assets Available for Benefits
 Years Ended December 31, 2014 and 2013

	2014	2013
Investment income:		
Net appreciation in fair value of investments	\$981,174	\$4,887,472
Interest and dividends	1,908,616	1,239,448
Net investment income	2,889,790	6,126,920
Interest income on notes receivable from participants:	25,155	23,016
Contributions:		
Employer	1,123,574	989,655
Participants	2,073,312	1,773,917
Rollovers	548,022	157,182
Total contributions	3,744,908	2,920,754
Total increases	6,659,853	9,070,690
Deductions:		
Benefits paid to participants	1,846,397	2,819,598
Administrative expenses	76,904	65,301
Total deductions	1,923,301	2,884,899
Net increase	4,736,552	6,185,791
Net assets available for benefits, beginning of year	36,181,679	29,995,888
Net assets available for benefits, end of year	\$40,918,231	\$36,181,679

Peoples Bancorp Inc. Retirement Savings Plan
Notes to Financial Statements
December 31, 2014 and 2013

Note 1. Description of the Plan

The following is a description of the Peoples Bancorp Inc. Retirement Savings Plan (“the Plan”) and provides only general information. Participants should refer to the Plan Document and Summary Plan Description for a more complete description of the Plan's provisions, which are available from the Plan administrator.

General

The Plan is a defined contribution plan sponsored by Peoples Bancorp Inc. (“Peoples”) for the benefit of its eligible employees age 21 or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”). Reliance National Trust Company is the trustee and serves as the custodian of the Plan.

The Plan consists of both an Employee Stock Ownership Plan (“ESOP”) component and a non-ESOP component. Peoples intends both components together to constitute a single plan under U.S. Treasury Regulation Section 1.414(1)-1(b)(1). Accordingly, the provisions set forth in the other sections of the Plan apply to the ESOP component in the same manner as those provisions apply to the non-ESOP component, except to the extent that those provisions by their terms are inapplicable to the ESOP component.

Employee Stock Ownership Plan

The ESOP component of the Plan is not leveraged and is designed to invest primarily in Peoples common stock. The ESOP component consists of the portion of the assets of the Plan that are invested in the Peoples Bancorp Inc. Common Stock Fund. The ESOP feature is intended to qualify as a stock bonus plan under Internal Revenue Code Section 401(a) and as an employee stock ownership plan under Internal Revenue Code Section 4975(e)(7).

Contributions

The Plan permits eligible employees through a salary deferral election to make annual contributions of up to 100% of eligible compensation. Effective January 1, 2013, the Plan was amended to allow for Roth contributions. Employee rollover contributions are also permitted to be made to the Plan. In 2014 and 2013, Peoples made matching contributions equal to 100% of the employees' salary deferral amounts up to 3% of the employees' compensation and 50% of the employees' salary deferral amounts on the next 2% of the employees' compensation. Peoples' profit-sharing contributions are discretionary as determined by the Peoples' Board of Directors (none were made in 2014 and 2013). Contributions are subject to certain limitations.

Participant Investment Account Options

Investment account options available include various funds. Participants direct the investment of their contributions and Peoples' matching contributions into any of the separate investment accounts and may change their allocations daily.

The Plan document also includes an automatic deferral feature whereby a participant is treated as electing to defer a certain percentage of eligible compensation unless the participant made an affirmative election otherwise. In 2013 the automatic deferral was 2% of compensation and was increased to 5% in 2014.

Peoples Bancorp Inc. Retirement Savings Plan
Notes to Financial Statements
December 31, 2014 and 2013

Participant Accounts

Each participant's account is credited with the participant's contribution, Peoples' contribution and plan earnings, and is charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefits to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are immediately vested in their voluntary contributions as well as Peoples' matching and profit sharing contributions plus earnings thereon.

Payment of Benefits

Upon termination of service, an employee may elect to receive either a lump-sum amount equal to the value of his or her account, or monthly, quarterly, or annual installments over a period of not more than the participant's assumed life expectancy. At December 31, 2014 and 2013, Plan assets did not include any accounts of terminated or retired participants who have elected payment from the Plan but have not yet been paid.

Notes Receivable from Participants

The Plan document includes provisions authorizing loans from the Plan to active eligible participants. Loans are made to any eligible participant demonstrating a qualifying need. The minimum amount of a loan shall be \$1,000.

Participants may only have one loan outstanding at any given time. The maximum amount of a participant's loan is determined by the available loan balance restricted to the lesser of \$50,000 or 50% of the participant's vested account balance. All loans are covered by demand notes and are repayable over a period not to exceed five years (except for loans for the purchase of a principal residence, which may exceed the five year term with approval from the Plan administrator) through payroll withholdings unless the participant is paying the loan in full. Interest on the loans is based on local prevailing rates as determined by the Plan administrator.

Notes receivable from participants are reported at amortized principal balance plus accrued but unpaid interest. The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. Delinquent loans are recorded as distributions once deemed uncollectible, and are a reduction to the participant's account balance.

All interest accrued but not collected for loans placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Plan Termination

Although it has not expressed an intention to do so, Peoples has the right under the Plan to discontinue its matching contributions at any time and to terminate the Plan, subject to the provisions of ERISA.

Peoples Bancorp Inc. Retirement Savings Plan
Notes to Financial Statements
December 31, 2014 and 2013

Note 2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the financial statements:

Method of Accounting

The accompanying financial statements are prepared on the accrual method of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of net assets, changes in net assets, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Valuation of Investments and Income Recognition

Investments are stated at fair value based on quoted market prices on the valuation date. Investments traded on a national securities exchange are valued at the last reported sales price on the last business day of the plan year; investments traded on the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

The investment in Peoples common stock has been unitized and is comprised of cash and Peoples common stock. The Plan holds between 3% and 5% of these units in cash in order to provide liquidity for timely distributions. At December 31, 2014 and 2013, these units are comprised of 198,920 and 203,008 shares of Peoples common stock and cash of \$280,371 and \$226,363, respectively.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis while dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

Plan Tax Status

The Plan obtained its latest determination letter in January 2015, in which the Internal Revenue Service stated that the Plan and related trust, as then designed, were in compliance with the applicable requirements of the Internal Revenue Code and therefore, not subject to tax. The Plan has been amended since receiving the determination letter. However, the Plan administrator believes the Plan (and the related trust) are currently designed and being operated in compliance with applicable requirements of the Internal Revenue Code.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Peoples Bancorp Inc. Retirement Savings Plan
Notes to Financial Statements
December 31, 2014 and 2013

Note 3. Investments

The Plan's investments are held by a bank-administered trust fund. The following table presents those investments that represent 5% or more of the Plan's total assets, at fair value as of December 31:

	2014	2013
Mutual funds:		
Vanguard Total Stock Market Index Admiral	\$3,953,030	\$ (a)
Vanguard Primecap Core Investment	3,744,585	3,075,029
Artisan Mid Cap Fund	2,792,747	(a)
Mainstay Large Cap Growth-I Fund	2,518,165	2,289,591
Fidelity Retirement Government Money Market	2,377,955	2,433,729
T.Rowe Price Balanced Fund	2,324,699	2,066,939
Columbia Mid Cap Index Fund-Z	2,319,314	2,076,898
Vanguard Total Stock Market Index Signal	(a)	3,851,002
Columbia Acorn Fund-Z	(a)	2,666,877
Harbor International Equity-I Fund	(a)	2,170,797
Other investments:		
Peoples Bancorp Inc. Common Stock Fund Units	5,438,371	4,796,068

(a) The investment comprised less than 5% of the Plan's total assets at the respective year-end.

The following table details the net appreciation (depreciation) of the Plan's investments during the years ended December 31, including realized gains and losses on those investments bought, sold and held during the period:

	2014	2013
Mutual funds:		
Blended Funds	\$412,863	\$2,153,205
Income Funds	127,768	475,055
Small Cap	7,667	493,743
Large Cap	6,761	544,112
Mid Cap	(67,684) 521,921
International Funds	(197,751) 268,666

Other investments:

Peoples Bancorp Inc. Common Stock Fund Units	691,550	430,770
Net appreciation in fair value	\$981,174	\$4,887,472

Interest and dividends realized on the Plan's investments for the years ended 2014 and 2013 were \$1,908,616 and \$1,239,448, respectively.

Peoples Bancorp Inc. Retirement Savings Plan
Notes to Financial Statements
December 31, 2014 and 2013

Note 4. Fair Value Measurements

The measurement of fair value under US GAAP uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described below. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Level 1: Quoted prices in active exchange markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for single dealer nonbinding quotes not corroborated by observable market data.

There have been no significant changes in the valuation techniques during the year ended December 31, 2014. The Plan had no liabilities measured at fair value on a recurring basis. In addition, the Plan had no assets or liabilities measured at fair value on a non-recurring basis. The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, including the general classification of such instruments pursuant to the fair value hierarchy:

Mutual Funds: These investments are valued using quoted prices in an active market and classified within Level 1 of the valuation hierarchy.

Peoples Bancorp common stock units: Peoples Bancorp common stock units are held in a unitized fund and are comprised of cash and common stock in Peoples Bancorp Inc. The underlying common stock is valued at the closing price of the common stock reported on the NASDAQ Global Select Market® under the symbol "PEBO" and is classified within Level 1 of the valuation hierarchy.

Peoples Bancorp Inc. Retirement Savings Plan
Notes to Financial Statements
December 31, 2014 and 2013

Investments measured at fair value on a recurring basis comprised the following at December 31:

	Fair Value Measurements at Reporting Date Using			Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
2014				
Mutual funds:				
Blended Funds	\$20,345,223	\$—	\$—	\$20,345,223
Income Funds	2,197,915	—	—	2,197,915
International Funds	2,089,464	—	—	2,089,464
Large Cap	2,518,165	—	—	2,518,165
Mid Cap	5,334,894	—	—	5,334,894
Small Cap	2,392,761	—	—	2,392,761
Other investments:				
Peoples Bancorp Inc. Common Stock Fund Units	5,438,371	—	—	5,438,371
Total	\$40,316,793	\$—	\$—	\$40,316,793
2013				
Mutual funds:				
Blended Funds	\$16,147,017	\$—	\$—	\$16,147,017
Income Funds	5,355,159	—	—	5,355,159
International Funds	2,445,310	—	—	2,445,310
Large Cap	2,289,591	—	—	2,289,591
Mid Cap	2,360,266	—	—	2,360,266
Small Cap	2,282,239	—	—	2,282,239
Other investments:				
Peoples Bancorp Inc. Common Stock Fund Units	4,796,068	—	—	4,796,068
Total	\$35,675,650	\$—	\$—	\$35,675,650

Peoples Bancorp Inc. Retirement Savings Plan
Notes to Financial Statements
December 31, 2014 and 2013

Note 5. Party-in-Interest Transactions

Party-in-interest transactions include those with fiduciaries or employees of the Plan, any person who provides services to the Plan, an employer whose employees are covered by the Plan, and an employee organization whose members are covered by the Plan, a person who owns 50 percent or more of such employer or employee association or relatives of such persons.

The Plan holds common stock of Peoples, which is the plan sponsor. The Plan also invests in certain funds of the Plan trustee. Certain administrative services are provided at no cost to the Plan by Peoples. The Plan paid \$76,904 and \$65,301 of record keeping fees to Mass Mutual Retirement Services, LLC during 2014 and 2013, respectively.

Note 6. Risks and Uncertainties

The Plan provides for various investments in common stock and mutual funds. Such investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of these investments will occur in the near term and such changes could materially affect the amounts reported in the statements of net assets available for benefits and participant account balances. Peoples Bancorp Stock represented 13% of the total value of assets held in the Plan at December 31, 2014.

Note 7. Current Economic Conditions

The current economic environment presents employee benefit plans with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments. The financial statements have been prepared using values and information currently available to the Plan.

Given the volatility of current economic conditions, the values of assets recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values that could negatively impact the Plan.

Note 8. Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were issued for Public Company Accounting Oversight Board.

Effective on and after January 1, 2015, shares of Peoples Bancorp Inc. were frozen as an investment option.

Participants are not permitted to purchase new shares of Peoples Bancorp Inc. on and after such date. However, all shares of Peoples Bancorp Inc. currently in Participants' accounts will remain until Participant decides to sell such shares.

Starting on the close of the business May 22, 2015, a new investment option was added to the Plan: Vanguard Equity-Income Inv (VEIPX). Also, starting on the close of the business May 22, 2015, another investment option was no longer available through the Plan: American Century Equity-Income Inv (TWEIX).

Peoples Bancorp Inc. Retirement Savings Plan
 Notes to Financial Statements
 December 31, 2014 and 2013

Note 9. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2014 and 2013, to Form 5500:

	2014	2013
Net assets available for benefits per the financial statements	\$40,918,231	\$36,181,679
Employer's contribution receivable	(48,157)(39,463
Net assets available for benefits per Form 5500	\$40,870,074	\$36,142,216

The following is a reconciliation of employers' contributions per the financial statements for the year ended December 31, 2014, to Form 5500:

	2014
Employer's contributions per the financial statements	\$1,123,574
Add: Employer's contribution receivable at December 31, 2013	39,463
Less: Employer's contribution receivable at December 31, 2014	(48,157
Employer's contributions per Form 5500	\$1,114,880

Supplemental Schedule

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Peoples Bancorp Inc. Retirement Savings Plan
 EIN 31-0987416 PN 002
 Schedule H, Line 4i – Schedule of Assets (Held at End of Year)
 December 31, 2014

(a)(b) Identity of Issuer	(c) Description of Investment		(e) Current Value
Allianz NFJ Small Cap Value Instrument	8,624	units	\$239,824
American Century Mid Cap Value Institutional	13,538	units	222,833
American Century Strategic Allocation Conservative Institutional	41,143	units	240,275
American Century Strategic Allocation Aggressive Institutional	73,827	units	598,734
American Century Strategic Allocation Moderate Institutional	73,697	units	515,876
American Century Equity Income Fund Investment	31,678	units	277,185
Artisan Mid Cap Investment	61,460	units	2,792,747
Blackrock Global Allocation-I Fund	16,412	units	326,104
Columbia Mid Cap Index Fund-Z	149,827	units	2,319,314
Dodge and Cox Income	121,882	units	1,679,531
Fidelity Retirement Government Money Market	2,377,955	units	2,377,955
Fidelity Spartan International Index Investment	5,192	units	193,246
Harbor International Equity-I Fund	27,221	units	1,763,360
Mainstay Large Cap Growth-I Fund	240,742	units	2,518,165
* Peoples Bancorp Stock	331,198	units	5,438,371
PIMCO Low Duration Institutional Class	191,308	units	1,920,730
T Rowe Price Balanced Fund	101,560	units	2,324,699
T Rowe Price New Horizons	10,925	units	478,300
T Rowe Price Retirement 2005	19,588	units	254,644
T Rowe Price Retirement 2010	2,133	units	37,826
T Rowe Price Retirement 2015	5,934	units	85,867
T Rowe Price Retirement 2020	40,761	units	844,159
T Rowe Price Retirement 2025	46,842	units	735,894
T Rowe Price Retirement 2030	33,869	units	779,672
T Rowe Price Retirement 2035	26,892	units	448,023
T Rowe Price Retirement 2040	19,630	units	469,546
T Rowe Price Retirement 2045	32,744	units	523,900
T Rowe Price Retirement 2050	40,101	units	537,761
Vanguard Primecap Core Investment	173,040	units	3,744,585
Vanguard Small Cap Index Admiral	29,974	units	1,674,637
Vanguard Total Stock Market Index Admiral	76,609	units	3,953,030
* Participant loans (Interest rates - 5.25%, maturing between March 3, 2015 and December 31, 2019)			553,281
Assets held at end of year			\$40,870,074

* Parties-in-interest

Cost information is not required for participant-directed investments and, therefore, is not included.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

PEOPLES BANCORP INC.
RETIREMENT SAVINGS PLAN

Date: June 24, 2015

By: /s/ TYLER WILCOX
Tyler Wilcox
Senior Vice President, Director of Human Resources
Chairperson, Retirement Plan Committee

Exhibit Index

Exhibit Number	Description
23.1	Consent of Independent Registered Public Accounting Firm