PNM RESOURCES
Form 5
January 17, 2003

FORM 5

_ Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

_ Form 3 Holdings Reported

_ Form 4 Transactions Reported

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

ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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1. Name and Address of Reporting Person* **ORTIZ, PATRICK T.** (Last) (First) (Middle) **ALVARADO SQUARE** **MS 2822** (Street) **ALBUQUERQUE, NM 87158** (City) (State) (Zip)	2. Issuer Name **and** Ticker or Trading Symbol **PNM RESOURCES, INC. - PNM**		6. Relationship of Reporting Person(s) to Issuer (Check all applicable) _ Director _ 10% Owner X Officer (give title below) _ Other (specify below) **SENIOR VICE PRESIDENT, GENERAL COUNSEL & SECRETARY**
	3. I.R.S. Identification Number of Reporting Person, if an entity (voluntary)	4. Statement for Month/Year **01/17/03**	
		5. If Amendment, Date of Original (Month/Year)	7. Individual or Joint/Group Filing (Check Applicable Line) X Form filed by One Reporting Person _ Form filed by More than One Reporting Person

Table I Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/ Day/ Year)	2A. Deemed Execution Date, if any (Month/Day/ Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 & 5)			5. Amount of Securities Beneficially Owned at End of Issuer's Fiscal year (Instr. 3 & 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
				Amount	(A) or (D)	Price			
COMMON STOCK	**12/31/02**	**12/31/02**	**G**	**362**	**D**		**3058**(1)	**D**	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.
* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

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FORM 5 (continued) Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/	3A. Deemed Execution Date, if any (Month/	4. Transaction Code (Instr.	5. Number of Derivative Securities Acquired	6. Date Exercisable and Expiration Date (Month/Day/ Year)	7. Title and Amount of Underlying Securities (Instr. 3 & 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned	10. Ownership Form of Derivative	11. Nature of Indirect Beneficial Ownership (Instr. 4)

		Day/ Year)	Day/ Year)	8)	(A) or Disposed of (D) (Instr. 3, 4 & 5)							at End of Year (Instr. 4)	Security: Direct (D) or Indirect (I) (Instr. 4)	
					(A)	(D)	Date Exer-cisable	Expira-tion Date	Title	Amount or Number of Shares				

Explanation of Responses:

(1) TOTAL INCLUDES 42 SHARES OF PNM RESOURCES, INC. COMMON STOCK ACQUIRED UNDER THE PNM DIVIDEND REINVESTMENT PLAN AND 1264 SHARES ACQUIRED UNDER THE PNM RESOURCES, INC. 401(K) PLAN. INFORMATION IN THIS REPORT IS BASED ON A PLAN STATEMENT DATED 12/31/02

By: /s/ **Patrick T. Ortiz** **01/17/03**
Patrick T. Ortiz Date
**Signature of Reporting Person

**Intentional misstatements or omissions of facts constitute Federal Criminal Violations.
See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed.
If space is insufficient, See Instruction 6 for procedure.

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If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).**Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).**(1)**This amended form 4 is being filed to reflect Mr. West's beneficial holdings as 11,372,282. It was incorrectly stated in the prior form 4.
Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. t style="DISPLAY: inline; FONT-FAMILY: times new roman; FONT-SIZE: 10pt">
Taxable

1,323
(1,355)
(32)

(698)
(284)
(982)

(4,257)
1,452
(2,805)

Nontaxable

(19)
(25)
(44)

(35)
(107)

	(142)
	(86)
	(373)
	(459)
Total investment income	
	1,304
	(1,380)
	(76)
	(733)
	(391)
	(1,124)
	(4,343)
	1,079
	(3,264)
Loans:	
Commercial	
	(67)
	(191)
	(258)
	(357)
	(730)
	(1,087)
	(1,061)
	(1,710)
	(2,771)
Real estate	
	39
	(75)
	(36)
	(335)
	(135)
	(470)
	(1,579)
	(576)
	(2,155)
Consumer	
	(4)
	(3)
	(7)
	66
	(296)
	(230)

23
(456)
(433)
Total loan income
(32)
(269)
(301)

(626)
(1,161)
(1,787)

(2,617)
(2,742)
(5,359)
Total interest income
1,272
(1,638)
(366)

(1,359)
(1,542)
(2,901)

(6,960)
(1,667)
(8,627)
INTEREST EXPENSE:

Deposits:

Savings accounts
–
1
1

(116)
(11)
(127)

(303)
(21)
(324)
Interest-bearing demand accounts
12
9
21

(696)
544

(152)

(844)
473
(371)
Money market accounts
(190)
45
(145)

(1,005)
825
(180)

(795)
645
(150)
Brokered certificates of deposit
–
4
4

(23)
(142)
(165)

(86)
112
26
Retail certificates of deposit
(33)
(108)
(141)

(650)
(523)
(1,173)

(2,549)
(1,894)
(4,443)
Total deposit cost
(211)
(49)
(260)

(2,490)
693
(1,797)

(4,577)

	(685)
	(5,262)
Borrowed funds:	
Short-term borrowings	
	(13)
	9
	(4)
	(40)
	(8)
	(48)
	(171)
	(8)
	(179)
Long-term borrowings	
	(27)
	(191)
	(218)
	(191)
	(659)
	(850)
	(614)
	(1,956)
	(2,570)
Total borrowed funds cost	
	(40)
	(182)
	(222)
	(231)
	(667)
	(898)
	(785)
	(1,964)
	(2,749)
Total interest expense	
	(251)
	(231)
	(482)
	(2,721)
	26
	(2,695)
	(5,362)
	(2,649)

	(8,011)
Net interest income	
	$1,523
	$(1,407)
	$116
	$1,362
	$(1,568)
	$(206)
	$(1,598)
	$982
	$(616)

(1) The change in interest due to both rate and volume has been allocated to rate and volume changes in proportion to the relationship of the dollar amounts of the change in each.

Third quarter 2010 net interest income was held stable as management's successful efforts to reduce funding costs negated the pressure on interest income from lower average loan balances, a flattening of the yield curve and corresponding lower reinvestment rates. Net interest margin expansion occurred during the third quarter of 2010 primarily as a result of balance sheet deleveraging during the quarter.

Compared to the prior year, average loan balances for the three and nine months ended September 30, 2010, were impacted by commercial loan payoffs and write-downs, plus lower demand for loans due to economic conditions. In addition, increased competition for consumer and real estate loans has hindered Peoples' ability to grow these balances. Average investment securities decreased in the third quarter of 2010 from the linked quarter, reflecting the planned reduction of the investment portfolio as part of a balance sheet deleveraging strategy executed during the third quarter. Asset yields continue to be affected by lower reinvestment rates.

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During the second and third quarters of 2010, Peoples lowered its pricing on certain non-core deposits, leading to a reduction in deposit costs. This pricing strategy has caused some of the change in deposit mix, as some customers have opted to reinvest maturing short-term certificates of deposit into money market accounts, which were priced competitively. Sustained deposit growth in recent quarters has enabled Peoples to reduce borrowings, while the third quarter 2010 deleveraging strategy also contributed to the linked quarter decline.

During the fourth quarter of 2010 and continuing in 2011, Peoples' balance sheet strategies could include additional deleveraging. Demand for new loans remains weak due to the lack of any real improvement in economic conditions in Peoples' markets. Additionally, further reductions in investment securities could occur given the lack of current investment opportunities that satisfy management's risk-reward criteria. As a result, management believes there will be downward pressure on net interest income and margin unless the Federal Reserve takes steps to raise short-term interest rates.

Detailed information regarding changes in the Consolidated Balance Sheets can be found under appropriate captions of the "FINANCIAL CONDITION" section of this discussion. Additional information regarding Peoples' interest rate risk and the potential impact of interest rate changes on Peoples' results of operations and financial condition can be found later in this discussion under the caption "Interest Rate Sensitivity and Liquidity".

Provision for Loan Losses

The following table details Peoples' provision for loan losses:

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	
(Dollars in thousands)	2010	2010	2009	2010	2009
Provision for checking account overdrafts	$219	$179	$268	$418	$565
Provision for other loan losses	7,786	5,279	9,900	19,546	18,400
Total provision for loan losses	$8,005	$5,458	$10,168	$19,964	$18,965
As a percentage of average gross loans (annualized)	3.12%	2.10%	3.69%	2.57%	2.30%

The provision for loan losses reflects amounts needed to maintain the adequacy of the allowance for loan losses based on management's formal quarterly analysis of the loan portfolio and procedural methodology that estimates the amount of probable credit losses. This process considers various factors that affect losses, such as changes in Peoples' loan quality, historical loss experience and current economic conditions.

Additional information regarding changes in the allowance for loan losses and loan credit quality can be found later in this discussion under the caption "Allowance for Loan Losses".

Non-Interest Income

Deposit account service charges comprised the largest portion of third quarter 2010 non-interest income. The following table details Peoples' deposit account service charges:

Three Months Ended

(Dollars in thousands)	September 30, 2010	June 30, 2010	September 30, 2009	Nine Months Ended September 30, 2010	2009
Overdraft fees	$1,778	$1,860	$2,094	$5,232	$5,816
Non-sufficient funds fees	346	342	387	1,002	1,073
Other fees and charges	291	255	222	936	829
Total deposit account service charges	$2,415	$2,457	$2,703	$7,170	$7,718

The amount of deposit account service charges, particularly fees for overdrafts and non-sufficient funds, is largely dependent on the timing and volume of customer activity. As a result, the amount ultimately recognized by Peoples can fluctuate each quarter. Peoples experiences some seasonal changes in overdraft and non-sufficient funds fees, primarily in the first and fourth quarters. Typically, the volume of overdraft and non-sufficient funds fees are lower in the first quarter attributable to customers receiving income tax refunds, while volumes generally increase in the fourth quarter in connection with the holiday shopping season. While new regulations governing overdraft fees became effective during the third quarter of 2010 that limited the ability for banks to impose overdraft fees on certain transactions, the lower overdraft fees versus both the linked quarter and prior year largely reflect reduced volumes driven by customer behavior. Management has taken steps to minimize the adverse impact of the regulatory changes. However, it remains difficult to predict what impact these changes will have on Peoples' deposit account service charges.

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Insurance income continued to comprise a significant portion of non-interest income. The following table details Peoples' insurance income:

	Three Months Ended			Nine Months Ended	
(Dollars in thousands)	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	2009
Property and casualty insurance commissions	$1,969	$2,014	$1,986	$5,667	$5,854
Life and health insurance commissions	173	141	153	435	507
Credit life and A&H insurance commissions	40	35	37	88	99
Performance based commissions	–	–	13	585	828
Other fees and charges	34	71	39	113	90
Total insurance income	$2,216	$2,261	$2,228	$6,888	$7,378

While Peoples continues to be successful at retaining existing insurance customers, property and casualty insurance commission levels have been reduced by the effects of a contracting economy on commercial insurance needs and lower pricing margins due to competition within the insurance industry. The performance based commissions typically are recorded annually in the first quarter and are based on a combination of factors, such as loss experience of insurance policies sold, production volumes, and overall financial performance of the insurance industry.

The following tables detail Peoples' trust and investment income and related assets under management:

	Three Months Ended			Nine Months Ended	
(Dollars in thousands)	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	2009
Fiduciary	$1,006	$971	$903	$3,295	$2,738
Brokerage	220	238	286	696	746
Total trust and investment income	$1,226	$1,209	$1,189	$3,991	$3,484

(Dollars in thousands)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Trust assets under management	$795,335	$742,044	$768,189	$750,993	$738,535
Brokerage assets under management	233,308	214,421	229,324	216,479	210,743
Total managed assets	$1,028,643	$956,465	$997,513	$967,472	$949,278

Quarter average	$989,385	$991,448	$964,482	$936,082	$895,359
Year-to-date average	$970,824	$964,509	$951,534	$873,930	$868,864

Peoples' fiduciary and brokerage revenues are primarily driven by the value of assets under management. In the third quarter of 2010, Peoples added nearly $20 million in managed assets as a result of attracting new customers. Contributing to the increase in total managed assets has been the general recovery experienced in the financial markets since September 30, 2009. Asset values showed a modest decrease during the second quarter of 2010 due to a general decline experienced in the financial markets as a whole. These changes in asset values were reflected in Peoples' trust and investment income for the third quarter and first nine months of 2010.

Third quarter 2010 mortgage banking income was higher than both the linked quarter and third quarter of 2009, reflecting higher production driven by lower long-term mortgage interest rates. On a year-to-date basis, mortgage banking income was down 38% through September 30, 2010. In 2010, Peoples has experienced generally slower mortgage banking activity versus the prior year, leading to a reduction in gains on loans sold to the secondary market. These conditions were attributable to lower demand for mortgage refinancing compared to a year ago, due largely to higher long-term mortgage interest rates during much of the first half of 2010. Through nine months of 2010, Peoples has sold approximately $32 million of loans to the secondary market, down substantially from $82 million sold during the same period of 2009.

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Non-Interest Expense
Salaries and employee benefit costs remain Peoples' largest non-interest expense, accounting for approximately 50% of total non-interest expense. The following table details Peoples' salaries and employee benefit costs:

	Three Months Ended			Nine Months Ended	
(Dollars in thousands)	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	2009
Base salaries and wages	$5,060	$5,063	$5,199	$15,179	$15,366
Sales-based and incentive compensation	876	891	377	2,479	2,365
Employee benefits	1,156	1,318	1,242	3,810	3,698
Stock-based compensation	23	25	35	74	113
Deferred personnel costs	(335)	(286)	(374)	(903)	(1,152)
Payroll taxes and other employment costs	452	485	536	1,466	1,648
Total salaries and employee benefit costs	$7,232	$7,496	$7,015	$22,105	$22,038
Full-time equivalent employees:					
Actual at end of period	532	527	544	532	544
Average during the period	529	530	545	531	545

In 2010, Peoples limited salary increases for all employees, which resulted in base salaries and wages remaining flat versus prior period amounts. Third quarter 2010 sales-based and incentive compensation, while consistent with the linked quarter, were higher than the prior year as a result of reduced expense for Peoples' annual incentive award plan during the third quarter of 2009, which is partially based upon corporate results. Employee benefit costs experienced a 12% linked quarter decline, due to employee medical benefit costs, and decreased 7% versus the third quarter of 2009, reflecting the reduction in 401(k) match for 2010. On a year-to-date basis, employee benefit costs were up 3% through September 30, 2010, as 14% higher employee medical benefit costs were mostly offset by a reduced 401(k) match beginning in the first quarter of 2010.

Peoples' net occupancy and equipment expense was comprised of the following:

	Three Months Ended			Nine Months Ended	
(Dollars in thousands)	September 30, 2010	June 30, 2010	September 30, 2009	September 30, 2010	2009
Depreciation	$466	$499	$465	$1,456	$1,515
Repairs and maintenance costs	386	373	414	1,215	1,194
Net rent expense	232	219	217	673	611
Property taxes, utilities and other costs	299	349	302	997	1,046

Total net occupancy and equipment expense	$1,383	$1,440	$1,398	$4,341	$4,366

Net occupancy and equipment expense during 2010 has been controlled due to management's cost saving initiatives implemented during the year. Depreciation expense was lower in the third quarter of 2010 compared to the linked quarter reflecting the impact of various assets becoming fully depreciated in the first half of 2010.

Professional fees increased 41% in the third quarter of 2010 on a linked quarter basis and 14% year-over-year, due mostly to legal expenses associated with problem loan workouts. Despite these increases, professional fees remained 2% lower on a year-to-date basis.

Foreclosed real estate and other loan expenses represent costs associated with maintaining foreclosed assets, including real estate taxes and utilities, as well as various administrative costs incurred in connection with servicing and collecting outstanding loans. These costs continue to be higher in 2010 compared to the prior year, due mostly to costs associated with commercial properties acquired through foreclosure in the fourth quarter of 2009. Although down 40% on a linked quarter basis as Peoples progressed through the workout process on several problem loans, these costs could remain elevated based on the current level of foreclosed properties held.

Income Tax Expense

For the nine months ended September 30, 2010, Peoples recorded income tax expense of $653,000, which included the entire $625,000 tax benefit associated with the investment impairment losses recognized in the first two quarters of 2010. The recorded income tax expense through nine months of 2010 represented an effective tax rate of 11.5% versus 16.0% for the first half of 2010. This reduction in the year-to-date effective tax rate was driven by the higher provision for loan losses in the third quarter compared to the first half of 2010, plus losses on OREO and loans held-for-sale.

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Management anticipates Peoples' effective tax rate will approximate 17% for the final quarter of 2010. This effective tax rate differs from Peoples' statutory corporate tax rate as a result of income from tax-exempt sources and tax benefits derived from investments in tax credit funds, with the respective impact of each item expected to be generally consistent with that experienced in 2009.

FINANCIAL CONDITION

Cash and Cash Equivalents

At September 30, 2010, Peoples' cash and cash equivalents included excess cash reserves at the Federal Reserve Bank of $43.5 million compared to $20.5 million at June 30, 2010 and $11.4 million at year-end 2009. These funds, which are included in interest-bearing deposits in other banks on the Consolidated Balance Sheets, were maintained at the Federal Reserve Bank rather than federal funds sold due to more favorable current short-term interest rates.

Through nine months of 2010, Peoples' total cash and cash equivalents increased $32.9 million, due to net cash generated from operating activities. Investing activities provided net cash of $111.4 million, primarily proceeds from securities sales and principal runoff from the investment portfolio. These funds were used to reduce borrowed funds by $104.3 million, which accounted for virtually all of the net cash used by financing activities.

In comparison, total cash and cash equivalents increased $6.1 million for the first nine months of 2009, as the majority of net cash provided by Peoples' operating and investing activities of $21.6 million and $7.8 million, respectively, was used in financing activities. Net cash provided by investing activities was the result of loan payments and payoffs exceeding new originations by $19.5 million, of which a portion was used for purchases of new investment securities. Financing activities consumed $23.3 million of net cash, as Peoples reduced borrowed funds $81.7 million, which was partially offset by $66.1 million of funds from net deposit growth and the TARP Capital Investment.

Further information regarding the management of Peoples' liquidity position can be found later in this discussion under "Interest Rate Sensitivity and Liquidity."

Investment Securities

The following table details Peoples' available-for-sale investment portfolio:

(Dollars in thousands)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Fair value:					
Obligations of:					
U.S. Treasury and government agencies	$60	$62	$79	$82	$84
U.S. government sponsored agencies	13,005	1,245	4,360	4,473	7,981
States and political subdivisions	51,288	58,682	61,970	62,953	67,318
	485,663	548,455	538,866	558,825	549,012

Residential mortgage-backed securities					
Commercial mortgage-backed securities	44,854	25,319	33,675	24,188	26,674
U.S. government-backed student loan pools	–	47,202	59,758	59,442	58,544
Bank-issued trust preferred securities	12,904	12,599	14,244	13,826	12,882
Collateralized debt obligations	–	–	–	165	329
Equity securities	3,009	2,905	2,834	2,593	3,074
Total fair value	$610,783	$696,469	$715,786	$726,547	$725,898
Total amortized cost	$608,427	$685,382	$700,700	$706,444	$704,388
Net unrealized gain	$2,356	$11,087	$15,086	$20,103	$21,510

The size and composition of Peoples' investment portfolio changed significantly since year-end 2009, primarily reflecting the deleveraging undertaken in the third quarter. While the majority of the proceeds from the third quarter 2010 investment sales were used to prepay long-term borrowings, a portion was reinvested into bonds issued by U.S. government sponsored agencies, which accounted for the increase in this segment during the third quarter of 2010. Further changes in the size and composition of the investment portfolio may occur in future quarters, as management may reinvestment principal runoff from mortgage-backed securities into other security types.

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Peoples' investment in residential and commercial mortgage-backed securities largely consists of securities either guaranteed by the U.S. government or issued by U.S. government-sponsored agencies, such as Fannie Mae and Freddie Mac. The remaining portion of Peoples' mortgage-backed securities consists of securities issued by other entities, including other financial institutions, which are not guaranteed by the U.S. government. The amount of these "non-agency" securities included in the residential and commercial mortgage-backed securities totals above were as follows:

(Dollars in thousands)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Residential	$141,779	$156,962	$140,736	$153,621	$164,461
Commercial	23,749	25,319	33,675	24,188	26,274
Total fair value	$165,528	$182,281	$174,411	$177,809	$190,735
Total amortized cost	$162,066	$181,727	$173,933	$177,370	$193,481
Net unrealized gain (loss)	$3,462	$554	$478	$439	$(2,746)

The non-agency portfolio consists entirely of first lien residential and commercial mortgages and all securities are rated AAA or equivalent by Moody's, Standard & Poor's and/or Fitch. Nearly all of the underlying loans in these securities were originated in 2003 or earlier and have fixed interest rates.

Loans

The following table provides information regarding outstanding loan balances:

(Dollars in thousands)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Gross portfolio loans:					
Commercial real estate	$454,499	$471,046	$501,917	$503,034	$478,518
Commercial and industrial	178,014	165,916	165,934	159,915	160,677
Real estate contruction	39,621	36,490	34,894	32,427	67,143
Residential real estate	205,125	207,314	212,569	215,735	216,571
Home equity lines of credit	49,435	50,259	49,444	49,183	48,991
Consumer	82,894	83,735	85,231	90,144	94,374
Deposit account overdrafts	1,291	1,346	1,299	1,620	1,765
Total portfolio loans	$1,010,879	$1,016,106	$1,051,288	$1,052,058	$1,068,039

Percent of loans to total loans:					
Commercial real estate	45.0%	46.4%	47.7%	47.8%	44.8%
Commercial and industrial	17.6%	16.3%	15.8%	15.2%	15.0%
Real estate contruction	3.9%	3.6%	3.3%	3.1%	6.3%
Residential real estate	20.3%	20.4%	20.2%	20.5%	20.3%
Home equity lines of credit	4.9%	4.9%	4.7%	4.7%	4.6%
Consumer	8.2%	8.3%	8.2%	8.5%	8.8%
Deposit account overdrafts	0.1%	0.1%	0.1%	0.2%	0.2%
Total percentage	100.0%	100.0%	100.0%	100.0%	100.0%
Residential real estate loans being serviced for others	$235,538	$234,134	$230,183	$227,792	$220,605

During 2010, Peoples actively reduced its exposure to commercial real estate loans to enhance the overall balance sheet risk profile, resulting in lower balances at September 30, 2010 versus prior periods. Contributing to the decline since year-end 2010 was the impact of payoffs exceeding new loan production due to lower demand stemming from current economic conditions, plus charge-offs and problem loan workouts. Peoples experienced good demand for commercial and industrial loans during the third quarter of 2010, producing higher balances at quarter-end.

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Residential real estate loan balances continue to be impacted by customer demand for long-term, fixed-rate mortgages, which Peoples generally sells to the secondary market with the servicing rights retained. During 2009 and the first half of 2010, the secondary market has offered historically low long-term fixed rates producing significantly higher refinancing activity causing an increase in Peoples' serviced loan portfolio.

Loan Concentration

Peoples categorizes its commercial loans according to standard industry classifications and monitors for concentrations in a single industry or multiple industries that could be impacted by changes in economic conditions in a similar manner. Peoples' commercial lending activities continue to be spread over a diverse range of businesses from all sectors of the economy, with no single industry comprising over 10% of Peoples' total loan portfolio.

Loans secured by commercial real estate, including commercial construction loans, continue to comprise approximately half of Peoples' loan portfolio. The following table provides information regarding the largest concentrations of commercial real estate loans within the loan portfolio at September 30, 2010:

(Dollars in thousands)	Outstanding Balance	Loan Commitments	Total Exposure	% of Total
Commercial real estate loans:				
Lodging and lodging related	$52,221	$225	$52,446	11.3%
Office buildings and complexes:				
Owner occupied	7,042	298	7,340	1.6%
Non-owner occupied	38,124	484	38,608	8.3%
Total office buildings and complexes	45,166	782	45,948	9.9%
Apartment complexes	56,321	1,122	57,443	12.4%
Retail facilities:				
Owner occupied	10,713	41	10,754	2.3%
Non-owner occupied	34,380	964	35,344	7.6%
Total retail facilities	45,093	1,005	46,098	9.9%
Residential property:				
Owner occupied	4,083	561	4,644	1.0%
Non-owner occupied	30,793	73	30,866	6.7%
Total residential property	34,876	634	35,510	7.7%
Light industrial facilities:				
Owner occupied	22,262	112	22,374	4.8%

Non-owner occupied	12,598	–	12,598	2.7%
Total light industrial facilities	34,860	112	34,972	7.5%
Assisted living facilities and nursing homes	33,829	–	33,829	7.3%
Land and land development	26,113	3,006	29,119	6.3%
Health care facilities	20,675	26	20,701	4.5%
Other	105,345	2,502	107,847	23.2%
Total commercial real estate	$454,499	$9,414	$463,913	100.0%
Real estate construction loans:				
Assisted living facilities and nursing homes	$2,314	$6,616	$8,930	17.8%
Lodging and lodging related	16,883	96	16,979	33.8%
Land and land development	4,632	476	5,108	10.2%
Other	15,792	3,353	19,145	38.2%
Total real estate construction	$39,621	$10,541	$50,162	100.0%

Peoples' commercial lending activities continue to focus on lending opportunities inside its primary market areas, with loans outside Peoples' primary market areas comprising approximately 10% of total outstanding loan balances, at both September 30, 2010 and December 31, 2009. The majority of those out-of-market loans are still based in Ohio, West Virginia and Kentucky, with total outstanding balances of $69.8 million and $77.9 million at September 30, 2010 and December 31, 2009, respectively. In all other states, the aggregate outstanding balance in each state was less than $4.0 million.

Allowance for Loan Losses

The following table presents changes in Peoples' allowance for loan losses:

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	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	
(Dollars in thousands)	2010	2010	2009	2010	2009
Balance, beginning of period	$27,168	$26,553	$23,151	$27,257	$22,931
Gross charge-offs:					
Commercial real estate	7,557	4,676	5,980	18,655	13,862
Commercial and industrial	97	157	527	1,173	560
Residential real estate	382	145	251	729	1,229
Real estate construction	–	68	–	68	–
Home equity lines of credit	40	6	26	58	67
Consumer	247	242	348	838	1,068
Deposit account overdrafts	282	223	347	735	977
Total gross charge-offs	8,605	5,517	7,479	22,256	17,763
Recoveries:					
Commercial real estate	355	275	93	1,134	1,122
Commercial and industrial	28	119	6	173	47
Residential real estate	28	68	43	114	192
Real estate construction	–	–	–	–	–
Home equity lines of credit	2	1	5	27	11
Consumer	156	153	176	544	450
Deposit account overdrafts	73	58	86	253	293
Total recoveries	642	674	409	2,245	2,115
Net charge-offs:					
Commercial real estate	7,202	4,401	5,887	17,521	12,740
Commercial and industrial	69	38	521	1,000	513
Residential real estate	354	77	208	615	1,037
	–	68	–	68	–

Real estate construction					
Home equity lines of credit	38	5	21	31	56
Consumer	91	89	172	294	618
Deposit account overdrafts	209	165	261	482	684
Total net charge-offs	7,963	4,843	7,070	20,011	15,648
Provision for loan losses	8,005	5,458	10,168	19,964	18,966
Balance, end of period	$27,210	$27,168	$26,249	$27,210	$26,249
Ratio of net charge-offs to average loans (annualized):					
Commercial real estate	2.81%	1.70%	2.14%	2.25%	1.55%
Commercial and industrial	0.03%	0.01%	0.19%	0.13%	0.06%
Residential real estate	0.14%	0.03%	0.08%	0.08%	0.13%
Real estate construction	– %	0.03%	– %	0.01%	– %
Home equity lines of credit	0.01%	– %	0.01%	– %	0.01%
Consumer	0.04%	0.03%	0.06%	0.04%	0.07%
Deposit account overdrafts	0.08%	0.06%	0.09%	0.06%	0.08%
Total	3.11%	1.86%	2.57%	2.57%	1.90%

During the third quarter, eight commercial loan relationships with an aggregate outstanding principal balance of $12.1 million became impaired. These loan relationships were subsequently written down by $6.1 million to the estimated net realizable value of the underlying collateral as of September 30, 2010, accounting for the higher gross charge-offs compared to the first two quarters of 2010. Gross charge-offs for the nine months ended September 30, 2010, were higher than the same period in 2009, due to ongoing workout efforts on existing impaired loans and continued declines in commercial real estate values.

The amount of the allowance for loan losses at end of each period represents management’s estimate of expected losses from existing loans based upon its formal quarterly analysis of the loan portfolio. While this process involves allocations being made to specific loans and pools of loans, the entire allowance is available for all losses incurred within the loan portfolio. The following details management’s allocation of the allowance for loan losses:

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(Dollars in thousands)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Commercial real estate	$21,382	$20,198	$19,388	$22,125	
Commercial and industrial	2,826	3,954	3,992	1,586	
Total commercial	$24,208	$24,152	$23,380	$23,711	$23,218
Residential real estate	1,414	1,359	1,436	1,619	1,210
Home equity lines of credit	497	534	540	528	501
Consumer	830	872	960	1,074	995
Deposit account overdrafts	261	251	237	325	325
Total allowance for loan losses	$27,210	$27,168	$26,553	$27,257	$26,249
As a percentage of total loans	2.68%	2.66%	2.53%	2.59%	2.46%

The significant allocations to commercial loans reflect the higher credit risk associated with this type of lending and the size of this loan category in relationship to the entire loan portfolio. The increased allowance for commercial real estate loans in the second and third quarters of 2010 primarily reflects changes to the qualitative factors used in determining the appropriate level of allowance for lodging and lodging related loans –– Peoples' largest industrial concentration – given the continued impact of general economic conditions both within Peoples' market area and nationally on this industry. The overall higher allocations to commercial loans in prior quarters primarily reflected higher loss factors for graded loans due to recent elevated charge-off levels, along with continued deterioration in credit quality of various commercial loans based on the financial condition of the borrowers. Another significant contributing factor was the impact of distressed commercial real estate values and general economic conditions on specific reserves for impaired loans.

The allowance allocated to the residential real estate and consumer loan categories is based upon Peoples' allowance methodology for homogeneous pools of loans. The fluctuations in these allocations have been directionally consistent with the changes in loan quality, loss experience and changes in loan balances in each category.

The following table details Peoples' nonperforming assets:

(Dollars in thousands)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Loans 90+ days past due and accruing:					
Commercial real estate	$–	$459	$–	$164	$–
Commercial and industrial	31	–	–	–	679
	–	22	–	238	311

Residential real estate					
Consumer	–	–	–	9	3
Total	31	481	–	411	993
Nonaccrual loans:					
Commercial real estate	30,083	29,676	22,706	25,852	33,326
Commercial and industrial	2,051	2,877	3,019	2,884	3,107
Residential real estate	4,481	4,933	3,567	4,687	4,125
Home equity	562	564	536	546	574
Consumer	7	–	4	3	4
Total	37,184	38,050	29,832	33,972	41,136
Total nonperforming loans (NPLs)	37,215	38,531	29,832	34,383	42,129
Other real estate owned (OREO)					
Commercial	4,305	4,752	5,857	6,087	1,062
Residential	30	140	176	226	176
Total	4,335	4,892	6,033	6,313	1,238
Total nonperforming assets (NPAs)	$41,550	$43,423	$35,865	$40,696	$43,367
NPLs as a percent of total loans	3.67%	3.77%	2.84%	3.27%	3.94%
NPAs as a percent of total assets	2.21%	2.21%	1.79%	2.03%	2.16%
NPAs as a precent of gross loans and OREO	4.08%	4.23%	3.39%	3.85%	4.06%
Allowance for loan losses as a					
percent of NPLs	73.1%	70.5%	89.0%	79.3%	62.3%

The decline in nonperforming assets during the quarter occurred primarily as a result of returning a single commercial real estate loan relationship, with total outstanding balances of $1.6 million, to accruing status. Continued weakness in the commercial real estate market resulted in third quarter 2010 write-downs totaling $447,000 on two commercial properties held in OREO. As previously noted, during the third quarter, Peoples placed $12.1 million of commercial loans on nonaccrual status, which were written down to the estimated net realizable value of the underlying collateral of $6.1 million as of September 30, 2010.

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Peoples' nonaccrual commercial real estate loans primarily consist of non-owner occupied commercial properties and real estate development projects. In general, management believes repayment of these loans is dependent on sale of the underlying collateral. As such, the carrying values of these loans are ultimately supported by management's estimate of the net proceeds Peoples would receive upon the sale of the collateral. These estimates are based in part on market values provided by independent, licensed or certified appraisers periodically, but no less frequently than annually. Given the sustained weakness in commercial real estate values, management continues to monitor changes in real estate values from quarter-to-quarter and updates its estimates as needed based on observable changes in market prices and/or updated appraisals for similar properties.

At September 30, 2010, Peoples' nonaccrual commercial real estate loans included $1.5 million of loans to a single commercial borrower that were classified as held-for-sale and written down to their estimated fair value. Management will continue to market these loans during the fourth quarter, which, if sold, would remove the loans from Peoples' nonperforming loans.

Certain nonaccrual loans are not considered impaired and not evaluated individually by Peoples. These loans consist primarily of smaller balance homogenous consumer and residential real estate loans that are collectively evaluated for impairment. The following tables summarize loans classified as impaired:

(Dollars in thousands)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Loans with an allocated allowance for loan losses	$11,877	$14,451	$14,590	$18,188	$15,688
Loans with no allocated allowance for loan losses	24,155	21,880	13,557	15,052	23,988
Total impaired loans	$36,032	$36,331	$28,147	$33,240	$39,676
Allowance for loan losses allocated to impaired loans	$2,857	$3,815	$3,532	$5,738	$5,761
Nonaccrual loans not considered impaired	$2,252	$2,135	$1,924	$1,738	$2,561

(Dollars in thousands)	Three Months Ended September 30, 2010	2009	Nine Months Ended September 30, 2010	2009
Average investment in impaired loans	$34,391	$39,484	$32,542	$39,326
Interest income recognized on impaired loans	$5	$–	$9	$19

Peoples has not allocated a portion of the allowance for loan losses to certain impaired loans because those loans either have been written down previously to the amount expected to be collected or possess characteristics indicative of Peoples' ability to collect the remaining outstanding principal from the sale of collateral and/or enforcement of guarantees by the principals.

Overall, management believes the allowance for loan losses was adequate at September 30, 2010, based on all significant information currently available. Still, there can be no assurance the allowance for loan losses will be adequate to cover future losses or that the amount of nonperforming loans will remain at current levels, especially considering the current economic uncertainty that exists and the concentration of commercial loans in Peoples' loan portfolio.

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Deposits
The following table details Peoples' deposit balances:

(Dollars in thousands)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Interest-bearing deposits:					
Retail certificates of deposit	$490,446	$512,327	$546,760	$537,549	$561,619
Money market deposit accounts	297,229	290,477	296,196	263,257	245,621
Governmental/public funds	139,843	136,119	143,068	147,745	137,655
Savings accounts	120,975	120,086	117,526	112,074	113,104
Interest-bearing demand accounts	92,585	94,542	88,425	91,878	87,153
Total retail interest-bearing deposits	1,141,078	1,153,551	1,191,975	1,152,503	1,145,152
Brokered certificates of deposits	41,666	41,666	41,738	45,383	61,412
Total interest-bearing deposits	1,182,744	1,195,217	1,233,713	1,197,886	1,206,564
Non-interest-bearing deposits	209,693	203,559	201,337	198,000	187,011
Total deposits	$1,392,437	$1,398,776	$1,435,050	$1,395,886	$1,393,575

During 2010, management has focused on reducing higher-cost, non-core deposits given recent growth in lower-cost deposits and lack of attractive investment opportunities. This strategy has included more selective pricing of out-of-market certificates of deposit ("CDs"), governmental/public fund deposits and similar non-core deposits. These actions accounted for much of the third quarter 2010 decline in retail CDs and also led a single commercial customer to reduce its specially-priced CDs and money market accounts by $10 million each in the second quarter, further contributing to the decrease in retail CDs since December 31, 2009. Savings and money market deposit balances were higher than in recent quarters due to customer preference for insured deposits over short-term investment alternatives.

Peoples' retail CD balances included deposits obtained from customers outside its primary market areas, primarily school districts, government entities and credit unions located in the Midwest. These deposits totaled $54.2 million at September 30, 2010, versus $63.4 million at June 30, 2010 and $68.1 million a year ago. Management expects further reductions in these balances in future quarters, as these deposits are not expected to be renewed based on Peoples' current deposit pricing strategies. Still, management continues to consider these deposits to be an alternative funding source to brokered deposits and other wholesale funding for satisfying potential future liquidity needs.

Borrowed Funds
The following table details Peoples' short-term and long-term borrowings:

(Dollars in thousands)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Short-term borrowings:					
Retail repurchase agreements	$49,060	$49,765	$49,714	$51,921	$48,344
FHLB advances	–	–	–	25,000	–
Total short-term borrowings	49,060	49,765	49,714	76,921	48,344
Long-term borrowings:					
FHLB advances	99,720	104,981	105,206	101,113	132,085
National market repurchase agreements	65,000	135,000	135,000	145,000	145,000
Total long-term borrowings	164,720	239,981	240,206	246,113	277,085
Subordinated notes held					
by subsidiary trust	22,557	22,548	22,539	22,530	22,522
Total borrowed funds	$236,337	$312,294	$312,459	$345,564	$347,951

The reduction in national market repurchase agreements during the third quarter of 2010 was the result of management's planned deleveraging of the balance sheet. Peoples has repaid maturing long-term borrowings over the last several quarters, using funds generated from retail deposit growth, contributing to the decline since September 30, 2009. The level and composition of borrowed funds may change in future quarters, as management will continue to use a combination of short-term and long-term borrowings to manage the interest rate risk of the balance sheet.

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Capital/Stockholders' Equity

At September 30, 2010, capital levels for both Peoples and Peoples Bank remained substantially higher than the minimum amounts needed to be considered well capitalized institutions under banking regulations. These higher capital levels reflect Peoples' desire to maintain strong capital positions throughout the current credit cycle and economic downturn to provide greater flexibility to work through asset quality issues that have risen. The following table details Peoples' actual risk-based capital levels and corresponding ratios:

(Dollars in thousands)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Capital Amounts:					
Tier 1	$194,800	$195,439	$193,211	$192,822	$193,013
Tier 1 common	$133,624	$134,298	$132,103	$131,747	$131,973
Total (Tier 1 and Tier 2)	$210,768	$211,509	$209,647	$209,144	$209,986
Net risk-weighted assets	$1,200,754	$1,212,816	$1,245,770	$1,244,707	$1,281,318
Capital Ratios:					
Tier 1	16.22%	16.11%	15.51%	15.49%	15.06%
Tier 1 common	11.13%	11.07%	10.60%	10.58%	10.30%
Total (Tier 1 and Tier 2)	17.55%	17.44%	16.83%	16.80%	16.39%
Leverage ratio	10.26%	10.14%	9.97%	10.06%	9.82%

In addition to traditional capital measurements, management uses tangible capital to evaluate the adequacy of Peoples' stockholders' equity. This non-GAAP financial measure and related ratios facilitate comparisons with peers since they remove the impact of intangible assets acquired through acquisitions on the Consolidated Balance Sheets. The following table reconciles the calculation of tangible capital to amounts reported in Peoples' consolidated financial statements:

(Dollars in thousands)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Tangible Equity:					
Total stockholders' equity, as reported	$233,759	$240,280	$240,842	$243,968	$244,363
Less: goodwill and other intangible assets	64,934	65,138	65,357	65,599	65,805
Tangible equity	$168,825	$175,142	$175,485	$178,369	$178,558
Tangible Common Equity:					
Tangible equity	$168,825	$175,142	$175,485	$178,369	$178,558
	38,619	38,593	38,568	38,543	38,518

Less: preferred stockholders' equity					
Tangible common equity	$130,206	$136,549	$136,917	$139,826	$140,040
Tangible Assets:					
Total assets, as reported	$1,883,689	$1,967,046	$2,003,271	$2,001,827	$2,004,754
Less: goodwill and other intangible assets	64,934	65,138	65,357	65,599	65,805
Tangible assets	$1,818,755	$1,901,908	$1,937,914	$1,936,228	$1,938,949
Tangible Book Value per Share:					
Tangible common equity	$130,206	$136,549	$136,917	$139,826	$140,040
Common shares outstanding	10,438,510	10,423,317	10,408,096	10,374,637	10,371,357
Tangible book value per share	$12.47	$13.10	$13.15	$13.48	$13.50
Tangible Equity to Tangible Assets Ratio:					
Tangible equity	$168,825	$175,142	$175,485	$178,369	$178,558
Total tangible assets	$1,818,755	$1,901,908	$1,937,914	$1,936,228	$1,938,949
Tangible equity to tangible assets	9.28%	9.21%	9.06%	9.21%	9.21%
Tangible Common Equity to Tangible Assets Ratio:					
Tangible common equity	$130,206	$136,549	$136,917	$139,826	$140,040
Tangible assets	$1,818,755	$1,901,908	$1,937,914	$1,936,228	$1,938,949
Tangible common equity to tangible assets	7.16%	7.18%	7.07%	7.22%	7.22%

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The fluctuations in tangible equity and tangible common equity over the last several quarters primarily reflected the impact of changes in fair value of Peoples' available-for-sale investment portfolio on accumulated other comprehensive income, a component of total stockholders' equity. The reduction in tangible assets over the prior two quarters occurred primarily as a result of decreased loan balances, coupled with the reduction in the investment portfolio.

Interest Rate Sensitivity and Liquidity

While Peoples is exposed to various business risks, the risks relating to interest rate sensitivity and liquidity are major risks that can materially impact future results of operations and financial condition due to their complexity and dynamic nature. The objective of Peoples' asset/liability management ("ALM") function is to measure and manage these risks in order to optimize net interest income within the constraints of prudent capital adequacy, liquidity and safety. This objective requires Peoples to focus on interest rate risk exposure and adequate liquidity through its management of the mix of assets and liabilities, their related cash flows and the rates earned and paid on those assets and liabilities. Ultimately, the ALM function is intended to guide management in the acquisition and disposition of earning assets and selection of appropriate funding sources.

Interest Rate Risk

Interest rate risk ("IRR") is one of the most significant risks arising in the normal course of business of financial services companies like Peoples. IRR is the potential for economic loss due to future interest rate changes that can impact both the earnings stream as well as market values of financial assets and liabilities. Peoples' exposure to IRR is due primarily to differences in the maturity or repricing of earning assets and interest-bearing liabilities. In addition, other factors, such as prepayments of loans and investment securities or early withdrawal of deposits, can expose Peoples to IRR and increase interest costs or reduce revenue streams.

Peoples has assigned overall management of IRR to its Asset-Liability Committee (the "ALCO"), which has established an IRR management policy that sets minimum requirements and guidelines for monitoring and managing the level and amount of IRR. There have been no material changes to the policies or methods used by the ALCO to assess IRR from those disclosed in Peoples' 2009 Form 10-K. In 2010, the ALCO improved its simulation modeling process by incorporating more detailed information regarding the interest rate risk characteristics of Peoples' earning assets and interest-bearing liabilities. This refinement enhances the accuracy of modeling results and overall impact of interest rate changes to both earnings and fair value of equity.

The following table shows the estimated changes in net interest income and the economic value of equity based upon a standard, parallel shock analysis (dollars in thousands):

Increase in Interest Rate (in Basis Points)	Estimated Increase in Net Interest Income September 30, 2010		Estimated Increase in Economic Value of Equity September 30, 2010	
300	$10,259	18.3 %	$4,904	2.2 %
200	7,596	13.6 %	8,507	3.8 %
100	4,486	8.0 %	11,421	5.1 %

At September 30, 2010, Peoples' balance sheet remained positioned for a rising interest rate environment, as illustrated by the potential increase in net interest income shown in the above table. Given the inherent uncertainty surrounding the timing and magnitude of future interest rate changes, management's near-term balance sheet strategies will continue to emphasize maintaining good asset liquidity and lowering overall funding costs through a combination of less aggressive pricing of non-core funding and growing low cost retail deposits.

Liquidity

In addition to IRR management, another major objective of the ALCO is to maintain a sufficient level of liquidity. The ALCO defines liquidity as the ability to meet anticipated and unanticipated operating cash needs, loan demand and deposit withdrawals, without incurring a sustained negative impact on profitability. The ALCO's liquidity management policy sets limits on the net liquidity position and the concentration of non-core funding sources, both wholesale funding and brokered deposits.

Typically, the main source of liquidity for Peoples is deposit growth. Liquidity is also provided by cash generated from earning assets such as maturities, calls, principal payments and interest income from loans and investment securities. Peoples also uses various wholesale funding sources to supplement funding from customer deposits. These external sources also provide Peoples with the ability to obtain large quantities of funds in a relatively short time period in the event of sudden unanticipated cash needs.

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Peoples also has a contingency funding plan that serves as an action plan for management in the event of a short-term or long-term funding crisis caused by a single or series of unexpected events. The policy identifies potential triggers and early warning indicators of a funding crisis, such as unexpected deposit withdrawals, and failure of unrelated institutions within Peoples' primary market area. Additionally, the policy identifies sources of liquidity that may be utilized in the event of a either short-term or long-term funding crisis.

At September 30, 2010, Peoples had available borrowing capacity through its wholesale funding sources, primarily the Federal Home Loan Bank of Cincinnati and Federal Reserve Bank of Cleveland, and unpledged investment securities totaling approximately $259 million that can be used to satisfy liquidity needs, compared to $185 million at year-end 2009. This liquidity position excludes the $43.5 million excess cash reserves at the Federal Reserve Bank of Cleveland and the impact of Peoples' ability to obtain additional funding by either offering higher rates on retail deposits or issuing additional brokered deposits.

Management believes the current balance of cash and cash equivalents and anticipated cash flows from the investment portfolio, along with the availability of other funding sources, will allow Peoples to meet anticipated cash obligations, as well as special needs and off-balance sheet commitments.

Off-Balance Sheet Activities and Contractual Obligations

Peoples routinely engages in activities that involve, to varying degrees, elements of risk that are not reflected in whole or in part in the Consolidated Financial Statements. These activities are part of Peoples' normal course of business and include traditional off-balance sheet credit-related financial instruments, interest rate contracts and commitments to make additional capital contributions in low-income housing tax credit investments. Traditional off-balance sheet credit-related financial instruments continue to represent the most significant off-balance sheet exposure. The following table details the total contractual amount of loan commitments and standby letters of credit:

(Dollars in thousands)	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009	September 30, 2009
Home equity lines of credit	$39,585	$39,650	$40,213	$40,169	$41,098
Unadvanced construction loans	11,954	14,878	12,921	12,921	17,529
Other loan commitments	103,726	108,281	109,822	113,072	100,457
Loan commitments	155,265	162,809	162,956	166,162	159,084
Standby letters of credit	$42,158	$43,505	$43,628	$44,048	$44,661

Management does not anticipate Peoples' current off-balance sheet activities will have a material impact on future results of operations and financial condition based on historical experience and recent trends.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this Item 3 is provided under the caption "Interest Rate Sensitivity and Liquidity" under "ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION" in this Form 10-Q, and is incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Peoples' management, with the participation of Peoples' President and Chief Executive Officer and Peoples' Executive Vice President, Chief Financial Officer and Treasurer, has evaluated the effectiveness of Peoples' disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) (the "Exchange Act") as of September 30, 2010. Based upon that evaluation, Peoples' President and Chief Executive Officer and Peoples' Executive Vice President, Chief Financial Officer and Treasurer have concluded that:

(a) information required to be disclosed by Peoples in this Quarterly Report on Form 10-Q and other reports Peoples files or submits under the Exchange Act would be accumulated and communicated to Peoples' management, including its President and Chief Executive Officer and its Executive Vice President, Chief Financial Officer and Treasurer, as appropriate to allow timely decisions regarding required disclosure;

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(b) information required to be disclosed by Peoples in this Quarterly Report on Form 10-Q and other reports Peoples files or submits under the Exchange Act would be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and

(c) Peoples' disclosure controls and procedures were effective as of the end of the fiscal quarter covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control Over Financial Reporting
There were no changes in Peoples' internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during Peoples' fiscal quarter ended September 30, 2010, that have materially affected, or are reasonably likely to materially affect, Peoples' internal control over financial reporting.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of their respective businesses or operations, Peoples or one of its subsidiaries may be named as a plaintiff, a defendant, or a party to a legal proceeding or any of their respective properties may be subject to various pending and threatened legal proceedings and various actual and potential claims. In view of the inherent difficulty of predicting the outcome of such matters, Peoples cannot state what the eventual outcome of any such matters will be; however, based on current knowledge and after consultation with legal counsel, management believes that these proceedings will not have a material adverse effect on the consolidated financial position, results of operations or liquidity of Peoples.

ITEM 1A. RISK FACTORS

There have been no material changes from those risk factors previously disclosed in "ITEM 1A. RISK FACTORS" of Part I of Peoples' 2009 Form 10-K. Those risk factors are not the only risks Peoples faces. Additional risks and uncertainties not currently known to management or that management currently deems to be immaterial also may materially adversely affect Peoples' business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table details repurchases by Peoples and purchases by "affiliated purchasers" as defined in Rule 10b-18(a)(3) of the Securities Exchange Act of 1934, as amended, of Peoples' common shares during the three months ended September 30, 2010:

Period	(a) Total Number of Common Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number of Common Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1 – 31, 2010	1,496(2)	$14.70(2)	–	–
August 1 – 31, 2010	359(2)	$12.25(2)	–	–
September 1 – 30, 2010	1,331(2)	$13.14(2)	–	–
Total	3,186	$13.77	–	–

(1) Peoples' Board of Directors has not authorized any stock repurchase plans or programs for 2010, due in part to the restrictions on stock repurchases imposed by the terms of the TARP Capital Investment.

(2) Information reflects solely common shares purchased in open market transactions by Peoples Bank under the Rabbi Trust Agreement establishing a rabbi trust holding assets to provide funds for the payment of the benefits under the Peoples Bancorp Inc. Second Amended and Restated Deferred Compensation Plan for Directors of Peoples Bancorp Inc. and Subsidiaries.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)

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ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits required to be filed with this Form 10-Q are attached hereto or incorporated herein by reference. For a list of such exhibits, see "Exhibit Index" beginning at page 44.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		PEOPLES BANCORP INC.
Date: October 28, 2010	By: /s/	DAVID L. MEAD
		David L. Mead President and Chief Executive Officer
Date: October 28, 2010	By: /s/	EDWARD G. SLOANE
		Edward G. Sloane Executive Vice President, Chief Financial Officer and Treasurer

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EXHIBIT INDEX

PEOPLES BANCORP INC. QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

Exhibit Number	Description	Exhibit Location
3.1(a)	Amended Articles of Incorporation of Peoples Bancorp Inc. (as filed with the Ohio Secretary of State on May 3, 1993)	Incorporated herein by reference to Exhibit 3(a) to the Registration Statement on Form 8-B of Peoples Bancorp Inc. ("Peoples") filed July 20, 1993 (File No. 0-16772)
3.1(b)	Certificate of Amendment to the Amended Articles of Incorporation of Peoples Bancorp Inc. (as filed with the Ohio Secretary of State on April 22, 1994)	Incorporated herein by reference to Exhibit 3(a)(2) to Peoples' Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (File No. 0-16772) ("Peoples' 1997 Form 10-K")
3.1(c)	Certificate of Amendment to the Amended Articles of Incorporation of Peoples Bancorp Inc. (as filed with the Ohio Secretary of State on April 9, 1996)	Incorporated herein by reference to Exhibit 3(a)(3) to Peoples' 1997 Form 10-K
3.1(d)	Certificate of Amendment to the Amended Articles of Incorporation of Peoples Bancorp Inc. (as filed with the Ohio Secretary of State on April 23, 2003)	Incorporated herein by reference to Exhibit 3(a) to Peoples' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003 (File No. 0-16772) ("Peoples' March 31, 2003 Form 10-Q")
3.1(e)	Certificate of Amendment by Shareholders or Members to the Amended Articles of Incorporation of Peoples Bancorp Inc. (as filed with the Ohio Secretary of State on January 22, 2009)	Incorporated herein by reference to Exhibit 3.1 to Peoples' Current Report on Form 8-K dated and filed on January 23, 2009 (File No. 0-16772)
3.1(f)	Certificate of Amendment by Directors or Incorporators to Articles filed with the Secretary of State of the State of Ohio on January 28, 2009, evidencing adoption of amendments by the Board	Incorporated herein by reference to Exhibit 3.1 to Peoples' Current Report on Form 8-K dated and filed on February 2, 2009 (File No.

	of Directors of Peoples Bancorp Inc. to Article FOURTH of Amended Articles of Incorporation to establish express terms of Fixed Rate Cumulative Perpetual Preferred Shares, Series A, each without par value, of Peoples Bancorp Inc.	0-16772) ("Peoples' February 2, 2009 Form 8-K")
3.1(g)	Amended Articles of Incorporation of Peoples Bancorp Inc. (reflecting amendments through January 28, 2009) [For SEC reporting compliance purposes only – not filed with Ohio Secretary of State]	Incorporated herein by reference to Exhibit 3.1(g) to Peoples' Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (File No. 0-16772)
3.2(a)	Code of Regulations of Peoples Bancorp Inc.	Incorporated herein by reference to Exhibit 3(b) to Peoples' Registration Statement on Form 8-B filed July 20, 1993 (File No. 0-16772)
3.2(b)	Certified Resolutions Regarding Adoption of Amendments to Sections 1.03, 1.04, 1.05, 1.06, 1.08, 1.10, 2.03(C), 2.07, 2.08, 2.10 and 6.02 of the Code of Regulations of Peoples Bancorp Inc. by shareholders on April 10, 2003	Incorporated herein by reference to Exhibit 3(c) to Peoples' March 31, 2003 Form 10-Q
3.2(c)	Certificate regarding adoption of amendments to Sections 3.01, 3.03, 3.04, 3.05, 3.06, 3.07, 3.08 and 3.11 of the Code of Regulations of Peoples Bancorp Inc. by shareholders on April 8, 2004	Incorporated herein by reference to Exhibit 3(a) to Peoples' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004 (File No. 0-16772)

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EXHIBIT INDEX

PEOPLES BANCORP INC. QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

Exhibit Number	Description	Exhibit Location
3.2(d)	Certificate regarding adoption of amendments to Sections 2.06, 2.07, 3.01 and 3.04 of Peoples Bancorp Inc.'s Code of Regulations by the shareholders on April 13, 2006	Incorporated herein by reference to Exhibit 3.1 to Peoples' Current Report on Form 8-K dated and filed on April 14, 2006 (File No. 0-16772)
3.2(e)	Code of Regulations of Peoples Bancorp Inc. (reflecting amendments through April 13, 2006) [For SEC reporting compliance purposes only]	Incorporated herein by reference to Exhibit 3(b) to Peoples' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2006 (File No. 0-16772)
4.1	Warrant to purchase 313,505 Shares of Common Stock (common shares) of Peoples Bancorp Inc., issued to the United States Department of the Treasury on January 30, 2009	Incorporated herein by reference to Exhibit 4.1 to Peoples' February 2, 2009 Form 8-K
4.2	Letter Agreement, dated January 30, 2009, including Securities Purchase Agreement – Standard Terms attached thereto as Exhibit A, between Peoples Bancorp Inc. and the United States Department of the Treasury [NOTE: Exhibit A to the Securities Purchase Agreement is not included therewith; filed as Exhibit 3.1 to Peoples' February 2, 2009 Form 8-K and incorporated by reference at Exhibit 3.1(f) to this Quarterly Report on Form 10-Q]	Incorporated herein by reference to Exhibit 10.1 to Peoples' February 2, 2009 Form 8-K
10.1	Summary of Base Salaries for Executive Officers of Peoples Bancorp Inc.	Filed herewith
12	Statements regarding Computation of Consolidated Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends Appearing in Quarterly Report on Form 10-Q	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certifications [President and Chief Executive Officer]	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certifications [Executive Vice President, Chief Financial	Filed herewith

	Officer and Treasurer]	
32	Section 1350 Certifications	Filed herewith

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