

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 June 30, 1996
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, 3,906,675 shares outstanding
as of July 24, 1996

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

[CAPTION]

	JUNE 30 1996	DECEMBER 31 1995
	----- (Unaudited)	----- (Note 1)
[S]	[C]	[C]
Assets		
Cash and due from banks	\$ 49,488,068	\$ 46,918,819
Federal Fund Sold	8,000,000	17,000,000
	-----	-----
	57,488,068	63,918,819
Interest bearing balances with banks	2,803,942	8,814,411
Securities held-to-maturity (market value-\$49,110,347 and \$50,109,526 at June 30, 1996 and December 31, 1995, respectively)	49,314,775	45,837,145
Securities available-for-sale (amortized cost-\$202,205,536 and \$166,530,900 at June 30, 1996 and December 31, 1995, respectively)	197,632,445	168,381,798
Loans	539,252,359	533,545,333
Unearned Income	(9,285,073)	(11,231,586)
Allowance for loan losses	(8,849,895)	(8,815,130)
	-----	-----
Net Loans	521,117,391	513,498,617
Premises and equipment	20,778,646	20,323,492
Other assets	23,059,803	20,925,126
	-----	-----
Total Assets	\$ 872,195,070	\$ 841,699,408
	=====	=====
Liabilities		
Deposits:		
Noninterest-bearing	\$ 116,375,637	\$ 116,894,919
Certificates of deposit exceeding \$100,000	82,438,971	62,620,549
Interest bearing	566,997,782	560,029,831
	-----	-----
Total Deposits	765,812,390	739,545,299
Treasury tax and loan note account	3,125,607	2,400,495
Borrowings	6,907,657	4,313,109
Other liabilities	10,310,143	10,480,085
	-----	-----
Total Liabilities	\$ 786,155,797	\$ 756,738,988
Shareholders' Equity		
Common Stock, \$5 par value-7,500,000 authorized, 3,906,675 and 2,604,760 shares issued and outstanding at June 30, 1996 and December 31, 1995, respectively	19,533,375	13,023,800
Additional paid-in capital	39,875,796	39,875,796
Unrealized gains (losses) on securities, net of tax	(872,032)	1,169,262
Retained earnings	27,502,134	30,891,562
	-----	-----
Total Shareholders' Equity	86,039,273	84,960,420
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 872,195,070	\$ 841,699,408
	=====	=====

See Notes to Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	SIX MONTHS ENDED JUNE 30		THREE MONTHS ENDED JUNE 30	
	1996	1995	1996	1995
	----	----	----	----
	(Unaudited)		(Unaudited)	
Interest Income				
Loans	\$ 24,769,781	\$ 23,963,841	\$ 12,504,522	\$ 12,375,787
Securities:				
Taxable	6,084,321	4,812,589	3,105,054	2,478,568
Tax-exempt	1,348,120	1,268,803	631,098	639,849
Other	544,510	412,376	245,732	250,902
Total interest income	32,746,732	30,457,609	16,486,406	15,745,106
Interest Expense				
Time deposits exceeding \$100,000	1,843,044	1,538,489	977,949	833,117
Other deposits	11,888,769	10,188,548	5,834,721	5,391,431
Borrowings	143,674	197,511	116,953	93,856
Total interest expense	13,875,487	11,924,548	6,929,623	6,318,404
Net interest income	18,871,245	18,533,061	9,556,783	9,426,702
Provision for loan losses	1,260,450	1,200,000	630,225	600,000
Net interest income after provision for loan losses ..	17,610,795	17,333,061	8,926,558	8,826,702
Noninterest income:				
Service charges on deposit accounts ..	3,211,701	3,055,878	1,611,205	1,573,039
Fees and commissions	836,453	716,796	417,153	381,352
Trust department	270,000	261,000	135,000	130,500
Security gains(losses)	161,423	(413,963)	52,973	(39,540)
Other	796,537	803,587	325,309	346,356
Total noninterest income ...	5,276,114	4,423,298	2,541,640	2,391,707
Noninterest expenses:				
Salaries and employee benefits	9,257,253	8,852,422	4,619,025	4,582,643
Net occupancy	1,119,080	1,113,268	571,075	586,371
Equipment	746,644	643,989	402,543	306,269
Other	5,232,170	4,900,379	2,657,238	2,143,033
Total noninterest expenses .	16,355,147	15,510,058	8,249,881	7,618,316
Income before income taxes	6,531,762	6,246,301	3,218,317	3,600,093
Income taxes	1,961,424	1,818,055	955,447	1,059,954
Net income	\$ 4,570,338	\$ 4,428,246	\$ 2,262,870	\$ 2,540,139
	=====	=====	=====	=====
Earnings per share	\$ 1.17	\$ 1.13	\$.58	\$.65
	=====	=====	=====	=====
Weighted average shares outstanding	3,906,675	3,906,675	3,906,675	3,906,675
	=====	=====	=====	=====

See Notes to Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

[CAPTION]

	SIX MONTHS ENDED JUNE 30	
	1996	1995
	----	----
	(Unaudited)	
[S]	[C]	[C]
Operating Activities		
Net Income	\$ 4,570,338	\$ 4,428,246
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,260,450	1,200,000
Provision for depreciation and amortization	989,550	920,307
Net amortization (accretion) of securities premiums/discounts	(731,941)	2,476,678
Losses (gains) on sales/calls of securities	(90,899)	441,542
Increase (decrease) in other liabilities	(169,942)	432,506
Deferred income tax (credits)	120,913	(656,907)
Losses (gains) on sales of premises and equipment	(15,360)	27,069
Increase in other assets	(778,462)	(1,224,018)
	-----	-----
Net Cash Provided by Operating Activities	5,154,647	8,045,423
Investing Activities		
Net increase (decrease) in balances with other banks	6,010,469	(2,871,195)
Proceeds from maturities/calls of securities held-to-maturity	669,581	654,042
Proceeds from maturities/calls of securities available-for-sale	37,835,540	30,604,300
Proceeds from sales of securities available-for-sale	18,590,899	23,883,732
Purchases of securities held-to-maturity	(4,034,555)	(2,990,000)
Purchases of securities available-for-sale	(88,208,602)	(48,037,930)
Net increase in loans	(9,447,845)	(26,598,029)
Proceeds from sales of premises and equipment	96,170	169,252
Purchases of premises and equipment	(1,233,606)	(1,428,090)
	-----	-----
Net Cash Used in Investing Activities	(39,721,949)	(26,613,918)
Financing Activities		
Net decrease in noninterest-bearing deposits	(519,282)	(2,846,059)
Net increase in certificate of deposits exceeding \$100,000	19,818,422	6,345,198
Net increase in other interest-bearing deposits	6,967,951	24,259,992
Net increase (decrease) in treasury tax and loan note account	725,112	373,271
Increase (decrease) in borrowings	2,594,548	(528,699)
Cash dividends paid	(1,450,200)	(1,308,894)
	-----	-----
Net Cash Provided by Financing Activities	28,136,551	26,294,809
	-----	-----
Increase (Decrease) in Cash and Cash Equivalents	(6,430,751)	7,726,314
Cash and Cash Equivalents at beginning of period	63,918,819	45,273,177
	-----	-----
Cash and Cash Equivalents at end of period	\$ 57,488,068	\$ 52,999,491
	=====	=====
Non-cash transactions:		
Transfer of loans to other real estate	\$ 568,621	\$ 403,703
	=====	=====

See Notes to Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 1996

Note 1 Basis of Presentation:

The consolidated balance sheet at December 31, 1995, 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 consolidated financial statements included in the Registrant's annual report for the year ended December 31, 1995. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with the rules of the Securities and Exchange Commission.

Note 2 Changes in Accounting Methods:

Beginning in 1995, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 114, "Accounting by Creditors for Impairment of a Loan," which was amended by FASB Statement No. 118, "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures." Under these new standards, the 1995 allowance for loan losses related to loans that are identified for evaluation in accordance with Statement No. 114 is based on discounted cash flows using the loan's initial effective interest rate or fair value of the collateral for certain collateral-dependent loans. The adoption of these new standards did not have a significant effect on the allowance for loan losses or the method of income recognition for impaired loans.

Note 3 Stock Dividend:

Effective May 20, 1996, for shareholders of record at April 30, 1996, the Company declared a 50% stock dividend. The stock dividend increased the number of shares outstanding from 2,604,760 to 3,906,675, which is net of 465 fractional shares paid in cash by the Company. Per share data has been restated to reflect the stock dividend. The Company also increased the quarterly dividend from \$.175 per share for the second quarter of 1995 to \$.19 per share for the second quarter of 1996.

Note 4 Reclassifications:

Certain reclassifications have been made to the 1995 consolidated financial statements to conform with the 1996 presentation.

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

Financial Condition

- - - - -

Total assets of The Peoples Holding Company grew from \$841,699,408 on December 31, 1995, to \$872,195,070 on June 30, 1996, or 3.62% for the six month period. Total securities increased from \$217,744,325 on December 31, 1995, to \$246,947,220 on June 30, 1996, in accordance with management's strategic plan. Loans, less unearned income, increased \$7,653,539 or 1.47% comparing June 30, 1996 to December 31, 1995.

Total deposits for the first six months of 1996 grew from \$739,545,299 on December 31, 1995 to \$765,812,390 on June 30, 1996, or an increase of 3.55%, with the majority of growth in time deposits.

The equity capital to total assets ratio was 9.86% and 10.09% for June 30, 1996 and December 31, 1995, respectively.

Results of Operations- Six and Three Month Periods ending
June 30, 1996 compared to June 30, 199

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The Company's net income for the six month period ending June 30, 1996 was \$4,570,338 compared to \$4,428,246 for the same period in 1995. During the second quarter of 1995, the Bank received a favorable reversal of a legal judgement, net of tax of \$348,920, which was previously recorded as a loss in 1991. Excluding this reversal, the net income for the six month period ending June 30, 1995 would have been \$4,079,326 and compared to the current period, net income would have increased 12.04% in 1996. Net income was \$2,262,870 and \$2,540,139 for the second quarter ending June 30, 1996 and 1995, respectively. The decrease in net income for the second quarter of 1996 compared to 1995 is due to the reversal of the legal judgement previously mentioned. The annualized returns on average assets for the six month period ending June 30, 1996 and 1995 was 1.07% and 1.11%, respectively.

Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of the Company's net income. The primary items of concern in managing net interest income are the mix and maturity balance between interest-sensitive assets and related liabilities. The net interest income for the six month periods ending June 30, 1996 and 1995 was \$18,871,245 and \$18,533,061, respectively. The net interest income was \$9,556,783 and \$9,426,702 for the three month periods ending June 30, 1996 and 1995, respectively. Earning assets averaged \$782.4 million for the six month period ending June 30, 1996 compared to \$734.8 million for the same period in 1995. The net interest margin was 5.06% and 5.23% for the six month periods ending June 30, 1996 and 1995, respectively. The decrease in net interest margin is due to the increase in the volume and rate of costing liabilities in 1996.

The provision for loan losses charged to operating expense is an amount which, in the judgement of management, is necessary to maintain the allowance for loan losses at a level that is adequate to meet the present and potential risks of losses on the Company's current portfolio of loans. The appropriate level of the allowance is based on a quarterly analysis of the loan portfolio including consideration of such factors as the risk rating of individual credits, size and diversity of the portfolio, economic conditions, prior loss experience, and the results of periodic credit reviews by internal loan review, regulators, and the Company's independent accounting firm. The provision for loan losses totaled \$1,260,450 and \$1,200,000 for the six month periods ending June 30, 1996 and 1995, respectively. The allowance for loan losses as a percent of net loans outstanding was 1.67% and 1.70% as of June 30, 1996 and December 31, 1995, respectively. Net charge-offs to average loans was .23% and .05% for the six month periods ending June 30, 1996 and 1995, respectively.

Noninterest income was \$5,276,114 for the six month period ending June 30, 1996, compared to \$4,423,298 for same period in 1995, or an increase of 19.28%. The majority of the increase between 1996 and 1995 is due to security gains of \$161,423 in 1996 compared to security losses of \$413,963 in 1995. The increase in deposits at June 30, 1996 compared to same period in 1995 resulted in an increase in service charges and fees and commissions. Noninterest income for the quarter ending June 30, 1996 increased \$149,933 or 6.27% compared to the same period in 1995. The increase is due to security gains in the second quarter of 1996 compared to security losses in 1995 and an increase in the deposits resulted in more service charges and fees and commissions.

Noninterest expenses were \$16,355,147 for six month period ending June 30, 1996, compared to \$15,510,058 for the same period 1995, or an increase of 5.45%. The components of noninterest expenses reflect normal increases for personnel related expenses and general inflation in the cost of services and supplies purchased by the Company. Noninterest expenses for the quarter ending June 30, 1996 increased \$631,565 or 8.29% compared to the same period in 1995. The increase is mainly due to the reversal of the legal judgement in 1995 that was previously mentioned.

Income tax expense was \$1,961,424 for the six month period ending June 30, 1996, compared to \$1,818,055 for the same period in 1995. The increase is due to increased profits for the six month period ending 1996 compared to 1995 and the Company paying State of Mississippi taxes after a net operating loss carryforward was depleted in the first quarter of 1995. The Company continues to invest in assets whose earnings are given favorable tax treatment.

Liquidity Risk

Liquidity management is the ability to meet the cash flow requirements of customers who may be either depositors wishing to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs.

Core deposits are a major source of funds used to meet cash flow needs. Maintaining the ability to acquire these funds as needed in a variety of money markets is the key to assuring liquidity. The Company has worked toward lowering its dependence on other public funds. This has added more stability to the Company's core deposit base reducing the dependence on highly liquid assets.

Approximately 89% of the Company's deposits are composed of accounts with balances less than \$100,000. When evaluating the movement of these funds even during large interest rate changes, it is apparent that the Company continues to attract deposits that can be used to meet cash flow needs.

Other sources available for meeting the Company's liquidity needs include the available-for-sale securities portfolio and Federal Home Loan Bank borrowings. The portfolio is composed of securities with a readily available market that can be used to convert to cash if the need arises. In addition the Company maintains a federal funds position that provides day-to-day funds to meet liquidity needs.

Capital Resources

The Company is required to comply with the risk-based capital requirements of the Federal Reserve Board, the FDIC and the OCC. These requirements apply a variety of weighing factors which vary according to the level of risk associated with the particular assets. The Company met the guidelines for a well capitalized bank for June 30, 1996, and December 31, 1995. The table below shows the capital ratios of the Company at the dates indicated:

[CAPTION]

	June 30 1996 -----	December 31 1995 -----	Well- Capitalized -----
[S]	[C]	[C]	[C]
Tier 1 Risk-Based Capital	15.55%	14.87%	6% or above
Total Risk-Based Capital	16.80%	16.14%	10% or above
Leverage Ratio	9.57%	9.67%	5% or above

Retained earnings through operations have been the primary source of capital over the past six months. The ratio of shareholders' equity to total assets was 9.86% as of June 30, 1996, compared to 10.09% at December 31, 1995. Total shareholders' equity of the Company was \$86,039,273 and \$84,960,420 for June 30, 1996 and December 31, 1995, respectively. This represented an increase of \$1,078,853 or 1.27%.

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 \$22.02 and \$21.75 at June 30, 1996 and December 31, 1995, respectively. Cash dividends were raised to \$.19 per quarter, up from \$.175 per share during the second quarter of 1995.

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 June 30, 1996 against the registrant or its subsidiary.

Item 4. Submission of Matters to a Vote of Shareholders

The annual meeting of the shareholders of The Peoples Holding Company was held on April 9, 1996, for the purpose of electing four members to the board of directors for a three year term, and to ratify the appointment of the independent auditors. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934.

[CAPTION]

Election of Directors	For	Against	Abstain
[S]	[C]	[C]	[C]
William M. Beasley	2,105,918	3,265	495,577
Marshall H. Dickerson	2,103,550	5,633	495,577
A.M. Edwards, Jr.	2,102,291	6,892	495,577
Eugene B. Gifford, Jr.	2,104,240	4,943	495,577
Ratify appointment of Ernst & Young LLP as independent auditors for 1996	2,100,633	4,160	499,967

Item 6(b) Reports on Form 8-K

The following 8-K was filed on May 20, 1996:

The Board of Directors of The Peoples Holding Company, at the April board meeting, voted to declare a 50% stock dividend to shareholders of record April 30, 1996, to be issued on May 20, 1996.

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: July 24, 1996

/s/ John W. Smith

John W. Smith
President & Chief Executive Officer

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