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PEOPLES BANCORP INC  
Form EX-99  
July 25, 2001

EXHIBIT 99

NEWS RELEASE

FOR IMMEDIATE RELEASE  
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July 23, 2001

PEOPLES BANCORP ANNOUNCES EARNINGS GROWTH  
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MARIETTA, Ohio - Peoples Bancorp Inc. (Nasdaq: PEBO) announces increases in diluted and cash basis net income and related earnings per share. Net income totaled \$3,005,000 in the second quarter of 2001, up \$305,000 (or 11.3%) compared to \$2,700,000 for the three months ended June 30, 2000, and up \$409,000 (or 15.8%) compared to the first quarter of 2001. Diluted earnings per share were \$0.45 for the second quarter of 2001 versus \$0.39 per share for the first quarter of 2001, or linked quarter, and \$0.41 per share a year ago.

On an operating basis, income was \$2,978,000 for the second quarter of 2001 compared to \$2,820,000 a year ago, an increase of \$158,000 (or 5.6%), due primarily to net interest income growth. Diluted operating earnings per share grew to \$0.45 for the three months ended June 30, 2001, versus \$0.43 in the second quarter of 2000, an increase of \$0.02 (or 4.7%). Compared to the first quarter of 2001, second quarter operating income increased \$270,000 (or 10.0%) and diluted operating earnings per share grew \$0.04 (or 9.8%).

Operating income removes the after-tax impact of significant non-operating income and expenses such as gains and/or losses on asset disposals and securities transactions, mark-to-market adjustments on Peoples' interest rate caps, adoption of new accounting standards, etc.

"We are pleased with second quarter performance, considering the sluggish economy and other challenges facing the financial services industry," said Robert E. Evans, President and CEO. "Net interest income growth has boosted our short-term earnings outlook, but our long-term focus continues to be non-interest income growth, which we believe is key to sustaining our long-term profitability and further improving shareholder value."

Operating return on average equity ("ROE") was 13.34% for the second quarter of 2001 versus 12.67% last quarter and 15.81% a year ago. Operating earnings were \$0.86 per diluted share for the first half of 2001 and 2000 while operating ROE was 13.01% and 15.88% for the same periods, respectively.

On a cash basis, earnings per share totaled \$0.51 in the second quarter of 2001 compared to \$0.45 per share for the previous quarter and \$0.47 in the second quarter of 2000, increases of \$0.06 (or 13.3%) and \$0.04 (or 8.5%), respectively. Cash basis ROE was 19.27% for the second quarter of 2001 compared to 17.76% for the linked quarter and 23.75% for the second quarter of 2000. Cash basis earnings exclude the effects of intangible assets and related amortization expenses. In the second quarter of 2001, Peoples had amortization expense related to goodwill of \$457,000 and core deposit intangibles of \$125,000, compared to \$432,000 and \$139,000, respectively, for the same period a year ago.

On a year-to-date basis, net income totaled \$5,601,000 in 2001 compared to \$5,561,000 a year ago. Diluted earnings per share were \$0.84 for the first half of 2001, unchanged from the same period in 2000. Cash basis earnings were \$0.96 per diluted share through six months in 2001 and 2000. For the six months ended June 30, ROE was 12.81% in 2001 versus 15.41% in 2000 while cash basis ROE

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was 18.53% and 24.20% for the same periods, respectively.

In the second quarter of 2001, net interest income totaled \$10,796,000, up \$571,000 (or 5.6%) compared to \$10,225,000 for the same period last year and up \$485,000 (or 4.7%) versus the linked quarter. Through the first six months of 2001, net interest income grew \$778,000 (or 3.8%) to \$21,107,000 compared to the first half of 2000. Net interest income growth in 2001 is due to Peoples' increased volume of earning assets compared to the previous year. Peoples' net interest margin continued to improve gradually during the second quarter of 2001, reaching 4.07% for the second quarter compared to 3.98% in first quarter 2001. On a year-to-date basis through June 30, 2001, net interest margin was 4.02% compared to 4.22% last year.

Non-interest income totaled \$2,270,000 in the second quarter of 2001 compared to \$2,201,000 and \$2,233,000 in the linked quarter and second quarter of 2000, respectively. For the six months ended June 30, 2001, non-interest income grew \$110,000 (or 2.5%) to \$4,471,000 compared to the previous year. Peoples' largest source of non-interest income is deposit account service charges, which reached \$889,000 for the three months ended June 30, 2001, versus \$810,000 in the linked quarter and \$793,000 a year ago. On a year-to-date basis, deposit account service charges totaled \$1,696,000 in 2001, up \$151,000 (or 9.8%) from \$1,545,000 the previous year, due largely to higher volumes of overdraft fees on checking accounts.

In the first half of 2001, insurance and investment commissions totaled \$584,000 compared to \$530,000 for the first half of 2000, an increase of \$54,000 (or 10.2%). Peoples continues to pursue new ways to provide asset and risk management products as a method to grow non-interest revenues. Insurance and investment commissions totaled \$263,000 for the second quarter of 2001, down from \$321,000 for the linked quarter and \$374,000 for the second quarter of 2000, due primarily to slower annuity sales and reduced brokerage income. The current interest rate environment has reduced the volume of Peoples' annuity sales, and associated revenues, in the second quarter of 2001, while brokerage income has been impacted by US stock market conditions and corresponding decreased client investment activity. In the second quarter of 2001, fiduciary income, Peoples' other major source of non-interest income, totaled \$628,000, up from \$614,000 for the first quarter of 2001. Fiduciary revenues were unchanged compared to a year ago.

In the second quarter of 2001, electronic banking income totaled \$354,000 compared to \$319,000 last quarter and \$310,000 for the second quarter of 2000. On a year-to-date basis, electronic banking income increased \$84,000 (or 14.2%) to \$676,000 in 2001 from \$592,000 in 2000 as a result of volume increases in ATM and debit card usage by Peoples' clients.

A key performance indicator for Peoples is its non-interest income leverage ratio (defined as non-interest income as a percent of operating non-interest expense). Through six months in 2001, Peoples' non-interest income leverage ratio was 29.9%, compared to 30.7% a year ago. For the second quarter of 2001, Peoples' non-interest income leverage ratio was 30.0% versus 29.8% in the linked quarter.

"Peoples' targeted non-interest income leverage ratio in 2001 remains 34%, although we believe short-term non-interest income levels will be challenged due to current economic conditions and the general state of the US equity markets, and their impact on Peoples' revenues such as fiduciary fees and investment income," said Jack Conlon, Chief Financial Officer. "Our long-term strategy continues to focus on growing top-line revenues without proportional increases in non-interest expense."

In the second quarter of 2001, non-interest expense totaled \$8,168,000, up \$217,000 (or 2.7%) compared to the linked quarter and up \$374,000 (or 4.8%) compared to second quarter of 2000. On a year-to-date basis, non-interest expense totaled \$16,119,000 in 2001, an increase of \$771,000 (or 5.0%) compared to the previous year. Non-interest expense in the second quarter of 2001 was impacted by approximately \$100,000 of expenses related to the conversion of Peoples' ATM and debit cards to a new vendor. Management believes that this change enhances Peoples' ability to remain competitive in electronic banking services through improved client service levels and enhanced long-term operating

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efficiencies.

Salaries and benefits, Peoples' largest non-interest expense, grew \$633,000 (or 9.6%) to \$7,227,000 for the first six months of 2001, compared to the same period in 2000. Salaries and benefits increased in 2001 due to wage increases and rising benefit costs as well as increases in the number of full-time equivalent associates in customer service positions. For the quarter ended June 30, 2001, salaries and benefits totaled \$3,642,000, an increase of \$341,000 (or 10.3%) from \$3,301,000 for the second quarter of 2000, and up only \$57,000 (or 1.6%) compared to the linked quarter. Peoples' other non-interest expenses were at or below their amounts in recent periods, except marginal increases in non-income based taxes.

"Rising medical costs are a contributor to our increased expenses, and all indications are these costs will continue to rise over the next several years," said Conlon. "Given this probability, we will work to manage those expenses and have implemented strategies to better prepare the company to control rising costs while providing a competitive benefits package for our associates."

Late in the second quarter of 2001, Peoples invested \$20.0 million of matured investment securities in business owned life insurance ("BOLI"). The BOLI investment, which accounts for most of the increase in other assets, will produce a tax-advantaged revenue stream and enhance Peoples' operating efficiency as rising employee benefit costs are offset by the anticipated increased revenue stream of BOLI.

Loan balances at June 30, 2001, remained stable compared to the previous quarter end. Economic conditions and intense rate competition in Peoples' primary markets and contiguous areas continue to challenge loan growth. Most of Peoples' loan growth in 2001 is the result of an acquisition completed during the first quarter of 2001.

As a result of less favorable loan loss experience and general economic conditions, provision for loan losses remained at \$675,000 for the three months ended June 30, 2001, compared to \$600,000 in the same period last year. Net chargeoffs totaled \$549,000 in the second quarter of 2001 compared to \$543,000 in the first quarter of 2001. Commercial and consumer loan net chargeoffs comprised a majority of Peoples net chargeoffs in the second quarter of 2001, totaling \$281,000, or 51.3% of total net chargeoffs, and \$125,000, or 22.8% of total net chargeoffs, respectively. At June 30, 2001, the allowance for loan losses totaled \$12.2 million, or 1.61% of total loans, up \$1.2 million from year-end 2000 when the allowance was 1.48% of total loans.

At June 30, 2001, nonperforming assets totaled \$5.1 million, or 0.43% of total assets, compared to 0.36% at March 31, 2001, and 0.46% at year-end 2000. Although the amount of nonperforming assets increased compared to the previous quarter-end, the current amount is below Peoples' peer levels and management believes Peoples' allowance for loan losses is adequate for risks inherent in the loan portfolio.

Peoples has implemented tax reduction strategies, which include investments in low-income housing and historic tax credits, to reduce Peoples' tax burden and effective tax rate. During the second quarter of 2001, these strategies helped produce an effective tax rate of 29.6% compared to 30.4% for the same period last year, and 30.5% in the linked quarter. The tax strategies employed are long-term in nature and may marginally reduce Peoples' tax burden in future years, depending on economic and regulatory issues.

"The second quarter met our expectations," summarized Evans. "Our long-term focus remains increasing our shareholders' investment value, and we continue to look for new ways to integrate our client service opportunities to produce an optimum result for our customers, associates, and shareholders."

Peoples Bancorp Inc., a diversified financial products and services company with \$1.2 billion in assets, offers a complete line of banking, investment, insurance, and trust solutions through Peoples Bank's 40 sales offices and 25 ATM's in Ohio, West Virginia, and Kentucky. Peoples' common stock is traded on the NASDAQ exchange under the symbol "PEBO." Learn more about Peoples or enroll in Peoples OnLine Connection, Peoples' Internet banking product, at [www.peoplesbancorp.com](http://www.peoplesbancorp.com).

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### Conference Call to Discuss Earnings:

Peoples will conduct a facilitated conference call to discuss the results of operations for the second quarter of 2001 on July 25, 2001, at 3:00 p.m. local time. The conference call is open to the public; however, management asks that questions be limited to investment analysts, interested members of the media and shareholders. To participate in the call, please dial (877) 735-0939 approximately five minutes before the scheduled start of the conference call. Members of Peoples' executive management will participate in the conference call. Brief opening remarks will be followed by a question and answer period. A complete transcript of the conference call will be placed on peoplesbancorp.com, in the "Investor Relations" section under "Conference Call Transcripts".

### Safe Harbor Statement:

The statements in this press release which are not historical fact are forward looking statements that involve a number of risks and uncertainties, including, but not limited to, the interest rate environment, the effect of banking and tax regulations, the effect of economic conditions, the impact of competitive products and pricing, and other risks detailed in Peoples' SEC filings. Although management believes that the expectations in these forward-looking statements are based on reasonable assumptions within the bounds of management's knowledge of Peoples' business and operations, it is possible that actual results may differ materially from these projections.

PEOPLES BANCORP INC. (Nasdaq: PEBO)  
Financial Highlights (Unaudited)

(in \$000's, except share and per share data)	Three Months Ended			
	June 30,			
	2001	2000		
<b>PER SHARE DATA</b> Operating income per share (a):				
Basic	\$ 0.45	\$ 0.43	\$	
Diluted	\$ 0.45	\$ 0.43	\$	
Cash basis earnings - diluted (b)	\$ 0.51	\$ 0.49	\$	
Net income per share:				
Basic	\$ 0.46	\$ 0.41	\$	
Diluted	\$ 0.45	\$ 0.41	\$	
Cash basis earnings - diluted (b)	\$ 0.51	\$ 0.47	\$	
Dividends declared per share	\$ 0.15	\$ 0.14	\$	
Book value per share	\$ 13.68	\$ 11.17	\$	
Tangible book value per share (b)	\$ 10.90	\$ 8.25	\$	
Dividend payout as a percentage of net income	32.98%	36.93%		
Actual shares outstanding (net of treasury shares)	6,546,426	6,527,092		6
Weighted average shares outstanding:				
Basic	6,571,387	6,515,837		6
Diluted	6,668,300	6,600,252		6
<b>PERFORMANCE RATIOS</b>				
Return on average equity	13.46%	15.13%		
Cash basis return on average equity (a)	19.27%	23.75%		
Return on average assets	1.03%	1.00%		
Cash basis return on average assets (a)	1.19%	1.17%		
Operating return on average equity (b)	13.34%	15.81%		
Cash basis operating return on average equity (a) (b)	19.12%	24.76%		
Operating return on average assets (b)	1.02%	1.04%		

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Cash basis operating return on average assets (a) (b)	1.18%	1.21%
Non-interest income leverage ratio (c)	29.96%	30.92%
Efficiency ratio (d)	56.39%	56.62%
Net interest margin (fully tax equivalent)	4.07%	4.20%
Net loan chargeoffs as a percentage of average loans	0.07%	0.05%

PEOPLES BANCORP INC. CONSOLIDATED STATEMENTS OF INCOME

(in \$000's)	Three Months Ended	
	2001	2000
Interest income	\$ 21,992	\$ 20,924
Interest expense	11,196	10,699
Net interest income	10,796	10,225
Provision for loan losses	675	600
Net interest income after provision for loan losses	10,121	9,625
Net (loss) gain on securities transactions	(1)	(45)
Net gain (loss) on asset disposals	5	(140)
Mark-to-market adjustment on interest rate caps	42	-
Non-interest income:		
Service charges on deposits	889	793
Trust revenues	628	628
Insurance commissions	263	374
Electronic banking revenues	354	310
Other non-interest income	136	128
Total non-interest income	2,270	2,233
Non-interest expense:		
Salaries and benefits	3,642	3,301
Occupancy and equipment	962	1,018
Trust preferred	659	651
Amortization of intangibles	582	571
Data processing and software	231	268
Other non-interest expense	2,092	1,985
Total non-interest expense	8,168	7,794
Income before income taxes	4,269	3,879
Income taxes	1,264	1,179
Net income	\$ 3,005	\$ 2,700
Fully tax equivalent net interest income	\$ 11,057	\$ 10,506

PEOPLES BANCORP INC. SELECTED FINANCIAL INFORMATION

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(in \$000's)	Three Months Ended June 30,		
	2001	2000	
CONSOLIDATED AVERAGE BALANCES			
Average gross loans	\$ 752,429	\$ 686,606	\$
Average earning assets	1,086,887	999,137	1,
Average total assets	1,163,924	1,078,382	1,
Average non-interest bearing deposits	87,917	82,588	
Average interest bearing deposits:			
Savings	78,417	86,848	
Interest-bearing demand deposits	274,772	226,911	
Time deposits	374,186	338,448	
Total average interest bearing deposits	727,375	652,207	
Average stockholders' equity	\$ 89,318	\$ 71,510	\$
NET CHARGEOFFS			
Gross chargeoffs	\$ 701	\$ 375	\$
Recoveries	152	60	
Net chargeoffs	\$ 549	\$ 315	\$

PEOPLES BANCORP INC. SELECTED FINANCIAL INFORMATION

	June 30, 2001	December 20
LOAN PORTFOLIO (in \$000's, end of period)		
Commercial, financial, and agricultural	\$ 313,806	\$
Real estate, construction	20,683	
Real estate, mortgage	293,817	
Consumer	125,450	
Total loans	\$ 753,756	\$
ASSET QUALITY		
Allowance for loan losses as a percent of total loans	1.61%	
Allowance for loan losses as a percent of nonperforming loans (a)	240.1%	
Nonperforming loans as a percent of total loans (a)	0.67%	
Nonperforming assets as a percent of total assets (b)	0.43%	
Nonperforming assets as a percent of total loans and other real estate owned		
real estate owned (b)	0.68%	
Nonperforming assets (in \$000's, end of period):		
Loans 90 days or more past due	\$ 466	\$
Renegotiated loans	\$ 511	\$
Nonaccrual loans	\$ 4,085	\$

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Other real estate owned	\$	32	\$
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Total nonperforming assets	\$	5,094	\$
REGULATORY CAPITAL (in \$000's, end of period)			
Tier 1 risk-based capital		12.75%	
Total risk-based capital ratio (Tier 1 and Tier 2)		14.08%	
Leverage ratio		8.84%	
Tier 1 capital	\$	101,336	\$
Total capital (Tier 1 and Tier 2)	\$	111,871	\$
Total risk-weighted assets	\$	794,781	\$
SUPPLEMENTAL DATA (in \$000's, end of period)			
Trust assets under management	\$	492,877	\$
One year cumulative repricing gap	\$	(96,404)	\$
Employees (full-time equivalent)		401	
Full service offices		34	
Supermarket offices		4	
ATMs		25	
Announced treasury share plans: (c)			
Total shares in plan		125,000	
Shares purchased (d)		52,423	
Average price (d)	\$	19.07	\$
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PEOPLES BANCORP INC. CONSOLIDATED BALANCE SHEETS

(in \$000's)

ASSETS

Cash and cash equivalents	\$
Available-for-sale investment securities, at estimated fair value (amortized cost of \$317,592 and \$335,111 at June 30, 2001, and December 31, 2000, respectively)	
Loans, net of unearned interest	
Allowance for loan losses	
Net loans	
Bank premises and equipment, net of accumulated depreciation	
Goodwill	
Other intangibles	
Other real estate owned	
Other assets	
TOTAL ASSETS	\$

LIABILITIES

Non-interest bearing deposits	\$
Interest bearing deposits	

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Total deposits  
Federal funds purchased, securities sold under repurchase agreements,  
and other short term borrowings  
Long-term borrowings  
Accrued expenses and other liabilities

TOTAL LIABILITIES

Guaranteed preferred beneficial interests in junior subordinated debentures

STOCKHOLDERS' EQUITY

Common stock, no par value (12,000,000 shares authorized, 6,697,011 shares  
issued at June 30, 2001, and

6,679,028 shares issued at December 31, 2000)

Accumulated comprehensive income, net of deferred income taxes

Retained earnings

Treasury stock, at cost (150,585 shares at June 30, 2001,  
and 189,357 shares at December 31, 2000)

TOTAL STOCKHOLDERS' EQUITY

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

\$

END OF RELEASE