

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549  
FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended September 30, 1994  
Commission File Number 0-12154

THE PEOPLES HOLDING COMPANY  
(Exact name of the registrant as specified in its charter)

MISSISSIPPI 64-0676974  
(State of Incorporation) (I.R.S. Employer Identification Number)

209 Troy Street, P. O. Box 709, Tupelo, Mississippi 38801  
(Address of principal executive offices)

Registrant's telephone number including area code 601-680-1001

Indicate by check whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities  
Exchange Act of 1934 during the preceding 12 months, and (2) has  
been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate the number of shares outstanding of each of the issuer's  
classes of common stock, as to the latest practicable date.

Common stock, \$5 Par Value, 2,513,534 shares outstanding  
as of November 10, 1994

THE PEOPLES HOLDING COMPANY  
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THE PEOPLES HOLDING COMPANY AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS

[CAPTION]

	SEPTEMBER 30 1994	DECEMBER 31 1993
	(Unaudited) [C]	(Note 1) [C]
[S] Assets		
Cash and due from banks	\$ 40,950,088	\$ 35,956,431
Federal Funds Sold	4,000,000	8,000,000
	-----	-----
	44,950,088	43,956,431
Interest bearing balances with banks	267,794	77,887
Securities (Market value- \$228,833,515 and \$234,979,483 at September 30, 1994 and December 31, 1993)	229,102,498	230,904,295
Loans	472,914,296	427,416,747
Unearned Income	( 11,149,589)	( 9,835,772)
Allowance for loan losses	( 7,704,867)	( 6,216,854)
	-----	-----
Net Loans	454,059,840	411,364,121
Bank premises and equipment	16,144,930	15,537,825
Other assets	20,697,149	16,669,428
	-----	-----
Total Assets	\$ 765,222,299	\$ 718,509,987
	=====	=====
[S] Liabilities and Shareholder's Equity	[C]	[C]
Deposits:		
Non-interest bearing	\$ 119,991,562	\$ 99,140,347
Interest bearing	545,706,451	537,598,201
	-----	-----
Total Deposits	665,698,013	636,738,548
Treasury tax and loan account	3,124,543	4,000,000
Federal Funds Purchased	12,000,000	0
Notes and debentures payable	4,760,927	59,797
Other liabilities	7,820,794	7,787,929
	-----	-----
Total Liabilities	693,404,278	648,586,274

Shareholders' Equity

Common Stock, \$5 par value- 4,200,000 shares authorized 2,513,354 shares issued and outstanding at September 30, 1994 and 2,417,829 shares issued and outstanding at December 31, 1993	12,567,670	12,089,145
Capital surplus	30,000,000	30,000,000
Retained earnings	31,439,562	27,834,568
Adjustment to unrealized losses on available-for-sale securities, net of tax	(2,189,211)	0
	-----	-----
Total Shareholders' Equity	71,818,021	69,923,713
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 765,222,299	\$ 718,509,987
	=====	=====

[FN]

See Notes to Consolidated Financial Statements



THE PEOPLES HOLDING COMPANY AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF INCOME

[CAPTION]

	NINE MONTHS ENDED SEPTEMBER 30	
	1994	1993
	----	----
	(Unaudited)	
[S]	[C]	[C]
Interest Income		
Interest and fees on loans	\$ 27,729,574	\$ 25,660,820
Interest on balances with banks	87,452	70,550
Interest on federal funds sold	322,372	461,745
Interest on securities:		
Taxable	7,491,821	7,365,698
Tax-exempt	1,935,584	1,630,282
	-----	-----
Total interest income	37,566,803	35,189,095
Interest Expense		
Interest on time deposits of		
\$100,000 or more	1,503,313	1,281,108
Interest on other deposits	11,556,755	10,772,647
Interest on federal funds purchased		
and other borrowed funds	256,615	73,119
	-----	-----
Total interest expense	13,316,683	12,126,871
	-----	-----
Net interest income	24,250,120	23,062,224
Provision for possible loan losses	1,475,628	2,423,895
	-----	-----
Net interest income after		
provision for possible		
loan losses	22,774,492	20,638,329
Other income		
Service charges	4,276,903	3,742,595
Fees and commission	1,149,905	944,172
Trust department income	374,701	289,486
Trading account income	0	137,438
Net gain on investments	92,832	363,863
Other operating income	1,225,888	1,080,211
	-----	-----
Total other income	7,120,229	6,557,765
Other Expenses		
Salaries and employee benefits	11,977,264	11,235,085
Occupancy of bank premises	1,514,680	1,443,748
Furniture and equipment depreciation,		
rental cost, servicing, etc..	853,440	812,801
Other operating expense	8,000,730	6,598,984
	-----	-----
Total other expenses	22,346,114	20,090,618
	-----	-----
Income before income taxes	7,548,607	7,105,476
Income taxes	1,684,882	1,904,718
	-----	-----
Income before cumulative effect of		
changes in accounting principles	5,863,725	5,200,758
Cumulative effect of changes in		
accounting principle, net of income		
taxes	0	522,518
	-----	-----
Net income	\$ 5,863,725	\$ 5,723,276
	=====	=====

[CAPTION]

	1994	1993
	----	----
[S]	[C]	[C]
Earnings per share:		
Income before cumulative effect		
of changes in accounting		
principles	\$ 2.33	\$ 2.07
Cumulative effect of changes in		
accounting principles	.00	.21

	----	----
Total earnings per share	\$ 2.33	\$ 2.28
Cash dividends per share	\$ .71	\$ .68

Earnings per share data for 1994 and 1993 are based on 2,513,534 shares outstanding. Cash dividend per share is based on actual amounts declared.

[FN]

See Notes to Consolidated Financial Statements.





THE PEOPLES HOLDING COMPANY AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF INCOME

[CAPTION]

	THREE MONTHS ENDED SEPTEMBER 30	
	1994	1993
	----	----
	(Unaudited)	
[S]	[C]	[C]
Interest Income		
Interest and fees on loans	\$ 9,940,979	\$ 8,722,512
Interest on balances with banks	3,884	30,721
Interest on federal funds sold	42,168	134,766
Interest on securities:		
Taxable	2,597,030	2,470,122
Tax-exempt	646,272	545,854
	-----	-----
Total interest income	13,230,333	11,903,975
Interest Expense		
Interest on time deposits of		
\$100,000 or more	500,762	450,925
Interest on other deposits	4,028,755	3,658,852
Interest on borrowed funds	106,480	29,163
	-----	-----
Total interest expense	4,635,997	4,138,940
	-----	-----
Net interest income	8,594,336	7,765,035
Provision for possible loan losses	491,927	632,451
	-----	-----
Net interest income after		
provision for possible		
loan losses	8,102,409	7,132,584
Other income		
Service charges	1,527,425	1,319,514
Fees and commission	348,678	171,029
Trust department income	145,861	94,866
Trading account income	0	0
Net gain (loss) on investments	(22,771)	274,061
Other operating income	316,162	370,059
	-----	-----
Total other income	2,315,355	2,229,529
Other Expenses		
Salaries and employee benefits	4,115,277	3,805,002
Occupancy of bank premises	514,912	589,547
Furniture and equipment depreciation,		
rental cost, servicing, etc..	278,207	198,648
Other operating expense	2,824,917	2,237,249
	-----	-----
Total other expenses	7,733,313	6,830,446
	-----	-----
Income before income taxes	2,684,451	2,531,667
Income taxes	801,673	708,123
	-----	-----
Income before cumulative effect of		
changes in accounting principles	1,882,778	1,823,544
Cumulative effect of changes in		
accounting principle, net of income		
taxes	0	0
	-----	-----
Net income	\$ 1,882,778	\$ 1,823,544
	=====	=====

[CAPTION]

	1994	1993
	----	----
[S]	[C]	[C]
Earnings per share:		
Income before cumulative effect		
of changes in accounting		
principles	\$ .75	\$ .73
Cumulative effect of changes in		
accounting principles	.00	.00
	----	----
Total earnings per share	\$ .75	\$ .73

Cash dividends per share	\$ .24	\$ .23
--------------------------	--------	--------

Earnings per share data for 1994 and 1993 are based on 2,513,534 shares outstanding. Cash dividend per share is based on actual amounts declared.

[FN]  
See Notes to Consolidated Financial Statements.



THE PEOPLES HOLDING COMPANY AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS

[CAPTION]

NINE MONTHS ENDED SEPTEMBER 30

	1994 ----	1993 ----
	(Unaudited)	
[S]	[C]	[C]
Operating Activities		
Net Income	\$ 5,863,725	\$ 5,723,276
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,475,628	2,423,895
Provision for depreciation and amortization	1,263,136	1,058,838
Net amortization accretion of securities' premiums/discounts	1,275,190	401,827
Gain on sale of trading securities	0	(137,438)
Proceeds from sales of trading securities	0	6,101,875
Purchases of trading securities		(1,024,531)
Gain on sale/call of securities held for sale	(2,791)	(191,804)
Increase (decrease) in other liabilities	32,866	(871,082)
Deferred income tax	(682,633)	(939,893)
Gain on sale of fixed assets	(1,264)	(3,955)
Increase in other assets	(2,020,943)	(1,466,891)
	-----	-----
Net Cash Provided by Operating Activities	7,202,914	13,022,040
Investment Activities		
Net increase in balances with other banks	(189,907)	63,754
Proceeds from sales of securities held for sale	7,501,564	3,319,109
Proceeds from maturities/calls of securities held to maturity	3,068,639	64,043,912
Proceeds from maturities/calls of securities held for sale	54,695,444	
Purchase of securities held to maturity	(2,925,000)	
Purchase of securities held for sale	(65,128,235)	(104,404,689)
Net increase in loans	(44,728,848)	(28,131,343)
Proceeds from sale of fixed assets	2,505	4,626
Purchase of premises and equipment	(1,510,351)	(1,187,881)
	-----	-----
Net cash used in Investment Activities	(49,214,189)	( 66,292,515)

[CAPTION]

	1994 ----	1993 ----
[S]	[C]	[C]
Financing Activities		
Net increase in demand and savings deposits	39,070,295	27,689,744
Net increase (decrease) in time deposits	(10,110,830)	20,497,667
Net increase (decrease) in short-term borrowed funds	11,124,543	487,120
Increase (decrease) in long-term debt	4,701,130	(12,811)
Acquisition of Sunburst banks		(2,251,330)
Cash dividends paid	(1,780,206)	(1,644,124)
	-----	-----
Net Cash Provided by Financing Activities	43,004,932	44,766,266
	-----	-----
Increase (decrease) in Cash and Cash Equivalents	993,657	(8,504,209)
Cash and Cash Equivalents at beginning of period	43,956,431	57,062,966
	-----	-----

Cash and Cash Equivalents at end of period	\$ 44,950,088	\$ 48,558,757
	=====	=====
Cash paid for:		
Interest expense	\$ 13,050,403	\$ 12,006,117
Income taxes	2,006,656	1,584,000
Non-cash transactions:		
Transfer of loans to other real estate	\$ 557,501	
Unrealized loss on securities held as available for sale:		
Decrease in securities	\$ 3,316,986	
Increase in deferred taxes	\$ 1,127,775	
Decrease in equity	\$ 2,189,211	

[FN]

See Notes to Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Basis of Presentation

The consolidated balance sheet at December 31, 1993, has been derived from the audited financial statements at that date. The accompanying unaudited consolidated financial statements reflect all adjustments (consisting only of normally recurring accruals) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. The statements should be read in conjunction with the summary of accounting policies and notes to financial statements included in the Registrant's annual report for the year ended December 31, 1993. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with the rules of the Securities and Exchange Commission.

A stock dividend was issued in the third quarter of 1994, therefore prior year earnings per share amounts and book values have been properly restated.

In May of 1993, the Financial Accounting Standards Board issued SFAS No. 114, "Accounting by Creditors for Impairment of a Loan". This statement requires that impaired loans that are within the scope of SFAS No. 114 be measured on the present value of expected future cash flows, discounted at the loans's effective interest rate or at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. SFAS No. 114 applies to companies with fiscal years beginning after December 15, 1994. The Company has not made a determination as to the effect of the adoption of this statement on the financial condition of the Company.

Note 2 Changes in Accounting Methods

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", effective for fiscal years beginning after December 15, 1993. Under the new rules, debt securities that the Company has both the positive intent and ability to hold to maturity are carried at amortized cost. Debt securities that the Company does not have the positive intent and ability to hold to maturity and all marketable equity securities are classified as available-for-sale or trading and carried at fair value. Unrealized holding gains and losses on securities classified as available-for-sale are carried as a separate component of shareholders' equity. Unrealized holding gains and losses on securities classified as trading are reported in earnings.

[CAPTION]

Securities are summarized as follows at September 30, 1994:

[S]	[C]
Held to maturity (amortized cost)	\$ 43,075,546
Available for sale (estimated fair value)	186,026,952
	-----
Total securities	\$ 229,102,498
	=====

The estimated fair value of securities held to maturity at September 30, 1994 was \$42,806,563.

Note 3 Acquisition

During April, 1994, the Company entered into an agreement with The Resolution Trust Corporation to purchase selected assets and assume certain liabilities of the New Albany, Southaven and Hernando branches of the Security Federal Savings and Loan Association. The acquisition was approved by regulatory authorities and consummated on April 15, 1994. The Company acquired approximately \$18 million in loans and \$32 million in deposits.

Note 4 Income Taxes

[CAPTION]

Federal income taxes payable (receivable) were as follows at September 30:

[S]	[C]
Current	\$ 390,113
Deferred	(3,051,204)
	-----
	\$ (2,661,091)
	=====

[CAPTION]

The components of income tax expense (credits) are presented below at September 30, 1994:

[S]	[C]
Current	\$ 2,315,913
Deferred	(631,031)
	-----
	\$ 1,684,882
	=====

PAGE

[CAPTION]

The difference between income tax expense and the amount computed by applying the statutory federal income tax rate to operating earnings results from the following at September 30, 1994:

[S]	[C]
Federal tax expense at statutory rate	\$2,545,827
Add (deduct) effect of:	
Tax-exempt interest income	( 639,475)
Amortization of intangible assets	39,969
Dividends received deduction	( 29,049)
Other items-net	( 232,389)
	-----
	\$1,684,882
	=====

Deferred tax assets resulted largely from temporary differences arising from the loan loss provision. Effective January 1, 1993, the Company adopted FASB No. 109, which resulted in a deferred tax rate of 34%.

Historically, the Company has produced taxable income which can fully utilize the deferred tax asset.





THE PEOPLES HOLDING COMPANY AND SUBSIDIARY  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

## Financial Condition

The following provides management's discussion of the consolidated financial condition and results of operation of The Peoples Holding Company and Subsidiary, focusing on those factors that have had the most significant impact for the first nine months of 1994. This commentary should be read in conjunction with the accompanying financial statements.

Total assets of The Peoples Holding Company grew from \$718,509,987 on December 31, 1993, to \$765,222,299 on September 30, 1994, or 6.50% for the nine month period. The primary increase in assets is due to the acquisition of approximately \$33 million dollars in selected assets and liabilities from Security Federal Savings and Loan Association during the second quarter of 1994 which was accounted for as a purchase. Accordingly, the results of operations of this acquisition are included in the consolidated financial statements only from the acquisition date (April 15, 1994), which affects the comparability of the consolidated financial statements. Cash and Due From Banks was up from \$35,956,431 on December 31, 1993, to \$40,950,088 on September 30, 1994, or an increase of \$4,993,657; while Federal Funds sold decreased \$4,000,000 since December 31, 1993. Loans, less unearned income and allowance for loan loss, increased \$42,695,719 or 10.38% due primarily to assumption of loans from Security Federal Savings and Loan Association. Securities decreased from \$230,904,295 on December 31, 1993, to \$229,102,498 on September 30, 1994, which includes an unrealized loss on securities held for sale of \$3,316,986. Transaction deposit accounts, which require a 10% reserve balance in cash or on deposit at the Federal Reserve Bank, were up from \$260,709,000 on December 31, 1993, to \$368,484,723 on September 30, 1994, while total deposits for the first nine months of 1994 grew from \$636,738,548 on December 31, 1993 to \$665,698,013, or an increase of \$28,959,465.

The equity capital to total assets ratio was 9.73% and 9.39% for December 31, 1993 and September 30, 1994, respectively.

## Results of Operations-Nine months ended September 30, 1994 compared to 1993

The Company reported net income of \$5,863,725 for the period ending September 30, 1994 compared to \$5,723,276 for the same period in 1993; or an increase of 2.45%. Earnings per share for the first nine months of 1994 were \$2.33 compared to \$2.28 for the first nine months in 1993. The net effect of the adoption of SFAS No. 106, "Employer's Accounting for Postretirement Benefits Other than Pensions" and SFAS No. 109, "Accounting for Income Taxes" in 1993 accounted for \$ .21 of the nine months earning per share on net income of \$2.07 for the nine month period ending September 30, 1993.

Net interest income is the largest component of the Company's income and represents the amount by which interest income on earning assets exceeds the cost of deposits. The Company's long term objective is to manage those earning assets and interest-bearing liabilities to provide the largest possible amount of income while balancing interest rate, credit, liquidity and capital risk.

Net interest income after provision for loan losses was up \$2,136,163 or 10.35% for the period ending September 30, 1994 compared to the same period in 1993 due to an increase in average earning assets of 9.30%. The acquisition of approximately \$18 million in earning assets from Security Federal accounted for 30% of the increase. The fully tax-equivalent net interest margin remained the same in 1994 and 1993 at 4.90%. The prime lending rate for bank loans declined periodically to 6.00% early in 1993 from 6.50% early in 1992. The prime lending rate increased in March to 6.25%; May to 6.75% and in June to 7.25%, during 1994. The prime rate decrease in 1992 and 1993 was the primary factor in the decrease in yields for September 1994 on the loan portfolio from 8.55% in 1993 to 8.47% in 1994.

Total interest expense was \$13,316,683 for the nine months ending in 1994, compared to \$12,126,871 for same period in 1993 or an increase of \$1,189,812. Average total interest bearing deposits increased \$32,731,683 or 6.17% while the interest rate yield paid on interest bearing deposits declined slightly to 3.09% in 1994 from 3.03% for same period in 1993.

The growth in non-interest income has become an increasingly important component of the Company's profitability, given the uncertainty of future loan demand and increased competition from nontraditional sources. Non-

interest income includes fees for trust services, mortgage loan servicing fees, service charges on deposit accounts, and many other retail products. Non-interest income for the first nine months of 1994 increased 8.58% or \$562,464 compared to the same period in 1993. The most significant increase in non-interest income is attributable to service charges which increased \$534,308 since 1993 due mainly to addition of accounts serviced by the Security Federal Savings and Loan Association.

During recent years, the banking industry has put an increasing emphasis on expense control and improving its efficiency and, ultimately, its profitability. The Company has responded to the need for improved efficiency by emphasizing its commitment to control expenses. Non-interest expenses have increased from \$20,090,618 for nine months ending September 30, 1993 to \$22,346,114 in 1994 or 11.22%, mainly due to the acquisition.

Results of Operations-Three months ended September 30, 1994 compared to 1993

The Company reported net income of \$1,882,778 for the quarter ended September 30, 1994 compared to \$1,823,544 for the same period in 1993; or an increase of 3.24%. Earnings per share for the third quarter of 1994 were \$.75 compared to \$.73 for the same quarter in 1993.

Net interest income after provision for loan losses was up \$969,825 or 13.6% for the quarter ending September 30, 1994 compared to the same period in 1993 due to an increase in average earning assets due to the acquisition of approximately \$18 million in earning assets from Security Federal. The net interest margin for the quarter declined from 5.17% to 5.13% for 1993 and 1994 due to a decrease in the yields earned on loans attributable to the decrease of the prime rate in 1993 and the repricing of variable loans to lower rates in the later part of 1993, without a comparable drop in the cost of deposits. The provision for possible loan losses decreased \$140,524 for the quarter compared to previous year's quarter. The most significant increase in interest income was attributable to interest on loans which increased \$1,218,467 or 14%. Interest expense increased \$497,057 in quarter ended September 1994 compared to same period in 1993 mainly due to acquisition of Security Federal deposits.

Non-interest income for quarter ended September 30, 1994 is \$2,315,355 compared to \$2,229,529 for same period in 1993 or an increase of 3.8%. The increase is mainly due to increased service charges relating to addition of deposits from Security Federal. Non-interest expenses for the quarter are \$7,733,313 and \$6,830,446 for September 30, 1994 and 1993, respectively. The increase is due to growth in salaries for personnel acquired through the Security Federal purchase and related operating expenses for the three locations purchased.

# Allowance for Loan Losses:

In evaluating the adequacy of the allowance for loan losses, among the issues the Company examines are current economic conditions, results of quantitative analysis of the quality of commercial loans and commercial real estate loans, and the historical rate of charge-offs on all loan types. The provision for loan losses is the amount charged against current earnings which management believes is necessary to maintain the reserve at an adequate level at a point in time, giving consideration to potential problem credits, the collateral adequacy of loans, net charge-offs, asset quality measure, size of the loan portfolio and general trends. The provision for the nine months ending September 30, 1994, decreased \$948,267 from the same period in the prior year which is reflective of the improvement in the quality of the loan portfolio, decrease in non-performing loans and the net recovery of charge offs at September 30, 1994.

[CAPTION]

	September 1994	September 1993
	-----	-----
[S]	[C]	[C]
Balance, January 1	\$ 6,216,854	\$ 6,462,925
Provision for Loan losses	1,475,628	2,423,895
	-----	-----
	7,692,482	8,886,820
	-----	-----
Charge-offs	( 802,620)	(3,209,345)
Recoveries	815,005	311,210
	-----	-----
Net (charge-off)/recovery	12,385	(2,898,135)
	-----	-----
Balance June 30	\$ 7,704,867	\$ 5,988,685
	=====	=====

[CAPTION]

	September 1994	September 1993
	-----	-----
[S]	[C]	[C]
Loan Loss Analysis:		
Net loans-Average	\$ 436,366,262	\$400,207,291
Net loans-Quarter End	461,764,707	413,984,812
Net Charge-Offs/(Recoveries)	(12,385)	2,898,135
Allowance for Loan Losses	7,704,867	5,988,685

Ratios:

Net Charge-Offs/(Recoveries) to:

Net Loans-Average	(0.002%)	0.72%
Allowance for Loan Losses	(0.16%)	48.39%

Allowance for Loan Losses to:

Net Loans-Quarter End	1.67%	1.45%
Non-Performing Loans	469.29%	161.46%

Non-Performing Loans to:

Net Loans-Quarter End	0.36%	.90%
Net Loans-Average	0.37%	.92%

[CAPTION]

The following table shows the principal amounts of nonaccrual loans at September 30 for the years indicated.

	September 1994	September 1993
[S]	[C]	[C]
Non-Performing Loans		
Non-Accruing	\$ 274,749	\$ 1,841,100
Accruing Loans Past Due	1,367,047	1,868,210
90 Days or More	-----	-----
Total Non-Performing Loans	\$ 1,641,796	\$ 3,709,310
	=====	=====



Statistical Summary  
SEPTEMBER 30, 1994  
[CAPTION]

		1994	
	INCOME OR EXPENSE	AVERAGE BALANCE SHEET AMOUNTS	YIELDS/ RATES
	-----	-----	-----
[S]	[C]	[C]	[C]
Earnings Assets			
Loans and leases, net of unearned income	27,729,574	436,366,262	8.47%
Interest bearing bank balances and federal funds sold	409,824	15,278,708	3.58%
Taxable securities	7,491,821	192,581,561	5.19%
Nontaxable securities	1,935,584	42,538,730	9.19%TE
	-----	-----	-----
Total investment and trading securities	9,427,405	235,120,291	5.91%TE
Total earning assets	37,566,803	686,765,261	7.49%TE
Cash and due from banks		43,499,347	
Other assets, less allowance for loan losses		27,039,640	
		-----	
Total assets		757,304,248	
		=====	
[S]	[C]	[C]	[C]
Interest bearing liabilities:			
Interest bearing demand deposit accounts	2,825,396	165,492,077	2.28%
Savings accounts	1,694,497	101,212,430	2.23%
Time Deposits	8,540,175	296,600,524	3.84%
	-----	-----	-----
Total interest bearing deposits	13,060,068	563,305,031	3.09%
		1994	
	INCOME OR EXPENSE	AVERAGE BALANCE SHEET AMOUNTS	YIELDS/ RATES
	-----	-----	-----
Other costing liabilities	256,615	7,523,199	4.55%
	-----	-----	-----
Total interest bearing liabilities	13,316,683	570,828,230	3.11%
[S]		[C]	
Non-interest bearing sources:			
Non-interest bearing deposits		108,921,576	
Other liabilities		6,880,088	
Shareholders' equity		70,674,354	
		-----	
Total liabilities and shareholders' equity		757,304,248	
		=====	
[S]	[C]		[C]
Net interest income/Net interest margin	24,250,120		4.90%TE





Statistical Summary  
SEPTEMBER 30, 1993  
[CAPTION]

	1993		
	INCOME OR EXPENSE	AVERAGE BALANCE SHEET AMOUNTS	YIELDS/ RATES
[S]	----- [C]	----- [C]	----- [C]
Earnings Assets			
Loans and leases, net of unearned income	25,660,820	400,207,291	8.55%
Interest bearing bank balances and federal funds sold	532,295	21,530,916	3.30%
Taxable investment/trading securities	7,365,698	173,088,498	5.67%
Nontaxable investment securities	1,630,282	33,322,137	9.88%TE
	-----	-----	
Total investment and trading securities	8,995,980	206,410,635	6.35%TE
Total earning assets	35,189,095	628,148,843	7.64%TE
Cash and due from banks		42,142,380	
Other assets, less allowance for loan losses		24,547,697	
		-----	
Total assets		694,838,920	
		=====	
Interest bearing liabilities:			
Interest bearing demand deposit accounts	2,914,883	172,939,847	2.25%
Savings accounts	1,478,694	85,688,402	2.30%
Time Deposits	7,660,175	271,945,098	3.76%
	-----	-----	-----
Total interest bearing deposits	12,053,752	530,573,348	3.03%

[CAPTION]

	1993		
	INCOME OR EXPENSE	AVERAGE BALANCE SHEET AMOUNTS	YIELDS/ RATES
[S]	----- [C]	----- [C]	----- [C]
Other costing liabilities	73,119	3,410,986	2.86%
	-----	-----	-----
Total interest bearing liabilities	12,126,871	533,984,334	3.02%
	[C]	[C]	[C]
Non-interest bearing sources:			
Non-interest bearing deposits		87,588,026	
Other liabilities		6,506,196	
Shareholders' equity		66,760,364	
		-----	
Total liabilities and shareholders' equity		694,838,920	
	[C]	=====	[C]

Net interest income/Net interest margin	23,062,224	4.90%TE
--	------------	---------



## Liquidity and Interest Rate Sensitivity Management

The primary functions of asset/liability management are to assure adequate liquidity and maintain an appropriate balance between interest sensitive earning assets and interest bearing liabilities. Liquidity management involves the ability to meet the cash flow requirements of customers who may be either depositors wanting to withdraw or borrowers needing assurance that sufficient funds will be available to meet their credit needs.

Interest rate sensitivity management seeks to avoid fluctuating net interest margins and to provide for a consistent growth of net interest income through periods of changing interest rates.

Available for sale securities, particularly those of shorter maturities, are the principal source of asset liquidity. Securities maturing in one year or less amounted to \$70,644,000 at September 30, 1994, representing 30.84% of the securities portfolio. Other types of assets such as interest bearing deposits in other banks are sources of liquidity. Loans maturing within one year represented 63.71% of the total loans, net of unearned income, for September 30, 1994. On September 30, 1994, there were \$367,315,000 in interest earning assets which will mature within one year while \$484,020,000 in interest bearing liabilities will mature or will be repriced within one year, which results in a liability sensitive gap of \$116,705 million or 31.77%. Management believes that this range can be effectively managed against interest rate movements while allowing sufficient flexibility to take advantage of opportunities presented by varying interest rate environments. The following table summarizes the Company's gap position at September 30, 1994:

Rate Sensitive Balance Sheet  
September 30, 1994  
[CAPTION]

[S]	(In Thousands)			
	LESS THAN ONE YEAR	ONE YEAR TO FIVE YEARS	OVER FIVE YEARS	TOTAL
	-----	-----	-----	-----
[S]	[C]	[C]	[C]	[C]
ASSETS				
Securities	70,644	125,049	33,409	229,102
Loans	296,403	133,122	32,240	461,765
Interest Bearing Balances with Banks	268			268
Other Assets			74,087	74,087
	-----	-----	-----	-----
Total Assets	367,315	258,171	139,736	765,222
	=====	=====	=====	=====
LIABILITIES				
Non-Interest Bearing Transaction Accounts			119,992	119,992
Interest Bearing Transaction Accounts	145,469			145,469
Money Market and Savings	102,960			102,960
Time Deposits <100,000	151,953	45,290	45	197,288
Time Deposits >100,000	46,250	9,947	106	56,303
Individual Retirement Account	21,419	21,894	372	43,685
Other Borrowed Funds	15,969	3,728	189	19,886
Other Liabilities			7,821	7,821
Equity			71,818	71,818
	-----	-----	-----	-----
Total Liabilities and Equity	484,020	80,859	200,343	765,222
	=====	=====	=====	=====
GAP	(116,705)	177,312	(60,607)	0
GAP/Assets	(31.77%)	68.68%	(9.69%)	0.00%
Cumulative GAP	(116,705)	60,607	0	0
Cumulative GAP/Assets	(31.77)%	9.69%	0.00%	0.00%

Historically, the overall liquidity of the Company has been enhanced by a significant aggregate of core deposits. The Company's deposit base has changed from a significant dependence on negotiable certificates of deposit to increased dependence on short-term interest bearing accounts which tends to increase the Company's negative GAP position. As a result of this shift in types of deposits, the Company is attempting to shorten the maturity of securities and convert loans, where possible, to a floating rate.

## Capital Resources

Retained earnings through operations have been the primary source of capital over the past three months. The ratio of shareholders equity to total assets was 9.38% as of September 30, 1994, compared to 9.73% as of December 31, 1993, and 9.61% as of September 30, 1993.

Total shareholders' equity of the Company was \$71,818,021 and \$69,923,713 for September 30, 1994 and December 31, 1993, respectively. This represented an increase of \$1,894,308 or 2.71%. Guidelines define a well capitalized bank as one whose capital to risk-based assets is at least 10%, or 6% Tier 1 capital ratio, and a 5% leverage ratio.

The table below shows the capital ratios of the Company at the dates indicated.

[CAPTION]

	(In Thousands)	
	September 30 1994	December 31 1993
	-----	-----
[S]	[C]	[C]
Total Tier 1 Capital	\$ 68,187	\$ 63,425
Total Tier 2 Capital	5,729	5,355
	-----	-----
Total Qualifying Capital	73,916	68,780
	=====	=====
Risk-weighted assets on balance sheet, net of intangibles	457,431	426,964
Excess allowance for loan losses	(1,976)	( 1,108)
Risk-weighted off balance sheet exposure	932	1,422
	-----	-----
Total Risk-Weighted Assets Inclusive of Off Balance Sheet Exposure and Net of Allowance	456,387	427,278
	=====	=====
Tier 1 Capital Ratio	14.94%	14.84%
Total Capital Ratio	16.20%	16.10%
Leverage Ratio	9.02%	9.48%

Management recognizes the importance of maintaining a strong capital base. As the above ratios indicate, the Company exceeds the requirements for a well capitalized bank.

Book value per share was \$28.57 and \$27.31 at September 30, 1994 and 1993, respectively. The 1993 amount has been restated for a stock dividend issued in the third quarter of 1994. Cash dividends were raised to \$.24 per quarter, up from \$.23 per share during the same quarter in 1993.

The Company's capital policy is to evaluate future needs based on growth, earnings trends and anticipated acquisitions.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

There were no material proceedings pending at September 30 1994, against the registrant or its subsidiary.

Item 6(b) Reports on Form 8-K - The Company did not file Form 8-K in the quarter ending September 30, 1994.





SIGNATURES

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

THE PEOPLES HOLDING COMPANY

-----  
Registrant

DATE: November 14, 1994

-----  
John W. Smith  
President, Chief Executive  
and Financial Officer

DATE: November 14, 1994

-----  
E. W. Conwill  
Vice President

QTR-3	
DEC-31-1994	
SEP-30-1994	
	40,950
268	
4,000	
0	
0	
232,151	
228,834	
	461,765
	7,705
765,222	
	665,698
	15,125
7,821	
	4,761
	12,568
0	
	0
	0
765,222	
	27,730
	9,427
	410
	37,567
	13,060
	257
24,250	
	1,476
	3
	22,346
	7,549
7,549	
	0
	0
	5,864
	2.33
	2.33
	37,567
	275
	1,367
	266
	0
	6,217
	803
	815
	7,705
7,705	
0	
0	