



**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶  
See attachment.

18 Can any resulting loss be recognized? ▶ See attachment.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attachment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ *Kathryn Bailey* Date ▶ 5-25-18

Print your name ▶ Kathryn Bailey Title ▶ Controller

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	David L. Phillips	<i>David L. Phillips</i>	5/23/18		P01220686
	Firm's name ▶ Ernst & Young LLP			Firm's EIN ▶	34-6565596
	Firm's address ▶ 900 United Center 500 Virginia St East, Charleston WV 25301			Phone no.	304-343-8971

**ASB FINANCIAL CORP.**  
**EIN: 31-1429488**  
**Attachment to Form 8937**

**Part II**

**Line 14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.**

On April 13, 2018, ASB Financial Corp. ("ASB") merged with and into Peoples Bancorp Inc. ("Peoples"), with Peoples as the surviving legal entity (the "Merger"). Pursuant to the Merger, each individual share of ASB common stock was converted into the right to receive either: (i) \$20.00 in cash, or (ii) 0.5920 shares of Peoples common stock. The ASB shareholders were thus permitted an election, in the aggregate, to convert their shares of ASB common stock into cash, Peoples common stock, or a combination thereof. The form of consideration received by each ASB shareholder was subject to a reallocation in order to ensure that no more than 15% of the aggregate Merger consideration consisted of cash and no less than 85% of the aggregate Merger consideration consisted of Peoples common stock. Lastly, any shareholder who would otherwise be entitled to a fractional share of Peoples common stock as a result of the Merger received a cash payment equal to the fraction of a share of the Peoples common stock to which such holder would otherwise be entitled, multiplied by \$20.00.

**Line 15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.**

The Merger is intended to be treated as a reorganization described in Section 368(a) of the Internal Revenue Code (the "Code"). A U.S. shareholder's aggregate tax basis in the Peoples common stock received in the Merger, including any fractional shares deemed received by the U.S. shareholder under the treatment discussed below in "Cash in Lieu of Fractional Shares of Peoples Common Stock," in exchange for its ASB common stock generally will equal such U.S. shareholder's aggregate tax basis in the ASB common stock surrendered by such U.S. shareholder in the Merger, increased by the amount of taxable gain, if any, recognized by such U.S. shareholder in the Merger, and decreased by the amount of cash, if any, received by such U.S. shareholder in the merger (other than cash received in lieu of fractional shares of Peoples common stock). For purposes of determining the amount of gain recognized, such amount is generally limited to the lesser of the U.S. shareholder's built-in gain on or the cash received (other than cash received in lieu of fractional shares of Peoples common stock) with respect to each share of ASB common stock, and with such gain or cash being determined through allocating proportionately to each ASB common share the aggregate Peoples common stock and cash received.

*Cash in Lieu of Fractional Shares of Peoples Common Stock*

A U.S. shareholder who received cash in lieu of a fractional share of Peoples common stock will be treated as having received the fractional share of Peoples common stock pursuant to the Merger and then as having exchanged the fractional share of Peoples common stock for cash in a redemption by Peoples. In general, this deemed redemption will be treated as a sale or exchange and a U.S. shareholder will recognize gain or loss equal to the difference between (i) the amount of cash received by such U.S. shareholder and (ii) the portion of the basis of the shares of ASB common stock allocable to such fractional interest.

For additional detail on the intended U.S. federal income tax consequences of the Merger, *see* the Proxy Statement for the Special Meeting of Shareholders of ASB Financial Corp. and Prospectus of Peoples Bancorp Inc.

*This Form 8937 does not constitute tax advice. Shareholders are urged to consult their own tax advisors regarding the particular consequences of the Merger, including the applicability and effect of all U.S. federal, state and local, and foreign tax laws.*

**Line 16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.**

The adjusted tax basis of the Peoples common stock received in the Merger should be the adjusted tax basis in the shares of ASB common stock, increased by the aforementioned amount of taxable gain, if any, recognized by such U.S. shareholder in the Merger, and decreased by the aforementioned amount of cash, if any, received by such U.S. shareholder in the merger. For purposes of determining the amount of gain recognized, such amount is generally limited to the lesser of the U.S. shareholder's built-in gain or the cash received (other than cash received in lieu of fractional shares of Peoples common stock), and with such gain or cash being determined through allocating proportionately to each ASB common share the aggregate Peoples common stock and cash received.

Note that the U.S. shareholder's built-in gain is determined by reference to the fair market value of the ASB common stock and the 0.5920 shares of Peoples common stock at the time of the Merger. Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the facts. For purposes of the example below, it is assumed that each share of ASB common stock and 0.5920 shares of Peoples common stock had a fair market value equal to \$20 at the time of the Merger.

**Example:** Assume a U.S. shareholder owned 100 shares of ASB common stock, all of which was acquired on the same date, with an aggregate tax basis of \$800 (or \$8 per share). Pursuant to the Merger, such U.S. shareholder elected to convert (i) each of 30 of its ASB shares into \$20 cash, and (ii) each of its remaining 70 ASB

shares into shares of Peoples common stock. As a result, the U.S. shareholder realized gain on each share of ASB common stock of \$12, representing the excess of the \$20 cash and Peoples common stock value received (comprised of \$6 cash and \$14 of Peoples common stock) over the U.S. shareholder's per share tax basis in its ASB common stock of \$8, and recognized gain of \$6 (the lesser of \$12 built-in gain and \$6 cash). On an aggregate basis (i.e., all 100 shares of ASB common stock), of the \$1,200 built-in gain realized, \$600 is recognized (i.e., the lesser of \$1,200 built-in gain and \$600 cash). Thus, the shareholder's aggregate basis in its Peoples' stock would be its \$800 aggregate basis in ASB common stock, increased by the \$600 of taxable gain, and decreased by the \$600 of cash received, or \$800. Further, to account for the fractional share in this \$800 basis computation, the U.S. shareholder would have received (i) 41 shares of Peoples common stock (70 shares of ASB common stock x 0.5920, minus the fractional share of 0.44) with an aggregate tax basis of \$791.51 (or \$19.31 per share); and (ii) a fractional share (0.44) with a tax basis of \$8.49 (\$19.31 per share x 0.44).

*This Form 8937 does not constitute tax advice. Shareholders are urged to consult their own tax advisors regarding the particular consequences of the Plan, including the applicability and effect of all U.S. federal, state and local, and foreign tax laws.*

**Line 17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.**

The applicable Code sections upon which the tax treatment of the Merger is based are Sections 354, 356, 358, and 368. Note that this Form 8937 does not address the treatment of the cash payments made to shareholders related to fractional shares or U.S. shareholders that do not receive any shares of Peoples common stock.

**Line 18. Can any resulting loss be recognized?**

No loss should be recognized on the Merger. Note that this Form 8937 does not address the treatment of the cash payments made to shareholders related to fractional shares or U.S. shareholders that do not receive any shares of Peoples common stock.

**Line 19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.**

The stock basis adjustments are taken into account in the tax year of a shareholder during which the Merger occurred (e.g., 2018 for calendar year taxpayers).