

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

(Mark One)

(X) Quarterly Report Pursuant to Section 13 or 15(d)  
of THE SECURITIES EXCHANGE ACT of 1934  
For the quarterly period ended September 30, 2002

or

( ) Transition Report Pursuant to Section 13 or 15(d)  
of THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

Commission File Number 1-13253

THE PEOPLES HOLDING COMPANY

-----  
(Exact name of the registrant as specified in its charter)

MISSISSIPPI

-----  
(State or other jurisdiction of incorporation or organization)

64-0676974

-----  
(I.R.S. Employer Identification Number)

209 Troy Street, P. O. Box 709, Tupelo, Mississippi 38802-0709

-----  
(Address of principal executive offices) (Zip code)

Registrant's telephone number including area code 662-680-1001

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 (or such shorter period that the registrant was required to file such reports), 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, 5,574,733 shares outstanding  
as of November 14, 2002

1

THE PEOPLES HOLDING COMPANY  
INDEX

PART I. FINANCIAL INFORMATION	PAGE
Item 1.	
Condensed Consolidated Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets - September 30, 2002 and December 31, 2001.....	3
Condensed Consolidated Statements of Income - Three Months and Nine Months Ended September 30, 2002 and 2001....	4
Condensed Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2002 and 2001.....	5
Notes to Condensed Consolidated Financial Statements.....	6

Item 2.	
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	8
Item 3.	
Quantitative and Qualitative Disclosures About Market Risk.....	16
Item 4.	
Controls and Procedures .....	16

PART II. OTHER INFORMATION

Item 1.	
Legal Proceedings.....	17
Item 6.	
Exhibits and Reports on Form 8-K.....	17
Signatures.....	18
Certification of Chief Executive Officer .....	19
Certification of Chief Financial Officer .....	20

## PART I. FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)

	SEPTEMBER 30 2002 ----- (Unaudited)	DECEMBER 31 2001 ----- (Note 1)
<b>Assets</b>		
Cash and due from banks .....	\$ 49,570	\$ 41,475
Federal funds sold .....		7,000
Interest-bearing balances with banks .....	392	22,937
	-----	-----
Cash and cash equivalents ...	49,962	71,412
Securities available-for-sale .....	326,344	277,293
Loans, net of unearned income .....	855,415	827,696
Allowance for loan losses .....	(12,299)	(11,354)
	-----	-----
Net loans .....	843,116	816,342
Premises and equipment, net .....	29,124	28,346
Other assets .....	58,094	61,334
	-----	-----
Total assets .....	\$ 1,306,640	\$ 1,254,727
	=====	=====
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing .....	\$ 164,848	\$ 145,690
Interest-bearing .....	925,548	917,365
	-----	-----
Total deposits .....	1,090,396	1,063,055
Treasury tax and loan note account .....	9,459	6,181
Advances from the Federal Home Loan Bank ..	58,136	41,145
Other liabilities .....	18,090	20,764
	-----	-----
Total liabilities .....	1,176,081	1,131,145
<b>Shareholders' equity</b>		
Common Stock, \$5 par value - 15,000,000 shares authorized, 6,212,284 shares issued; 5,575,433 and 5,704,680 shares outstanding at September 30, 2002 and December 31, 2001, respectively .....	31,061	31,061
Treasury stock, at cost .....	(17,529)	(12,856)
Additional paid-in capital .....	39,864	39,850
Retained earnings .....	70,869	63,391
Accumulated other comprehensive income ...	6,294	2,136
	-----	-----
Total shareholders' equity ..	130,559	123,582
	-----	-----
Total liabilities and shareholders' equity .....	\$ 1,306,640	\$ 1,254,727
	=====	=====

See Notes to Condensed Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(in thousands, except share data)

	NINE MONTHS ENDED 2002 (Unaudited)	SEPTEMBER 30 2001	THREE MONTHS ENDED 2002 (Unaudited)	SEPTEMBER 30 2001
Interest income				
Loans .....	\$ 46,027	\$ 53,919	\$ 15,363	\$ 17,773
Securities:				
Taxable .....	9,892	9,380	3,251	3,030
Tax-exempt .....	3,011	3,004	1,019	991
Other .....	277	669	74	83
Total interest income .....	59,207	66,972	19,707	21,877
Interest expense				
Deposits .....	18,567	31,276	5,940	9,548
Borrowings .....	1,797	1,090	614	359
Total interest expense .....	20,364	32,366	6,554	9,907
Net interest income .....	38,843	34,606	13,153	11,970
Provision for loan losses .....	3,325	3,475	1,125	1,225
Net interest income after provision for loan losses .....	35,518	31,131	12,028	10,745
Noninterest income				
Service charges on deposit accounts .....	9,220	8,569	3,220	2,961
Fees and commissions .....	6,731	5,406	2,456	1,905
Trust revenue .....	680	660	218	130
Securities gains .....	30	87	22	42
Other .....	3,583	3,026	1,069	1,134
Total noninterest income .....	20,244	17,748	6,985	6,172
Noninterest expense				
Salaries and employee benefits .....	21,609	19,285	7,290	6,862
Data processing .....	2,838	2,629	957	902
Net occupancy .....	2,368	2,402	784	797
Equipment .....	2,386	2,195	792	733
Other .....	8,265	7,792	2,819	2,579
Total noninterest expense .....	37,466	34,303	12,642	11,873
Income before taxes and cumulative effect of accounting change .....	18,296	14,576	6,371	5,044
Income taxes .....	5,198	3,845	1,827	1,202
Income before cumulative effect of accounting change ....	13,098	10,731	4,544	3,842
Cumulative effect of accounting change .....	(1,300)			
Net income .....	\$ 11,798	\$ 10,731	\$ 4,544	\$ 3,842
Basic and diluted earnings per share:				
Income before cumulative effect of accounting change .....	\$ 2.33	\$ 1.81	\$ 0.81	\$ 0.66
Cumulative effect of accounting change ...	(0.23)			
Net income .....	\$ 2.10	\$ 1.81	\$ 0.81	\$ 0.66
Weighted average shares outstanding .....	5,620,891	5,925,326	5,591,462	5,793,822
Weighted average shares outstanding - diluted .	5,625,348	5,925,326	5,597,362	5,793,822

See Notes to Condensed Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands, except share data)

NINE MONTHS ENDED SEPTEMBER 30  
2002                      2001  
-----                      -----

(Unaudited)

Operating activities		
Net cash provided (used) by operating activities .....	\$ 18,999	\$ (1,572)
Investing activities		
Purchases of securities available-for-sale .....	(160,133)	(71,398)
Proceeds from sales of securities available-for-sale .....	43,770	13,208
Proceeds from calls/maturities of securities available-for-sale .....	73,369	58,214
Net increase in loans .....	(33,178)	(16,136)
Proceeds from sales of premises and equipment .....	324	33
Purchases of premises and equipment .....	(3,217)	(1,023)
	-----	-----
Net cash used in investing activities .....	(79,065)	(17,102)
Financing activities		
Net increase in noninterest-bearing deposits .....	19,158	28,969
Net increase in interest-bearing deposits .....	8,183	12,025
Net increase in short-term borrowings .....	3,278	2,128
Proceeds from other borrowings .....	24,248	6,000
Repayments of other borrowings .....	(7,257)	(1,522)
Acquisition of treasury stock .....	(4,673)	(7,471)
Cash dividends paid .....	(4,321)	(4,193)
	-----	-----
Net cash provided by financing activities .....	38,616	35,936
	-----	-----
(Decrease) increase in cash and cash equivalents .....	(21,450)	17,262
Cash and cash equivalents at beginning of period .....	71,412	56,817
	-----	-----
Cash and cash equivalents at end of period .....	\$ 49,962	\$ 74,079
	=====	=====
Supplemental disclosures:		
Non-cash transactions:		
Transfer of loans to other real estate ..	\$ 3,079	\$ 2,104
Transfer of premises and equipment to other assets .....		181
	=====	=====

See Notes to Condensed Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
SEPTEMBER 30, 2002  
(in thousands, except share data)

Note 1 Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine-month period ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002.

For further information, refer to the consolidated financial statements and footnotes thereto included in The Peoples Holding Company and Subsidiary's annual report on Form 10-K for the year ended December 31, 2001. For purposes of this quarterly report on Form 10-Q, the term "Company" refers to The Peoples Holding Company and the term "Bank" refers to The Peoples Bank and Trust Company.

Note 2 Other Accounting Pronouncements

In October 2002, the Financial Accounting Standards Board (FASB) issued Statement No. No. 147, "Acquisitions of Certain Financial Institutions." The statement addresses the financial accounting and reporting for the acquisition of all or part of a financial institution, and is effective for any such activities initiated after October 1, 2002. The adoption of this statement is not anticipated to have a material effect on our financial position or results of operations.

In the first quarter of 2002, the Company completed the transitional impairment test required by Financial Accounting Standards Board (FASB) Statement No. 142, "Goodwill and Intangible Assets." As a result of this test, the Company recorded a goodwill impairment charge of \$1,300 as a cumulative effect of a change in accounting principle. The Company identified its reporting units as banking operations and insurance operations for purposes of measuring impairment of goodwill. The impairment was specific to the insurance subsidiary. The fair value of the insurance reporting unit was estimated using the expected present value of future cash flows. The insurance subsidiary acquisition was a tax-free exchange; therefore, there was no tax offset to the impairment cost booked.

	As of September 30, 2002	
	Gross Carrying Amount	Accumulated Amortization
	-----	-----
Amortized intangible assets:		
Core deposit intangible assets ..	\$ 507	\$ (365)
Other intangible assets .....	3,282	(1,986)
	-----	-----
Total .....	\$ 3,789	\$ (2,351)
	=====	=====
Unamortized goodwill	\$ 7,190	\$ (2,142)
	=====	=====

Note 2 Other Accounting Pronouncements (continued)

Aggregate amortization expense:

For the period ended September 30, 2002 .. \$ 370

Estimated amortization expense in future years:

For the year ended December 31, 2002 ..... \$ 493  
 For the year ended December 31, 2003 ..... 493  
 For the year ended December 31, 2004 ..... 423  
 For the year ended December 31, 2005 ..... 399  
 For the year ended December 31, 2006 ..... 0

The changes in the carrying amount of intangible assets for the nine months ended September 30, 2002, are as follows:

	Goodwill	Other Intangibles
	-----	-----
Balance as of January 1, 2002 .....	\$ 6,348	\$ 1,808
Impairment losses .....	(1,300)	
Amortization expense .....		(370)
	-----	-----
Balance as of September 30, 2002 .....	\$ 5,048	\$ 1,438
	=====	=====

The table below presents net income for the prior periods as reported as well as adjusted for the exclusion of goodwill amortization and the cumulative effect of the transitional impairment.

	Nine Months Ended September 30, 2002	Three Months Ended September 30, 2002	Year Ended December 31, 2001	Nine Months Ended September 30, 2001	Three Months Ended September 30, 2001
	-----	-----	-----	-----	-----
Reported net income .....	\$ 11,798	\$ 4,544	\$ 14,587	\$ 10,731	\$ 3,842
Goodwill amortization, net of tax ...			407	306	102
Transitional impairment .....	1,300				
	-----	-----	-----	-----	-----
Core net income .....	\$ 13,098	\$ 4,544	\$ 14,994	\$ 11,037	\$ 3,944
	=====	=====	=====	=====	=====
Basic and diluted earnings per share:					
Reported net income .....	\$ 2.10	\$ 0.81	\$ 2.48	\$ 1.81	\$ 0.66
Goodwill amortization, net of tax ...			0.07	0.05	0.02
Transitional impairment .....	0.23				
	-----	-----	-----	-----	-----
Core net income .....	\$ 2.33	\$ 0.81	\$ 2.55	\$ 1.86	\$ 0.68
	=====	=====	=====	=====	=====

Note 3 Comprehensive Income

For the nine month periods ended September 30, 2002 and 2001, total comprehensive income was \$15,956 and \$15,301, respectively. For the quarters ended September 30, 2002 and 2001, total comprehensive income amounted to \$6,543 and \$5,613, respectively. Total comprehensive income consists of net income and the change in the unrealized gain (loss) on securities available for sale.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS (in thousands, except share data)

This Form 10-Q may contain, or incorporate by reference, statements which may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Prospective investors are cautioned that any such forward-looking statements are not guarantees for future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include significant fluctuations in interest rates, inflation, economic recession, significant changes in the federal and state legal and regulatory environment, significant underperformance in our portfolio of outstanding loans, and competition in our markets. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

Financial Condition

Total assets of The Peoples Holding Company increased from \$1,254,727 on December 31, 2001, to \$1,306,640 on September 30, 2002, or 4.14% for the nine month period. As a result of weak loan demand and continued payoffs in our sales finance portfolio, most of the growth in assets occurred in the investment portfolio, which increased from \$277,293 on December 31, 2001, to \$326,344 on September 30, 2002. Federal funds sold and interest bearing bank balances decreased \$29,545 from the beginning of the year as funds were shifted to the investment portfolio. We invested \$35,417 in various securities this quarter. Purchases included mortgage-backed securities, U.S. government agency securities, and municipal securities. The majority (57%) of the purchases during the third quarter continued to be in the mortgage-backed sector because of the cash flow provided by the principal and interest payback each month. This cash flow provides a higher reinvestment opportunity that will be advantageous when rates begin to rise.

Last year, we changed our investment policy, eliminating the minimum requirement of 18% of the portfolio being invested in Treasury securities. We have steadily replaced investments in Treasury securities since that time with investments in other sectors in order to enhance yield. All Treasury securities had matured at September 30, 2002. This represented a decrease of approximately \$15,000 since December 31, 2001, and approximately \$23,000 since September 30, 2001.

Loan balances have increased \$27,719, from \$827,696 at December 31, 2001, to \$855,415 at September 30, 2002. Loans increased \$19,626 during the third quarter. Most of this growth began in late August and continued during September. We made a strategic decision to curtail our sales finance division in July 2000. At the time of the curtailment, this portfolio was approximately \$32 million and has since decreased to approximately \$8.5 million. The purpose of the decision was twofold - to reduce risk and to enhance yield. The sales finance portfolio decreased approximately \$6,500 since December 31, 2001.

The majority of our loan growth in the third quarter was in real estate loans, particularly in commercial and residential loans. Approximately 71% of the portfolio is comprised of loans secured by real estate. We have experienced declines in retail consumer loans and in commercial, financial and agricultural loans. With 0% financing being offered by automobile makers, we have experienced a decline in our new automobile financing. Used automobile financing is also down primarily because of the implementation of tighter credit standards.

The average loan to deposit ratios were 75.21% and 76.68% at September 30, 2002, and December 31, 2001, respectively. The actual loan to deposit ratios were 78.45% and 77.86% at September 30, 2002, and December 31, 2001, respectively.

We are committed to increasing loan volume and recognize that doing so is imperative for maintaining net interest margin. We have also recognized that the sluggish economy has impacted our ability to expand loan volume; however, we have taken action to improve loan volume by adding several seasoned commercial lenders to assist in attracting and pricing commercial business.

Total deposits for the first nine months of 2002 increased from \$1,063,055 on December 31, 2001, to \$1,090,396 on September 30, 2002, or an increase of 2.57%. The majority of our growth has been in noninterest bearing demand accounts and public fund interest bearing demand deposits. Our average noninterest bearing demand deposit accounts as a percent of total average deposits have increased from 13.53% at December 31, 2001 to 13.84% at September 30, 2002. With the growth in transaction and money market accounts, the Bank is benefitting from a lower percentage of time deposits to total deposits (on average) this year. Those ratios were 51.21% and 54.48% for September 30, 2002 and December 31, 2001, respectively.

Other borrowed funds have increased \$20,269 from year end. Of the increase, \$16,991 was due to additional funds borrowed from the Federal Home Loan Bank (FHLB). We minimize rate risk by funding loans with FHLB borrowings having similar terms, locking in fixed rates based on a spread over the FHLB note rates.

The equity capital to total assets ratios were 9.99% and 9.85% at September 30, 2002, and December 31, 2001, respectively. Capital increased \$6,977, or 5.65%, from December 31, 2001, to September 30, 2002. There were a number of factors contributing to the increase in capital. Normal transactions such as net income and unrealized portfolio gains contributed to the increase in capital, offset by dividends and the purchase of treasury stock. The increase in the unrealized gains on the investment portfolio was due primarily to market conditions. Cash dividends declared were \$.25 per share in the first quarter and \$.26 per share in the second and third quarters of 2002. We have continued to purchase treasury stock, purchasing 129,247 shares at an average cost of \$36.07 per share over the nine month period ending September 30, 2002. We purchased 31,441 shares during the third quarter of 2002.

## Results of Operations

Our core net income for the nine month period ended September 30, 2002, was \$13,098. This represented an increase of \$2,061, or 18.67% over comparable core net income for the nine month period ended September 30, 2001. Core net income for the nine month period ending September 30, 2001 was \$11,037. For the three month periods ended September 30, 2002 and 2001, core net income was \$4,544 and \$3,944, respectively. Core earnings per share for the nine month period ended September 30, 2002 were \$2.33, an increase of 25.27% from \$1.86 for the comparable period a year ago. The increase in core net income for the three and nine month periods ending September 30, 2002, compared to the same periods of 2001 resulted from usual and customary deposit gathering and lending operations and increases in noninterest income for sales of other products such as insurance. The annualized core return on average assets on the same basis for the three month periods ending September 30, 2002 and 2001, was 1.38% and 1.28%, respectively, and for the nine month periods ending September 30, 2002 and 2001 was 1.33% and 1.18%, respectively. Core net income is defined as income before the effect of the change in accounting principle and excluding goodwill amortization for all periods.

### Net Interest Income

Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of our net income. The primary concerns in managing net interest income are the mix and the repricing of rate-sensitive assets and liabilities. Net interest income has improved due to loan growth, risk based pricing of loans, and a shift in the deposit mix from time deposits to transaction and money market accounts.

Net interest income for the nine month periods ending September 30, 2002 and 2001 was \$38,843 and \$34,606, respectively, while earning assets for the same periods averaged \$1,176,926 and \$1,116,677, respectively. Net interest income for the three month periods ending September 30, 2002 and 2001 was \$13,153 and \$11,970, respectively, while earning assets for the same periods averaged \$1,184,723 and \$1,110,881, respectively. The bank's repricing position was favorable under the falling interest rate environment in which we have been operating recently. This, combined with our repricing strategy and mix change in both assets and liabilities, increased net interest margin.

	Three Months ending September 30,		Nine Months ending September 30,		Three Months ending December 31,
	2002	2001	2002	2001	2001
	-----	-----	-----	-----	-----
Net interest margin ..	4.68%	4.58%	4.67%	4.44%	4.54%

Provision for Loan Losses

The provision for loan losses charged to operating expense is an amount which, in the judgment of management, is necessary to maintain the allowance for loan losses at a level that is adequate to meet the inherent risks of losses on our 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 and regulators. The loan loss provision totaled \$3,325 and \$3,475, respectively for the nine month periods ending September 30, 2002 and 2001. The tables below present pertinent data and ratios.

Loans and Credit Quality

	Loans*		Nonperforming Loans		Net Charge-offs	
	September 30		September 30		Nine Months Ended September 30	
	2002	2001	2002	2001	2002	2001
Commercial, financial, agricultural ...	\$148,791	\$152,621	\$ 1,707	\$ 535	\$ 528	\$ 749
Real estate - construction .....	36,480	33,067		103	96	25
Real estate - mortgage .....	572,283	528,718	1,990	3,957	1,200	1,086
Consumer .....	97,861	112,635	271	522	556	985
	<u>\$855,415</u>	<u>\$827,041</u>	<u>\$ 3,968</u>	<u>\$ 5,117</u>	<u>\$ 2,380</u>	<u>\$ 2,845</u>

\* Net of unearned income.

Allowance for Loan Losses

	2002				2001		
	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Balance at beginning of period .....	\$ 11,658	\$ 11,811	\$ 11,354	\$ 11,166	\$ 11,403	\$ 11,067	\$ 10,536
Loans charged off .....	573	1,310	985	1,196	1,534	870	702
Recoveries of loans previously charged off .	89	82	317	69	72	81	108
Net Charge-offs .....	484	1,228	668	1,127	1,462	789	594
Provision for loan losses .....	1,125	1,075	1,125	1,315	1,225	1,125	1,125
Balance at end of year .....	<u>\$ 12,299</u>	<u>\$ 11,658</u>	<u>\$ 11,811</u>	<u>\$ 11,354</u>	<u>\$ 11,166</u>	<u>\$ 11,403</u>	<u>\$ 11,067</u>
Allowance for loan losses to total loans ...	1.44%	1.39%	1.44%	1.37%	1.35%	1.39%	1.36%
Reserve coverage ratio .....	309.95	317.57	207.25	178.65	218.20	191.62	143.34
Net charge-offs to total loans .....	0.06	0.15	0.08	0.14	0.18	0.10	0.07
Nonperforming loans to total loans .....	0.46	0.44	0.70	0.77	0.62	0.73	0.95

## Noninterest Income

Noninterest income, excluding gains from the sales of securities, was \$20,214 for the nine month period ending September 30, 2002, compared to \$17,661 for the same period in 2001, or an increase of 14.46%. Approximately 63% of the increase in noninterest income was attributable to usual and customary loan and deposit services. Income derived from the mortgage loan business continued to be strong for the first nine months of 2002. Another significant portion of the increase was due to the income booked as the result of Bank Owned Life Insurance (BOLI) purchased on key management personnel in May 2001. The additional income derived from BOLI of approximately \$511 has been used to offset rising benefits cost, primarily health and life insurance.

We continued to place emphasis on sales of insurance and alternative financial instruments. We implemented an insurance integration plan in 2001 aimed at improving our cross-selling between the bank and the insurance company. As a result, our insurance commission income increased \$351 over the nine month period reported in 2001, making up 14% of the total increase in noninterest income. A secondary, yet significant, benefit resulting from the implementation of the insurance integration plan was an improvement in contingency income of \$90. Contingency income is a bonus received from the insurance underwriters and is based both on commission income and claims experience on our customers during the previous year.

For the three month periods ended September 30, 2002 and 2001, noninterest income, excluding gains from the sales of securities, was \$6,963 and \$6,130, respectively. Approximately 72% of this increase was due to customary loan and deposit services. The increase in noninterest income derived from insurance commissions is approximately \$158, making up 19% of the increase over the third quarter of 2001. Income generated from alternative financial products (annuities and mutual funds) was down this quarter, largely attributable to the economy and uncertainties in the market. We continue to work our business plan, which is directed toward increasing the number of services per client for our existing client base as well as increasing our affluent client base.

## Noninterest Expense

Noninterest expense was \$37,466 for the nine month period ended September 30, 2002, compared to \$34,303 for the same period in 2001, an increase of \$3,163, or 9.22%. Core noninterest expense was \$37,466 for the nine month period ending September 30, 2002 compared to \$33,879 for the same period in 2001, an increase of \$3,587, or 10.59%. Core noninterest expense excludes amortization expense associated with all intangible assets that are no longer amortized as the result of adoption of FASB Statement No 142 "Goodwill and Intangible Assets". The increase in core noninterest expense, excluding increases in health and life insurance cost and performance based reward (PBR) plan cost was 6.92%. One significant factor contributing to the increase was health and life insurance cost which was approximately 17%, or \$598, of the change in core noninterest expense. This increase was due to the rising cost of health care as well as higher claims experienced this year.

Our Company has a PBR plan which allows for an incentive payment to employees based on improvement in net income over an established baseline. This cost is linked to performance and increases as performance improves. The increase for incentive cost for the nine month period was \$645, or 18% of the total increase in core noninterest expenses. Since a significant amount of the improvement in earnings for 2001 occurred in the last half of the year, we recorded 73% of the total incentive cost during the third and fourth quarters.

Other factors contributing to the increase in expense include depreciation, maintenance contract and computer processing costs associated with technological enhancements made during the last year. We installed a teller platform system in 2001, and upgraded our deposit platform system and portions of our loan system, particularly the credit scoring module, this year. In addition, we upgraded data storage to a robotic DVD device which provides near on-line access to data (check images) and purchased software to enhance read rates in item processing.

During the fourth quarter of 2002, we will be implementing a new loan platform system. These upgrades have enhanced productivity, reduced losses for the bank, and provided better service for our clients. We have noted improvement in both cash short and fraud/forgery losses as a result of the teller platform and deposit platform systems. Finally, in recognition of the sophistication of hackers and the damage that can be done by such individuals, information security has been enhanced through software, hardware, and retention of services by experts in that field. It has been, and will continue to be, our practice to seek technological improvements, evaluate the benefit to us and our clients, and to progress with implementation of such if a cost/benefit analysis justifies it. This practice is directly influenced by our vision to be the financial services advisor and provider of choice in the communities we serve.

For the three month periods ending September 30, 2002 and 2001, noninterest expense was \$12,642 and \$11,873, respectively, an increase of \$769, or 6.48%. For the three month periods ending September 30, 2002 and 2001, core noninterest expense was \$12,642 and \$11,732, respectively, an increase of \$910, or 7.76%. Health and life insurance expense was \$75 less than the third quarter last year due to the decrease in claims paid during the quarter. Salary cost was \$222, or 4.93%, higher than last year. During 2002, employee evaluation reviews were changed from each employee's anniversary date to March. All employees are now reviewed in March and merit/cost of living raises are given in April. Insurance commission expense increased \$44 over last year. This cost is directly linked to the increase in insurance commission income. The cost of the PBR plan increased \$60.

Computer depreciation, maintenance contracts and computer processing cost increased \$84, or approximately 11% of the increase in core noninterest expense, due to the previously discussed technological enhancements. Offsetting the higher cost associated with the enhancements are decreases in fraud/forgery losses of approximately \$28. We also incurred additional expense related to consulting engagements intended to improve efficiency and profitability.

Although expenses increased, we have significantly improved our efficiency ratio. The growth in noninterest income has been a key factor in the improvement of our efficiency ratio.

	Nine Months Ended September 30		Three Months Ended September 30	
	2002	2001	2002	2001
Efficiency ratio .....	60.99%	62.50%	60.44%	62.63%

Income tax expense was \$5,198 for the nine month period ended September 30, 2002, (with an effective tax rate of 28.41%) compared to \$3,845 (with an effective tax rate of 26.38%) for the same period in 2001. The increase in the effective tax rate this year was due in part to less tax-free interest income.

Income tax expense was \$1,827 and \$1,202 for the three month periods ending September 30, 2002 and 2001 respectively. The effective tax rate for the third quarters of 2002 and 2001 were 28.68% and 23.83%, respectively.

#### 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 a key to assuring liquidity. When evaluating the movement of these funds even during times of large interest rate changes, it is apparent that we continue to attract deposits that can be used to meet cash flow needs. Management continues to monitor the liquidity and potentially volatile liabilities ratios to ensure compliance with Asset-Liability Committee targets. These targets are set to ensure that we meet the liquidity requirements deemed necessary by management and regulators.

Another source available for meeting our liquidity needs is available-for-sale securities. The available-for-sale portfolio is composed of securities with a readily available market that can be used to convert to cash if the need arises. Other sources available for meeting liquidity needs include federal funds sold and interest bearing balances with the FHLB. In addition, we may obtain advances from the FHLB or the Federal Reserve Bank. Funds obtained from the FHLB are used primarily to match-fund real estate loans in order to minimize interest rate risk, and may be used to meet day to day liquidity needs.

#### Capital Resources

We are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Our capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum balances and ratios. All banks are required to have core capital (Tier I) of at least 4% of risk-weighted assets (as defined), 4% of average assets (as defined), and total capital of 8% of risk-weighted assets (as defined). As of September 30, 2002, we met all capital adequacy requirements to which we are subject.

As of September 30, 2002, the most recent notification from the Federal Deposit Insurance Corporation (FDIC) categorized us as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, we must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios of 10%, 6%, and 5%, respectively. In the opinion of management, there are no conditions or events since the last notification that have changed the institution's category. The Bank's actual capital amounts and applicable ratios are as follows and do not differ materially from that of the Company.

	Actual Amount -----	Ratio -----
As of September 30, 2002		
Total Capital .....	\$ 127,806	14.6%
(to Risk Weighted Assets)		
Tier I Capital .....	\$ 116,879	13.4%
(to Risk Weighted Assets)		
Tier I Capital .....	\$ 116,879	9.0%
(to Adjusted Average Assets)		
As of December 31, 2001		
Total Capital .....	\$ 122,162	14.5%
(to Risk Weighted Assets)		
Tier I Capital .....	\$ 111,622	13.3%
(to Risk Weighted Assets)		
Tier I Capital .....	\$ 111,622	9.1%
(to Adjusted Average Assets)		

Management recognizes the importance of maintaining a strong capital base. As the above ratios indicate, we continue to exceed the requirements for a well capitalized bank. Management also recognizes the importance of managing capital to maximize performance. Our quarterly dividend to shareholders, which is currently \$0.26 per share of common stock, has increased for sixteen consecutive years. Our dividend payout ratio was 36.80% at September 30, 2002. We continue to repurchase shares of our common stock in accordance with our strategic plan. We Purchased 220,556 of our common stock through a tender offer which was initiated April 16, 2001 and expired May 15, 2001. Since then, we have purchased an additional 247,135 under our stock repurchase plan. On October 15, 2002 our Board of Directors authorized the repurchase of up to 278,771 additional shares, or approximately 5%, of our common stock outstanding September 30, 2002. Along with earnings, unrealized gains on securities available for sale have contributed to the increase in capital. Under the current rate environment, unrealized gains on securities available for sale increased from \$2,136 on December 31, 2001, to \$6,294 on September 30, 2002, or 294.66% for the nine month period.

Book value per share was \$23.42 and \$21.66 at September 30, 2002 and December 31, 2001, respectively. The annualized core return on average equity for the three month periods ending September 30, 2002 and 2001, was 14.00% and 12.68%, respectively, and for the nine month periods ending September 30, 2002 and 2001 was 13.80% and 11.68%, respectively.

Our capital policy is to evaluate future needs based on growth, earnings trends and anticipated acquisitions.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes to our disclosure on quantitative and qualitative disclosures about market risk since December 31, 2001. For additional information, see our Form 10-K for the year ended December 31, 2001.

Item 4. CONTROLS AND PROCEDURES

Based on their evaluation as of a date within 90 days prior to the filing of this quarterly report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended) are effective for timely alerting them to material information required to be included in our periodic SEC reports. Subsequent to the date of their evaluation, there have been no significant changes in our internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

There have been no material proceedings against us during the quarter ending September 30, 2002.

Item 6.(a) EXHIBITS

Exhibit No. and Description

3.1 Articles of Incorporation and Articles of Amendment to Articles of Incorporation (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-4 filed on February 17, 1999, as amended, and incorporated herein by reference, Commission File No. 333-72507)

3.2 By-laws of the Company (as amended March 1, 2001)

10.1 Executive Deferred Compensation Plan A

10.2 Executive Deferred Compensation Plan B

10.3 Directors' Deferred Fee Plan A

10.4 Directors' Deferred Fee Plan B

10.5 Chief Executive Officer Employee Agreement

99.1 Statement of the Chief Executive Officer and the Chief Financial Officer

(b) REPORTS ON FORM 8-K

On July 18, 2002, we filed on Form 8-K our Second Quarter 2002 Earnings Press Release.

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.

THE PEOPLES HOLDING COMPANY

-----  
Registrant

DATE: November 14, 2002

/s/ E. Robinson McGraw

-----  
E. Robinson McGraw  
President & Chief Executive Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, E. Robinson McGraw, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Peoples Holding Company;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: November 14, 2002

/s/ E. Robinson McGraw

-----  
E. Robinson McGraw  
President & Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Stuart R. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Peoples Holding Company;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: November 14, 2002

/s/ Stuart R. Johnson

-----  
Stuart R. Johnson  
Executive Vice President &  
Chief Executive Officer

BYLAWS  
OF  
THE PEOPLES HOLDING COMPANY

ARTICLE I  
OFFICES

Section 1. The principal office of the corporation shall be located at 209 Troy Street, City of Tupelo, County of Lee, State of Mississippi.

Section 2. The Board of Directors shall have the power and authority to establish and maintain branch offices at the locations as the business of the corporation may require.

ARTICLE II  
STOCKHOLDERS

Section 1. The annual meeting of the stockholders of the corporation shall be held on the second Tuesday of April in each year for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting.

Section 2. Special meetings of the stockholders, for any purpose, may be called by written request of persons owning as much as fifty percent of the outstanding capital stock of the corporation, or by authority of the board of directors in regular session or by a request in writing of a majority of the board of directors. All such communications must be addressed to the president of the corporation.

Section 3. The annual meetings of the stockholders of the corporation shall be held at the principal office of the corporation in Tupelo, Mississippi, or at such other place in the area served by the corporation as may be fixed by the board of directors. All special meetings of the stockholders shall be held at the principal office of the corporation in Tupelo, Mississippi.

Section 4. At least ten days written notice shall be given of any annual or special meeting of stockholders, either personally or by mail, to each stockholder of record entitled to vote at such meeting. Such notice shall be issued by the president or secretary of the corporation, which notice shall state the place, day and hour of the meeting and, in case of a special meeting, the purposes for which the meeting is called.

1

Section 5. A majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. In the event of no quorum at the annual meeting, the holders of a majority of the stock present and represented at the meeting shall have power to adjourn the meeting from day to day without further notice. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally notified.

In special meetings, if a quorum is not present, there shall be no adjournment but the call of the meeting will be voided and a new call must be issued for any special meeting.

Section 6. At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney in fact. Such proxy shall be filed with the secretary of the corporation before or at the time of the meeting and shall not be valid after the date of the meeting at which it was filed.

Section 7. No stockholder will be allowed to vote at any meeting, either in person or by proxy, unless he is a stockholder of record. Every share of stock is entitled to one vote which may be voted as provided by the laws of the State of Mississippi.

Section 8. The chairman of the board of directors shall act as chairman, and the secretary of the corporation shall act as secretary of all meetings of the stockholders of the corporation.

ARTICLE III  
BOARD OF DIRECTORS

Section 1. The business and affairs of the corporation shall be managed and controlled by its board of directors.

Section 2. The board of directors of the corporation shall consist of not less

than seven (7) nor more than twenty (20) stockholders, the number of each ensuing year to be determined by a majority of the entire board of directors of the corporation prior to the regular annual meeting. Each director shall be the owner in his own right of unencumbered stock in the corporation to the amount of at least Two Hundred Dollars (\$200.00) par value, and shall have such other qualifications as may be prescribed for directors under the laws of the State of Mississippi. No stockholders shall be eligible for election as a member of the board of directors after attaining the age of seventy-two (72) years; provided, however, that any director who attains the age of seventy-two (72) years during his elected term can serve only until the next regular meeting of stockholders.

Section 3. The term of the office of the directors elected at the regular annual meeting of the stockholders shall be until the next annual meeting of the stockholders, and/or until their successors shall have been elected and qualified.

Section 4. If during the year a vacancy should occur in the offices of the directors elected for that year, the remaining board of directors shall have the right, by majority vote, to fill such vacancies as exist by electing to said vacancies qualified stockholders who shall serve as directors until the next annual meeting of stockholders, or until a meeting of the stockholders held for the purpose of electing their successors.

Section 5. The board of directors shall hold regular monthly meetings on the second Tuesday of each month, except in the month of March. All meetings of the board of directors, except the meeting immediately following the annual stockholders' meeting, shall be held in the board of directors room at the principal office of the bank in Tupelo, Mississippi, unless a different place be fixed by the board of directors.

Immediately following the annual stockholders' meeting, on the same date and at the same place, the members of the board of directors, which shall have been elected at said meeting, shall meet and elect from among themselves a chairman, a vice chairman and a secretary, who shall serve until the meeting of the board of directors following the next annual meeting of stockholders, and until their successors have been elected and qualified.

Section 6. Special meetings of the board of directors shall be held whenever called by the chairman or upon written request of a majority of the members of the board of directors.

Section 7. A majority of the members of the board of directors shall constitute a quorum of any meeting of said board of directors. Whenever there shall not be a quorum at a regular or special meeting, the members present may adjourn the meeting from time to time until a quorum shall be obtained, and any meeting may be adjourned from time to time by vote of a majority of the members present.

#### ARTICLE IV OFFICERS

Section 1. The officers of the corporation shall be president, vice president or vice presidents (the number thereof to be determined by the board of directors), secretary and treasurer, each of whom shall be elected by the board of directors. The office of secretary and treasurer may be held by the same person. The board of directors may also elect such assistant officers as may be deemed necessary.

Section 2. The officers of the corporation to be elected by the board of directors shall be elected annually at the first meeting of the board of directors held after each annual meeting of stockholders. Such officers so elected shall serve until the next meeting of the board of directors following the next annual meeting of stockholders, and until their successors have been elected and qualified.

A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the board of directors for the unexpired portion of the term.

The powers and duties of the several officers shall be as provided from time to time by resolution or other directive of the board of directors. In the absence of such provisions the respective officers shall have the powers and shall discharge the duties customarily and usually held and performed by like officers of like or similar corporations.

Section 3. The compensation of such officers shall be fixed from time to time by the board of directors.

ARTICLE V  
COMMITTEES

Section 1. There shall be an executive committee and such other committees as the board of directors may from time to time constitute. All of said committees shall be selected by the board of directors from their number, and their duties shall be as set forth hereinafter and as prescribed by the board of directors.

Section 2. The executive committee shall consist of the chairman of the board of directors, the president of the corporation and four other members to be selected by the board of directors. The executive committee shall have charge over all matters under the direction and control of the board of directors which may require attention at any time between regular meetings of said board of directors.

Section 3. Each committee shall select a chairman and a secretary from among itself who shall keep a record of the proceedings of each committee and the action of said committee. In case a secretary be not elected, the chairman of the committee shall keep such record. Each committee shall meet on the call of the chairman. The majority of the members of any of said committees shall constitute a quorum for the transaction of business by such committee, and in the event of the executive committee at least one of the members present at such meeting shall be a member of the committee who has been elected to said committee by the board of directors and is not serving ex officio.

Section 4. The board of directors may at any meeting adopt such resolutions restricting the power of committees as the board of directors may deem wise and prudent.

ARTICLE VI  
CAPITAL STOCK

Section 1. Certificates representing shares of stock of the corporation shall be in such form as shall be determined by the board of directors. Such certificates shall be signed by the president or a vice president and by the secretary or an assistant secretary. All certificates of shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be cancelled, and no new certificates shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate a new certificate may be issued therefor on such terms and indemnity to the corporation as the board of directors may prescribe.

Section 2. Transfers of shares of stock of the corporation shall be made in the manner specified in the laws of the State of Mississippi. The corporation shall maintain stock transfer books, and any transfer shall be registered thereon only on request and surrender of the stock certificate representing the transferred shares, properly endorsed. The corporation shall have the absolute right to recognize as the owner of any shares of stock issued by it, the person or persons in whose name the certificate representing such shares stand according to the books of the corporation for all proper corporate purposes, including the voting of the shares represented by the certificate at a regular or special meeting of the stockholders, and the issuance and payment of dividends on such shares.

ARTICLE VII  
DIVIDENDS

Section 1. The board of directors may from time to time declare, and the corporation may pay, dividends on its outstanding shares in the manner and on the terms and conditions provided by law and by its articles of incorporation.

ARTICLE VIII  
SEAL

The Board of Directors shall provide a corporate seal, which shall be circular in form and shall have inscribed thereon the name of the corporation and the state of incorporation and the words "CORPORATE SEAL". The impression of said seal is made a part of these bylaws.

Amendment of the Bylaws of The Peoples Holding Company  
Effective March 1, 2001

Article II, Section 1 to read: The annual meeting of the stockholders of the corporation shall be held on the third Tuesday of April in each year for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting.

Article III, Section 5 to read: The board of directors shall hold regular monthly meetings on the third Tuesday of each month. All meetings of the board of directors shall be held in the board of directors room at the principal office of the corporation in Tupelo, Mississippi, unless a different place be fixed by the board of directors.

Immediately following the annual stockholders meeting, on the same date and at the same place, the members of the board of directors, who shall have been elected at said meeting, shall meet and elect from among themselves a chairman, a vice chairman and a secretary, who shall serve until the meeting of the board of directors following the next annual meeting of stockholders, and until their successors have been elected and qualified.

EXECUTIVE  
DEFERRED COMPENSATION PLAN  
OF  
THE PEOPLES BANK & TRUST COMPANY

EXECUTIVE DEFERRED COMPENSATION PLAN  
THE PEOPLES BANK & TRUST COMPANY

TABLE OF CONTENTS

Article	Subject	Page
I	Definitions and Construction	1
II	Eligibility and Participation	3
III	Death Benefit	3
IV	Retirement Benefit	4
V	Beneficiary	6
VI	Source of Benefits	6
VII	Termination of Employment	7
VIII	Termination of Participation	7
IX	Termination, Amendment, Modification, or Supplement of Plan	7
X	Other Benefits and Agreements	8
XI	Restrictions on Alienation of Benefits	8
XII	Administration of the Plan	9
XIII	Adoption of Plan by Subsidiary, Parent, Affiliated or Associated Companies	10
XIV	Reorganization	10
XV	Miscellaneous	10
	Plan Agreement	I-1

EXECUTIVE  
DEFERRED COMPENSATION PLAN  
OF  
THE PEOPLES BANK & TRUST COMPANY

PURPOSE AND EFFECTIVE DATE

The purpose of the Executive Deferred Compensation Plan of The Peoples Bank & Trust Company is to provide specified benefits to a select group of management and highly compensated Employees who contribute materially to the continued growth, development and future business success of The Peoples Bank & Trust Company. It is the intention of The Peoples Bank & Trust Company that this program and the individual plans established hereunder be administered as unfunded welfare benefit plans established and maintained for a select group of management or highly compensated Employees. The effective date of this Plan is December 31, 1985.

ARTICLE I

DEFINITIONS AND CONSTRUCTION

1.1 Definitions. For purpose of this Plan, the following phrases or terms shall have the following indicated meanings unless otherwise clearly apparent from the context:

- (a) "Beneficiary" shall mean the person, persons, or estate of a Participant, entitled to receive any benefits subsequent to the death of a Participant under a Plan Agreement entered into in accordance with the terms of this Plan.
- (b) "Beneficiary Designation" shall mean the form of written agreement, attached hereto as Annex II, by which the Participant names the Beneficiary(ies) of the Plan.
- (c) "Board of Directors" shall mean the Board of Directors of The Peoples Bank & Trust Company unless otherwise indicated or the context otherwise requires.
- (d) "Committee" shall mean the Administrative Committee appointed to manage and administer the Plan and individual Plan Agreements in accordance with the provisions of Article XII hereof.
- (e) "Bank" shall mean The Peoples Bank & Trust Company and any Subsidiary and Parent that duly adopts the Plan as provided in Article XIII hereof. Where the context dictates, the term "Bank" as used herein refers to the particular Bank that has entered into a Plan Agreement with a particular Participant.
- (f) "Moody's Average Corporate Bond Rate" shall mean the Monthly Average of the Composite Yield on Seasoned Corporate Bonds as published by Moody's Investors Services, Inc. or its successor as stated for the month of October preceding December 31 of each year. Such rate as it applies to the provisions of this Plan shall than be used for one year.

If the above mentioned "Monthly Average" is no longer published, a substantially similar average will be used.

- (g) "Early Retirement Date" shall be the date of a Participant's Retirement prior to his or her Normal Retirement Date which may occur on the first day of any month following the month in which the Participant attains his or her fifty-fifth (55th) birthday, has completed ten (10) years of service, and has been a Participant in the Plan for four (4) full years.
- (h) "Employee" shall mean any person who is associated as an Employee with the Bank.
- (i) "Normal Retirement Date" shall be the first day of the month following the Participant's attaining his or her sixty-fifth (65th) birthday and the Participant has completed four (4) continuous full years in the Plan.
- (j) "Participant" shall mean an Employee who is selected and elects to participate in the Plan through the execution of a Plan Agreement in accordance with the provisions of Article II.
- (k) "Plan" shall mean the Executive Deferred Compensation Plan of The Peoples Bank & Trust Company as amended from time to time.
- (l) "Plan Agreement" shall mean the form of written agreement, attached hereto as Annex I, which is entered into from time to time by and between the Bank and an Employee selected to become a Participant as a condition to participation in the Plan. Each Plan Agreement executed by a Participant shall provide for the entire estimated benefit to which such Participant is entitled under the Plan, and the Plan Agreement bearing the latest date shall govern such entitlement.
- (m) "Retirement" and "Retire" shall mean severance of employment with the Bank at or after the attainment of his or her Normal Retirement Date or, with the consent of the Bank, on or after the Early Retirement Date.
- (n) "Subsidiary" shall mean any business organization in which The Peoples Bank & Trust Company, directly or indirectly, owns an interest, excluding ownership interests The Peoples Bank & Trust Company may hold in their fiduciary capacities as trustee or otherwise, and any other business organization that the Board of Directors designates as a Subsidiary for purposes of this Plan.
- (o) "Parent" shall mean The Peoples Holding Company.

1.2 Construction. The masculine gender when used herein shall be deemed to include the feminine gender, and the singular may include the plural unless the context clearly indicates to the contrary. The words "hereof", "herein", "hereunder", and other similar compounds of the word "here" shall mean and refer to the entire Plan and not to any particular provision or section. Whenever the words "Article" or "Section" are used in this Plan, or a cross-reference to an "Article" or "Section" is made, the Article or Section referred to shall be an Article or Section of this Plan unless otherwise specified.

## ARTICLE II

### ELIGIBILITY AND PARTICIPATION

- 2.1 Eligibility. In order to be eligible for participation in the Plan, an Employee must be selected by the Committee in the year preceding the year in which the Employee is eligible to participate and in each succeeding year thereafter as hereinafter provided. The Committee, in its sole and absolute discretion, shall determine eligibility for participation in accordance with the purposes of the Plan.
- 2.2 Participation. After being selected by the Committee to participate in this Plan, an Employee shall, as a condition precedent to participation herein, complete and return to the Committee a duly executed Plan Agreement electing to participate herein and agreeing to the terms and conditions thereof, and by the execution of such Plan Agreement a Participant shall agree that all amounts deferred thereby shall be irrevocably deferred and that in lieu thereof the Participant shall be entitled solely to the benefits provided under this Plan. Such Plan Agreement shall be completed and returned to the committee at the time specified thereby, but in no event subsequent to December 31st of the year preceding the year to which the Plan Agreement relates.

## ARTICLE III

### DEATH BENEFIT

- 3.1. Amount and Payment of Death Benefit. If a Participant dies before Retirement and the Plan is in effect at that time, the Bank will pay or cause to be paid a Death Benefit to such Participant's Beneficiary. The said Death Benefit shall be paid monthly for the next one hundred and eighty (180) months as set forth in the Plan Agreement. Such payments shall commence effective the first day of the month following the date of death.

Notwithstanding the immediately preceding paragraph of this Section 3.1, the Bank will pay or cause to be paid the Death Benefit specified therein only if:

- (a) At the time of the Participant's death prior to attaining his or her Normal Retirement Date, such Participant was an Employee and had not Retired, and all required deferrals required to be made by such Participant under Sections 3.2 et. seq. have been made,
- (b) The Participant's Plan Agreement had been kept in force throughout the period commencing on the date of such Plan Agreement and ending on the date of his or her death; and
- (c) The Participant's death was due to causes other than suicide within two (2) years of the date of his or her original Plan Agreement or within two (2) years of the date of any amendment to his or her Plan Agreement or any subsequent Plan Agreement resulting from additional Death Benefits granted; but the Participant's suicide shall relieve the Bank only of its obligation to pay that portion of the Death Benefit that was granted within two (2) years prior to the date of such suicide; and
- (d) The Participant's death is determined not to be from a bodily or mental cause or causes, information about which was withheld, or knowingly concealed, or falsely provided by the Participant when requested by the Bank to furnish evidence of good health upon the Participant's enrolling in the Plan or upon an application for an increase in Death Benefits; and

(e) Proof of death in such form as determined acceptable by the Committee is furnished.

3.2 Amount of Participant Deferral. In consideration for the Death Benefit selected in Participant's Plan Agreements, each Participant shall defer an amount of his or her compensation in such amounts and at such times as shall be determined by the Committee, and the Committee may change the amount of such deferral in connection with changes in the amount of the Death Benefit selected by a Participant. A Participant's obligation to defer an amount of his or her compensation in accordance with this Section 3.2, and shall commence on the date his or her Plan Agreement becomes effective, and shall continue thereafter during the term of his or her Plan Agreement or until the earlier of such Participant's death, Retirement, or attainment of his or her Normal Retirement Date. A Participant shall have the right to increase or decrease the amount of his or her Death Benefits initially selected by him or her by amending his or her Plan Agreement in accordance with the rules adopted by the Committee for this purpose.

3.3 Time and Manner of Deferring or Making Payments. A Participant shall, in his or her Plan Agreement, authorize the Bank to defer an amount of such Participant's compensation equal to the amount specified pursuant to Section 3.2.

3.4 Participant Deferrals - Use and Forfeitability. The amount of each Participant's compensation deferred pursuant to Sections 3.2 and 3.3 shall be and remain solely the property of the Bank, and a Participant shall have no right thereto, nor shall the Bank be obligated to use such amounts in any specific manner. Except as provided in Article IV, if a Participant's death occurs under circumstances other than those specified in Section 3.1, no benefit shall be payable hereunder or under his or her Plan Agreement to his or her Beneficiary or any other person or entity on his or her behalf, and any payments made by such Participant under Sections 3.2 and 3.3 shall be forfeited.

#### ARTICLE IV

##### RETIREMENT BENEFIT

4.1 Normal Retirement. If a Participant has remained an Employee until his or her Normal Retirement Date and shall then retire, and if the Plan and his or her Plan Agreement have been kept in force, the Bank shall pay or cause to be paid to such Participant, as a Retirement Benefit (herein so called), the amount per month specified as a Retirement Benefit. The amount stated in the Plan Agreement is an estimated amount and the actual amount of such Retirement Benefit may vary from that shown. Payment of such monthly amount shall commence on the Participant's Normal Retirement Date and shall continue for one hundred and eighty (180) months. If such Participant shall die before receiving one hundred and eighty (180) payments, the Retirement Benefit will be continued to the Participant's Beneficiary as set forth in the Beneficiary Designation until the balance of the one hundred and eighty (180) payments have been made.

The amount of the Retirement Benefit will be determined by multiplying the total deferrals made by Participant times 130% of the Moody's Average Corporate Bond Rate until Participant's Normal Retirement. That result will then be improved by 130% of the Moody's Average Corporate Bond Rate being used at the time of Normal Retirement until the time the Retirement Benefit is completed.

4.2 Early Retirement. The Committee, in its sole and absolute discretion, may permit a Participant to receive an Early Retirement Benefit commencing as of the first day of any month coincident with or following the Participant's Early Retirement Date, but before the attainment of his or

her Normal Retirement Date. In such event, the Participant's monthly Early Retirement Benefit shall be the amount accumulated on behalf of the Participant as set forth in Section 4.1, with such amount being calculated from the date of entry until Participant's Early Retirement Date. The amount will be improved by 130% of the Moody's Average Corporate Bond Rate being used at the time of Early Retirement and will be payable in one hundred and eighty (180) installments and shall be the only benefit to which such Participant is entitled. If Participant shall die before receiving one hundred and eighty (180) installments after commencement of the Early Retirement Benefit, said amount will be continued to Participant's Beneficiary as set forth in the Beneficiary Designation until the balance of one hundred and eighty (180) payments have been made.

- 4.3 Post Retirement Death Benefit. If a Participant dies after Retirement but before the applicable Retirement Benefit is paid in full, the unpaid Retirement Benefit payments to which such Participant is entitled shall continue and be paid to that Participant's Beneficiary. Such payments shall be made in accordance with the payment schedule to that Participant pursuant to Sections 4.1, 4.2 and 4.7 of the Plan.
- 4.4 Exclusivity of Post Retirement Death Benefit. No Death Benefit as defined in Article III shall be paid to the Beneficiary of a Participant who dies after retirement.
- 4.5 Accrual of Retirement Benefit. A Participant who ceases to be an Employee, except as a result of death or retirement shall not be entitled to any benefits hereunder and the Bank shall have no obligation hereunder to such Participant, except as outlined in Section 4.6.
- 4.6 Deferred Termination Benefit. A Participant who ceases to be an Employee shall receive a termination benefit upon the earlier of (i) the Participant's death or (ii) attainment of his or her Early Retirement Date or (iii) at the time said Employee ceases his or her employment if such date is later than his or her Early Retirement Date. Said benefit shall be determined by improving the Participant's deferrals by the Moody's Average Corporate Bond Rate if said Participant has been an Employee for less than ten (10) years or if employment is discontinued for cause and by 130% of the Moody's Average Corporate Bond Rate if said Participant has been an Employee for ten (10) or more years with such amounts being computed from the date of entry to the termination date of Participant.

For those Participants whose employment is terminated other than for cause the resulting vested amount payable in one hundred and eighty (180) installments will then be improved by the Moody's Average Corporate Bond Rate being used at the time Participant ceases to be an Employee until the completion of payment of the vested amount and will be the only benefit to which such Participant is entitled.

For those Participants whose employment is terminated for cause, the resulting vested amount will be divided by one hundred and eighty (180) and such amount will be paid in one hundred and eighty (180) installments and will be the only benefit to which such Participant is entitled.

If Participant shall die before receiving one hundred and eighty (180) installments of said amount, the amount will be continued to Participant's Beneficiary as set forth in the Beneficiary Designation until the balance of one hundred and eighty (180) payments have been made.

- 4.7 Retirement After Normal Retirement Date. A Participant who continues as an Employee with the Bank after his or her Normal Retirement Date may remain a Participant in the Plan with the consent of the Bank. Upon Retirement such

a Participant shall be entitled to the benefits provided in Section 4.8 hereof. The monthly payments provided for in Section 4.8 hereof shall commence on the date the Participant retires.

- 4.8 Benefit at Retirement After Attainment of Normal Retirement Date. If a Participant elects to continue his or her employment beyond his or her Normal Retirement Date, the Committee, and only the Committee, will specify the amount of the Participant's Retirement Benefit, which shall be evidenced by a new Plan Agreement to be executed by the Participant.

#### ARTICLE V

##### BENEFICIARY

A Participant shall designate his or her Beneficiary to receive benefits under the Plan and his or her Plan Agreement by completing the Beneficiary Designation. If more than one Beneficiary is named, the shares and/or precedence of each Beneficiary shall be indicated. A Participant shall have the right to change the Beneficiary by submitting to the Committee a new Beneficiary Designation. The Beneficiary Designation must be approved in writing by the Bank; however, upon the Bank's acknowledgment of approval, the effective date of the Beneficiary Designation shall be the date it was executed by the Participant. If the Bank has any doubt as to the proper Beneficiary to receive payments hereunder, it shall have the right to withhold such payments until the matter is finally adjudicated. Any payment made by the Bank in good faith and in accordance with the provisions of this Plan and a Participant's Plan Agreement and Beneficiary Designation shall fully discharge the Bank from all further obligations with respect to such payment.

#### ARTICLE VI

##### SOURCE OF BENEFITS

- 6.1 Benefits Payable from General Assets. Amounts payable hereunder shall be paid exclusively from the general assets of the Bank, and no person entitled to payment hereunder shall have any claim, right, security interest, or other interest in any fund, trust, account, or other asset of the Bank that may be looked to for such payment. The Bank's liability for the payment of benefits hereunder shall be evidenced only by this Plan and each Plan Agreement entered into between the Bank and a Participant.

- 6.2 Investments to Facilitate Payment of Benefits. Although the Bank is not obligated to invest in any specific asset or fund in order to provide the means for the payment of any liabilities under this Plan, the Bank may elect to do so and, in such event, no Participant shall have any interest whatever in such asset or fund. As a condition precedent to the Bank's obligation to provide any benefits, including incremental increases in benefits, under this Plan, the Participant shall, if so requested by the Bank, provide evidence of insurability at standard and other rates, in such amounts, and with such insurance carrier or carriers as the Bank may require, including the results and reports of previous Bank and other insurance carrier physical examinations, taking such additional physical examinations as the Bank may request, and taking any other action that the Bank may request. If a Participant is requested to and does not or cannot provide evidence of insurability as specified in the immediately preceding sentence, then the Bank shall have no further obligation to such Participant under this Plan, and such Participant's Plan Agreement shall terminate, except as to benefits previously granted. Notwithstanding the foregoing, if a Participant cannot provide evidence of insurability at standard rates or for the amounts initially contemplated in connection with his or her participation in the Plan, the Bank may, at its discretion,

permit the Participant to participate herein for such benefits and upon such deferral of his or her compensation as the Bank may, in its sole discretion, deem appropriate.

6.3 Bank Obligation. The Bank shall have no obligation of any nature whatsoever to a Participant under this Plan or a Participant's Plan Agreement, except otherwise expressly provided herein and in such Plan Agreement.

6.4 Withholding of Information, Etc. If, in connection with a Participant's enrolling in or applying for incremental benefit increases under the Plan, the Bank requests the Participant to furnish evidence of insurability, the Participant dies, and it is determined that the Participant withheld, knowingly concealed, or knowingly provided false information about the bodily or mental condition or conditions that caused the Participant's death, the Bank shall have no obligation to provide the benefits contracted for on the basis of such withholding, concealment, or false information.

#### ARTICLE VII

##### TERMINATION OF EMPLOYMENT

Neither this Plan nor a Participant's Plan Agreement, either singly or collectively, in any way obligate the Bank to continue the employment of a Participant with the Bank nor does either limit the right of the Bank at any time and for any reason to terminate the Participant's employment. Termination of a Participant's employment with the Bank for any reason, whether by action of the Bank, shall immediately terminate his or her participation in this Plan and his or her Plan Agreement, and all further obligations of either party thereunder, except as may be provided in Section 4.6. In no event shall this Plan or a Plan Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Bank and a Participant.

#### ARTICLE VIII

##### TERMINATION OF PARTICIPATION

8.1 Termination of Participation - General. A Participant reserves the right to terminate his or her participation in this Plan and his or her Plan Agreement at his or her election at any time by giving the Committee written notice of such termination not less than 30 days prior to an anniversary date of the date of execution of his or her Plan Agreement. A Participant's termination shall be effective as soon as administratively convenient after such anniversary date.

8.2 Rights After Termination of Participation. Participants who elect to terminate participation in the Plan but before eligibility for Retirement will be entitled to the same benefits as a Participant who ceases to be an Employee as described in Section 4.6. Such Participants will not be entitled to a Death Benefit under Article III.

#### ARTICLE IX

##### TERMINATIONS, AMENDMENTS, MODIFICATION OR

##### SUPPLEMENT OF PLAN

9.1 Termination, Amendment, Etc. The Bank reserves the right to terminate, amend, modify or supplement this Plan, wholly or partially, and from time to time, at any time. The Bank likewise reserves the right to terminate, amend, modify, or supplement any Plan Agreement, wholly or partially, from time to time. Such right to terminate, amend, modify, or supplement this

Plan or any Plan Agreement shall be exercised for the Bank by the Committee; provided, however, that:

- (a) No action to terminate this Plan or a Plan Agreement shall be taken except upon written notice to each Participant to be affected thereby, which notice shall be given not less than 30 days prior to such action; and
- (b) The Committee shall take no action to terminate this Plan or a Plan Agreement with respect to a Participant or his or her Beneficiary after the payment of any benefit has commenced in accordance with Article III or Article IV but has not been completed.

9.2 Rights and Obligations Upon Termination. Upon the termination of this Plan or any Plan Agreement, by either the Committee or a Participant in accordance with the provisions for such termination, neither this Plan nor the Plan Agreement shall be of any further force and effect, and no party shall have any further obligation under either this Plan or any Plan Agreement so terminated except as may be provided for in Section 4.6 or the preceding provisions of this Article IX.

#### ARTICLE X

##### OTHER BENEFITS AND AGREEMENTS

The benefits provided for a Participant and his or her Beneficiary hereunder and under such Participant's Plan Agreement are in addition to any other benefits available to such Participant under any other program or plan of the Bank for its Employees, and, except as may otherwise be expressly provided for, this Plan and Plan Agreements entered into hereunder shall supplement and shall not supersede, modify, or amend any other program or plan of the Bank or a Participant. Moreover, benefits under this Plan and Plan Agreements entered into hereunder shall not be considered compensation for the purpose of computing deferrals or benefits under any plan maintained by the Bank that is qualified under Section 401 (a) of the Internal Revenue Code of 1954, as amended.

#### ARTICLE XI

##### RESTRICTIONS ON ALIENATION OF BENEFITS

No right or benefit under this Plan or a Plan Agreement shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No right or benefit hereunder or under any Plan Agreement shall in any manner be liable for or subject to the debts, contract, liabilities, or torts of the person entitled to such benefit. If any Participant or Beneficiary under this Plan or a Plan Agreement should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right to a benefit hereunder or under any Plan Agreement, then such right or benefit shall, in the discretion of the Committee, terminate, and, in such event, the Committee shall hold or apply the same or any part thereof for the benefit of such Participant or Beneficiary, his or her spouse, children, or other dependents, or any of them, in such manner and in such portion as the Committee, in its sole and absolute discretion, may deem proper.

## ARTICLE XII

### ADMINISTRATION OF THIS PLAN

- 12.1 Appointment of Committee. The general administration of this Plan, and any Plan Agreements executed hereunder, as well as construction and interpretation thereof, shall be vested in the Committee, the number and members of which shall be designated and appointed from time to time by, and shall serve at the pleasure of, the Board of Directors. Any such member of the Committee may resign by notice in writing filed with the secretary of the Committee. Vacancies shall be filled promptly by the Board of Directors, but any vacancies remaining unfilled for ninety days may be filled by a majority vote of the remaining members of the Committee. Each person appointed a member of the Committee shall signify his or her acceptance by filing a written acceptance with the Secretary of the Committee.
- 12.2 Committee Officials. The board of Directors shall designate one of the members of the Committee as chairman and shall appoint a secretary who need not be a member of the Committee. The Secretary shall keep minutes of the Committee's proceedings and all data, records and documents relating to the Committee's administration of this Plan and any Plan Agreements executed hereunder. The Committee may appoint from its number such subcommittees with such powers as the Committee shall determine and may authorize one or more of its members or any agent to execute or deliver any instrument or make any payment on behalf of the Committee.
- 12.3 Committee Action. All resolutions or other actions taken by the Committee shall be by the vote of a majority of those present at a meeting at which a majority of the members are present, or in writing by all the members at the time in office if they act without a meeting.
- 12.4 Committee Rules and Powers - General. Subject to the provisions of this Plan, the Committee shall from time to time establish rules, forms, and procedures for the administration of this Plan. Such decisions, actions, and records of the Committee shall be conclusive and binding upon the Bank and all persons having or claiming to have any right or interest in or under this Plan.
- 12.5 Reliance on Certificate, etc. The members of the Committee and the officers and Employees of the Bank shall be entitled to rely on all certificates and reports made by any duly appointed accountants, and on all opinions given by any duly appointed legal counsel. Such legal counsel may be counsel for the Bank.
- 12.6 Liability of Committee. No member of the Committee shall be liable for any act or omission of any other member of the Committee, or for any act or omission on his or her own part, excepting only his or her own willful misconduct. The Bank shall indemnify and save harmless each member of the Committee against any and all expenses and liabilities arising out of his or her membership on the Committee, excepting only expenses and liabilities arising out of his or her own willful misconduct. Expenses against which a member of the Committee shall be indemnified hereunder shall include, without limitation, the amount of any settlement or judgment, costs, counsel fees and related charges reasonably incurred in connection with a claim asserted or a proceeding brought or settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such member may be entitled as a matter of law.
- 12.7 Determination of Benefits. In addition to the powers hereinabove specified, the Committee shall have the power to compute and certify, under this Plan

and any Plan Agreement, the amount and kind of benefits from time to time payable to Participants and their Beneficiaries, and to authorize all disbursements for such purposes.

12.8 Information to Committee. To enable the Committee to perform its functions, the Bank shall supply full and timely information to the Committee on all matters relating to the compensation of all Participants, their retirement, death or other cause for termination of employment, and such other pertinent facts as the Committee may require.

12.9 Manner and time of Payment of Benefits. The Committee shall have the power, in its sole and absolute discretion, to change the manner and time of payment of benefits to be made to a Participant or his or her Beneficiary from that set forth in the Participant's Plan Agreement if requested to do so by such Participant or Beneficiary.

#### ARTICLE XIII

##### ADOPTION OF PLAN BY SUBSIDIARY, PARENT

##### AFFILIATED OR ASSOCIATED COMPANIES

Any corporation that is a Subsidiary or Parent may, with the approval of the Board of Directors, adopt this Plan and thereby come within the definition of Bank in Article I hereof.

#### ARTICLE XIV

##### REORGANIZATION

In the event the Bank shall be merged, consolidated, reorganized, or substantially sells all of its assets to another corporation, firm, or person and such corporation, firm, or person takes such action to terminate this Plan, the Participants will be entitled to a minimum of a benefit payable at the earlier of (i) the Participant's death or (ii) attainment of his or her Early Retirement Date or (iii) at the time said Employee ceases his or her employment or the Plan is terminated if such date is later than his or her Early Retirement Date. Said Benefit shall be determined by improving the Participant's deferrals by 130% of the Moody's Average Corporate Bond Rate with such amounts being computed from the date of entry to the termination date of Participant and/or the termination of the Plan. This resulting amount payable in one hundred and eighty (180) installments will continue to be improved by 130% of the Moody's Average Corporate Bond Rate at the time of the termination of Participant and/or the termination of the Plan until the Benefit is completed and will be the only benefit to which such Participant is entitled.

#### ARTICLE XV

##### MISCELLANEOUS

15.1 Execution of Receipts and Releases. Any payment to any Participant, a Participant's legal representative, or Beneficiary in accordance with the provisions of this Plan or Plan Agreement executed hereunder shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Bank. The Bank may require such Participant, legal representative, or Beneficiary, as a condition precedent to such payment, to execute a receipt and release therefore in such form as it may determine.

15.2 No Guarantee of Interests. Neither the Committee nor any of its members guarantees the payment of any amounts which may be or become due to any person or entity under this Plan or any Plan Agreement executed hereunder.

The liability of the Bank to make any payment under this Plan or any Plan Agreement executed hereunder is limited to the then available assets of the Bank.

15.3 Bank Records. Records of the Bank as to a Participant's employment, termination of employment and the reason therefore authorized leaves of absence, and compensation shall be conclusive on all persons and entities, unless determined to be incorrect.

15.4 Evidence. Evidence required of anyone under this Plan and any Plan Agreement executed hereunder may be by certificate, affidavit, document, or other information which the person or entity acting on it considers pertinent and reliable, and signed, made, or presented by the proper party or parties.

15.5 Notice. Any notice which shall be or may be given under this Plan or a Plan Agreement executed hereunder shall be in writing and shall be mailed by United States mail, postage prepaid. If notice is to be given to the Bank, such notice shall be addressed to the Bank at:

The Peoples Bank & Trust Company  
Box 709  
Tupelo, MS 38802-0709

marked to the attention of the Secretary, Administrative Committee, Deferred Compensation Plan; or, if notice to a Participant, addressed to the address shown on such Participant's Plan Agreement.

15.6 Change of Address. Any party may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.

15.7 Effect of Provisions. The provisions of this Plan and of any Plan Agreement executed hereunder shall be binding upon the Bank and its successors and assigns, and upon a Participant, his or her Beneficiary, assigns, heirs, executors, and administrators.

15.8 Headings. The titles and headings of Articles and Sections are included for convenience of reference only and are not to be considered in the construction of the provisions hereof or any Plan Agreement executed hereunder.

15.9 Governing Law. All questions arising with respect to this Plan and any Plan Agreement executed hereunder shall be determined by reference to the laws of the State of Mississippi, as in effect at the time of their adoption and execution, respectively.

COMPLETE

EXECUTIVE

DEFERRED COMPENSATION PLAN - B

OF

THE PEOPLES BANK & TRUST COMPANY

EXECUTIVE DEFERRED COMPENSATION PLAN - B

THE PEOPLES BANK & TRUST COMPANY

TABLE OF CONTENTS

Article	Subject	Page
I	Definitions and Construction	1
II	Eligibility and Participation	3
III	Death Benefit	3
IV	Retirement Benefit	4
V	Beneficiary	6
VI	Source of Benefits	6
VII	Termination of Employment	7
VIII	Termination of Participation	7
IX	Termination, Amendment, Modification, or Supplement of Plan	8
X	Other Benefits and Agreements	8
XI	Restrictions on Alienation of Benefits	8
XII	Administration of the Plan	9
XIII	Adoption of Plan by Subsidiary, Parent, Affiliated or Associated Companies	10
XIV	Reorganization	10
XV	Miscellaneous	10
	Plan Agreement	I-1

DEFERRED COMPENSATION PLAN - B

OF

THE PEOPLES BANK & TRUST COMPANY

PURPOSE AND EFFECTIVE DATE

The purpose of the Executive Deferred Compensation Plan - B of The Peoples Bank & Trust Company is to provide specified benefits to a select group of management and highly compensated Employees who contribute materially to the continued growth, development and future business success of The Peoples Bank & Trust Company. It is the intention of The Peoples Bank & Trust Company that this program and the individual plans established hereunder be administered as unfunded welfare benefit plans established and maintained for a select group of management or highly compensated Employees. The effective date of this Plan is January 1, 1989.

ARTICLE I

DEFINITIONS AND CONSTRUCTION

1.1 Definitions. For purpose of this Plan, the following phrases or terms shall have the following indicated meanings unless otherwise clearly apparent from the context:

- (a) "Beneficiary" shall mean the person, persons, or estate of a Participant, entitled to receive any benefits subsequent to the death of a Participant under a Plan Agreement entered into in accordance with the terms of this Plan.
- (b) "Beneficiary Designation" shall mean the form of written agreement, attached hereto as Annex II, by which the Participant names the Beneficiary(ies) of the Plan.
- (c) "Board of Directors" shall mean the Board of Directors of The Peoples Bank & Trust Company unless otherwise indicated or the context otherwise requires.
- (d) "Committee" shall mean the Administrative Committee appointed to manage and administer the Plan and individual Plan Agreements in accordance with the provisions of Article XII hereof.
- (e) "Bank" shall mean The Peoples Bank & Trust Company and any Subsidiary and Parent that duly adopts the Plan as provided in Article XIII hereof. Where the context dictates, the term "Bank" as used herein refers to the particular Bank that has entered into a Plan Agreement with a particular Participant.
- (f) "Moody's Average Corporate Bond Rate" shall mean the Monthly Average of the Composite Yield on Seasoned Corporate Bonds as published by Moody's Investors Services, Inc. or its successor as stated for the month of October preceding December 31 of each year. Such rate as it applies to the provisions of this Plan shall than be used for one year.

If the above mentioned "Monthly Average" is no longer published, a substantially similar average will be used.

- (g) "Early Retirement Date" shall be the date of a Participant's Retirement prior to his or her Normal Retirement Date which may occur on the first day of any month following the month in which the Participant attains his or her fifty-fifth (55th) birthday, has completed ten (10) years of service, and has been a Participant in the Plan for four (4) full years.
- (h) "Employee" shall mean any person who is associated as an Employee with the Bank.
- (i) "Normal Retirement Date" shall be the first day of the month following the Participant's attaining his or her sixty-fifth (65th) birthday and the Participant has completed ten (10) continuous full years in the Plan.
- (j) "Participant" shall mean an Employee who is selected and elects to participate in the Plan through the execution of a Plan Agreement in accordance with the provisions of Article II.
- (k) "Plan" shall mean the Executive Deferred Compensation Plan - B of The Peoples Bank & Trust Company as amended from time to time.
- (l) "Plan Agreement" shall mean the form of written agreement, attached hereto as Annex I, which is entered into from time to time by and between the Bank and an Employee selected to become a Participant as a condition to participation in the Plan. Each Plan Agreement executed by a Participant shall provide for the entire estimated benefit to which such Participant is entitled under the Plan, and the Plan Agreement bearing the latest date shall govern such entitlement.
- (m) "Retirement" and "Retire" shall mean severance of employment with the Bank at or after the attainment of his or her Normal Retirement Date or, with the consent of the Bank, on or after the Early Retirement Date.
- (n) "Subsidiary" shall mean any business organization in which The Peoples Bank & Trust Company, directly or indirectly, owns an interest, excluding ownership interests The Peoples Bank & Trust Company may hold in their fiduciary capacities as trustee or otherwise, and any other business organization that the Board of Directors designates as a Subsidiary for purposes of this Plan.
- (o) "Parent" shall mean The Peoples Holding Company.

1.2 Construction. The masculine gender when used herein shall be deemed to include the feminine gender, and the singular may include the plural unless the context clearly indicates to the contrary. The words "hereof", "herein", "hereunder", and other similar compounds of the word "here" shall mean and refer to the entire Plan and not to any particular provision or section. Whenever the words "Article" or "Section" are used in this Plan, or a cross-reference to an "Article" or "Section" is made, the Article or Section referred to shall be an Article or Section of this Plan unless otherwise specified.

## ARTICLE II

### ELIGIBILITY AND PARTICIPATION

- 2.1 Eligibility. In order to be eligible for participation in the Plan, an Employee must be selected by the Committee in the year preceding the year in which the Employee is eligible to participate and in each succeeding year thereafter as hereinafter provided. The Committee, in its sole and absolute discretion, shall determine eligibility for participation in accordance with the purposes of the Plan.
- 2.2 Participation. After being selected by the Committee to participate in this Plan, an Employee shall, as a condition precedent to participation herein, complete and return to the Committee a duly executed Plan Agreement electing to participate herein and agreeing to the terms and conditions thereof, and by the execution of such Plan Agreement a Participant shall agree that all amounts deferred thereby shall be irrevocably deferred and that in lieu thereof the Participant shall be entitled solely to the benefits provided under this Plan. Such Plan Agreement shall be completed and returned to the committee at the time specified thereby, but in no event subsequent to December 31st of the year preceding the year to which the Plan Agreement relates.

## ARTICLE III

### DEATH BENEFIT

- 3.1. Amount and Payment of Death Benefit. If a Participant dies before Retirement and the Plan is in effect at that time, the Bank will pay or cause to be paid a Death Benefit to such Participant's Beneficiary. The said Death Benefit shall be paid monthly for the next one hundred and eighty (180) months as set forth in the Plan Agreement. Such payments shall commence effective the first day of the month following the date of death.

Notwithstanding the immediately preceding paragraph of this Section 3.1, the Bank will pay or cause to be paid the Death Benefit specified therein only if:

- (a) At the time of the Participant's death prior to attaining his or her Normal Retirement Date, such Participant was an Employee and had not Retired, and all required deferrals required to be made by such Participant under Sections 3.2 et. seq. have been made,
- (b) The Participant's Plan Agreement had been kept in force throughout the period commencing on the date of such Plan Agreement and ending on the date of his or her death; and
- (c) The Participant's death was due to causes other than suicide within two (2) years of the date of his or her original Plan Agreement or within two (2) years of the date of any amendment to his or her Plan Agreement or any subsequent Plan Agreement resulting from additional Death Benefits granted; but the Participant's suicide shall relieve the Bank only of its obligation to pay that portion of the Death Benefit that was granted within two (2) years prior to the date of such suicide; and
- (d) The Participant's death is determined not to be from a bodily or mental cause or causes, information about which was withheld, or knowingly concealed, or falsely provided by the Participant when requested by the Bank to furnish evidence of good health upon the Participant's enrolling in the Plan or upon an application for an increase in Death Benefits; and

(e) Proof of death in such form as determined acceptable by the Committee is furnished.

3.2 Amount of Participant Deferral. Each Participant shall defer an amount of his or her compensation in such amounts and at such times as shall be determined by the Committee, and the Committee may change the amount of such deferral in connection with changes in the level of participation selected by a Participant. A Participant's obligation to defer an amount of his or her compensation in accordance with this Section 3.2, shall commence on the date his or her Plan Agreement becomes effective, and shall continue thereafter during the term of his or her Plan Agreement or until the earlier of such Participant's death, Retirement, or attainment of his or her Normal Retirement Date. A Participant shall have the right to increase or decrease the amount of his or her participation initially selected by him or her by amending his or her Plan Agreement in accordance with the rules adopted by the Committee for this purpose.

3.3 Time and Manner of Deferring or Making Payments. A Participant shall, in his or her Plan Agreement, authorize the Bank to defer an amount of such Participant's compensation equal to the amount specified pursuant to Section 3.2.

3.4 Participant Deferrals - Use and Forfeiture. The amount of each Participant's compensation deferred pursuant to Sections 3.2 and 3.3 shall be and remain solely the property of the Bank, and a Participant shall have no right thereto, nor shall the Bank be obligated to use such amounts in any specific manner. Except as provided in Article IV, if a Participant's death occurs under circumstances other than those specified in Section 3.1, no benefit shall be payable hereunder or under his or her Plan Agreement to his or her Beneficiary or any other person or entity on his or her behalf, and any payments made by such Participant under Sections 3.2 and 3.3 shall be forfeited.

#### ARTICLE IV

##### RETIREMENT BENEFIT

4.1 Normal Retirement. If a Participant has remained an Employee until his or her Normal Retirement Date and shall then retire, and if the Plan and his or her Plan Agreement have been kept in force, the Bank shall pay or cause to be paid to such Participant, as a Retirement Benefit (herein so called), the amount per month specified as a Retirement Benefit. Payment of such monthly amount shall commence on the Participant's Normal Retirement Date and shall continue for one hundred and eighty (180) months. If such Participant shall die before receiving one hundred and eighty (180) payments, the Retirement Benefit will be continued to the Participant's Beneficiary as set forth in the Beneficiary Designation until the balance of the one hundred and eighty (180) payments have been made.

The amount of the Retirement Benefit will be determined by multiplying the total deferrals made by Participant times the Moody's Average Corporate Bond Rate as compounded on an annual basis until Participant's Normal Retirement. That result will then be improved by the Moody's Average Corporate Bond Rate being used at the time of Normal Retirement as compounded on an annual basis until the time the Retirement Benefit is completed.

4.2 Early Retirement. The Committee, in its sole and absolute discretion, may permit a Participant to receive an Early Retirement Benefit commencing as of the first day of any month coincident with or following the Participant's Early Retirement Date, but before the attainment of his or her Normal Retirement Date. In such event, the Participant's monthly Early

Retirement Benefit shall be the amount accumulated on behalf of the Participant as set forth in Section 4.1, with such amount being calculated from the date of entry until Participant's Early Retirement Date. The amount will be improved by the Moody's Average Corporate Bond Rate as compounded on an annual basis being used at the time of Early Retirement and will be payable in one hundred and eighty (180) installments and shall be the only benefit to which such Participant is entitled. If Participant shall die before receiving one hundred and eighty (180) installments after commencement of the Early Retirement Benefit, said amount will be continued to Participant's Beneficiary as set forth in the Beneficiary Designation until the balance of one hundred and eighty (180) payments have been made.

- 4.3 Post Retirement Death Benefit. If a Participant dies after Retirement but before the applicable Retirement Benefit is paid in full, the unpaid Retirement Benefit payments to which such Participant is entitled shall continue and be paid to that Participant's Beneficiary. Such payments shall be made in accordance with the payment schedule to that Participant pursuant to Sections 4.1, 4.2 and 4.7 of the Plan.
- 4.4 Exclusivity of Post Retirement Death Benefit. No Death Benefit as defined in Article III shall be paid to the Beneficiary of a Participant who dies after retirement.
- 4.5 Accrual of Retirement Benefit. A Participant who ceases to be an Employee, except as a result of death or retirement shall not be entitled to any benefits hereunder and the Bank shall have no obligation hereunder to such Participant, except as outlined in Section 4.6.
- 4.6 Deferred Termination Benefit. A Participant who ceases to be an Employee shall receive a termination benefit upon the earlier of (i) the Participant's death or (ii) attainment of his or her Early Retirement Date or (iii) at the time said Employee ceases his or her employment if such date is later than his or her Early Retirement Date. Said benefit shall be determined by improving the Participant's deferrals by seventy five (75%) of the Moody's Average Corporate Bond Rate as compounded on an annual basis if said Participant has been an Employee for less than ten (10) years or if employment is discontinued for cause and by the Moody's Average Corporate Bond Rate as compounded on an annual basis if said Participant has been an Employee for ten (10) or more years with such amounts being computed from the date of entry to the termination date of Participant.

For those Participants whose employment is terminated other than for cause after ten (10) years of employment, the resulting vested amount payable in one hundred and eighty (180) installments will then be improved by the Moody's Average Corporate Bond Rate as compounded on an annual basis being used at the time Participant ceases to be an Employee until the completion of payment of the vested amount and will be the only benefit to which such Participant is entitled.

For those Participants whose employment is terminated other than for cause with less than ten (10) years of employment, the resulting vested amount payable in one hundred and eighty (180) installments will then be improved by seventy five percent (75%) of the Moody's Average Corporate Bond Rate as compounded on an annual basis being used at the time Participant ceases to be an Employee until the completion of payment of the vested amount and will be the only benefit to which such Participant is entitled.

For those Participants whose employment is terminated for cause, the resulting vested amount will be divided by one hundred and eighty (180) and such amount will be paid in one hundred and eighty (180) installments and will be the only benefit to which such Participant is entitled.

If Participant shall die before receiving one hundred and eighty (180) installments of said amount, the amount will be continued to Participant's Beneficiary as set forth in the Beneficiary Designation until the balance of one hundred and eighty (180) payments have been made.

For those Participants who have been employees for ten (10) or more years, who cease his or her relationship other than for cause, and who die before benefits have been initiated, the Participant's Beneficiary as set forth in the Beneficiary Designation will receive the greater of the above mentioned accrued benefits as of the date of death or the Death Benefit as described in Article III.

4.7 Retirement After Normal Retirement Date. A Participant who continues as an Employee with the Bank after his or her Normal Retirement Date may remain a Participant in the Plan with the consent of the Bank. Upon Retirement such a Participant shall be entitled to the benefits provided in Section 4.8 hereof. The monthly payments provided for in Section 4.8 hereof shall commence on the date the Participant retires.

4.8 Benefit at Retirement After Attainment of Normal Retirement Date. If a Participant elects to continue his or her employment beyond his or her Normal Retirement Date, the Committee, and only the Committee, will specify the amount of the Participant's Retirement Benefit, which shall be evidenced by a new Plan Agreement to be executed by the Participant.

#### ARTICLE V

##### BENEFICIARY

A Participant shall designate his or her Beneficiary to receive benefits under the Plan and his or her Plan Agreement by completing the Beneficiary Designation. If more than one Beneficiary is named, the shares and/or precedence of each Beneficiary shall be indicated. A Participant shall have the right to change the Beneficiary by submitting to the Committee a new Beneficiary Designation. The Beneficiary Designation must be approved in writing by the Bank; however, upon the Bank's acknowledgment of approval, the effective date of the Beneficiary Designation shall be the date it was executed by the Participant. If the Bank has any doubt as to the proper Beneficiary to receive payments hereunder, it shall have the right to withhold such payments until the matter is finally adjudicated. Any payment made by the Bank in good faith and in accordance with the provisions of this Plan and a Participant's Plan Agreement and Beneficiary Designation shall fully discharge the Bank from all further obligations with respect to such payment.

#### ARTICLE VI

##### SOURCE OF BENEFITS

6.1 Benefits Payable from General Assets. Amounts payable hereunder shall be paid exclusively from the general assets of the Bank, and no person entitled to payment hereunder shall have any claim, right, security interest, or other interest in any fund, trust, account, or other asset of the Bank that may be looked to for such payment. The Bank's liability for the payment of benefits hereunder shall be evidenced only by this Plan and each Plan Agreement entered into between the Bank and a Participant.

6.2 Investments to Facilitate Payment of Benefits. Although the Bank is not obligated to invest in any specific asset or fund in order to provide the means for the payment of any liabilities under this Plan, the Bank may elect to do so and, in such event, no Participant shall have any interest whatever in such asset or fund. As a condition precedent to the Bank's

obligation to provide any benefits, including incremental increases in benefits, under this Plan, the Participant shall, if so requested by the Bank, provide evidence of insurability at standard and other rates, in such amounts, and with such insurance carrier or carriers as the Bank may require, including the results and reports of previous Bank and other insurance carrier physical examinations, taking such additional physical examinations as the Bank may request, and taking any other action that the Bank may request. If a Participant is requested to and does not or cannot provide evidence of insurability as specified in the immediately preceding sentence, then the Bank shall have no further obligation to such Participant under this Plan, and such Participant's Plan Agreement shall terminate, except as to benefits previously granted. Notwithstanding the foregoing, if a Participant cannot provide evidence of insurability at standard rates or for the amounts initially contemplated in connection with his or her participation in the Plan, the Bank may, at its discretion, permit the Participant to participate herein for such benefits and upon such deferral of his or her compensation as the Bank may, in its sole discretion, deem appropriate.

6.3 Bank Obligation. The Bank shall have no obligation of any nature whatsoever to a Participant under this Plan or a Participant's Plan Agreement, except otherwise expressly provided herein and in such Plan Agreement.

6.4 Withholding of Information, Etc. If, in connection with a Participant's enrolling in or applying for incremental benefit increases under the Plan, the Bank requests the Participant to furnish evidence of insurability, the Participant dies, and it is determined that the Participant withheld, knowingly concealed, or knowingly provided false information about the bodily or mental condition or conditions that caused the Participant's death, the Bank shall have no obligation to provide the benefits contracted for on the basis of such withholding, concealment, or false information.

#### ARTICLE VII

##### TERMINATION OF EMPLOYMENT

Neither this Plan nor a Participant's Plan Agreement, either singly or collectively, in any way obligate the Bank to continue the employment of a Participant with the Bank nor does either limit the right of the Bank at any time and for any reason to terminate the Participant's employment. Termination of a Participant's employment with the Bank for any reason, whether by action of the Bank, shall immediately terminate his or her participation in this Plan and his or her Plan Agreement, and all further obligations of either party thereunder, except as may be provided in Section 4.6. In no event shall this Plan or a Plan Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Bank and a Participant.

#### ARTICLE VIII

##### TERMINATION OF PARTICIPATION

8.1 Termination of Participation - General. A Participant reserves the right to terminate his or her participation in this Plan and his or her Plan Agreement at his or her election at any time by giving the Committee written notice of such termination not less than 30 days prior to an anniversary date of the date of execution of his or her Plan Agreement. A Participant's termination shall be effective as soon as administratively convenient after such anniversary date.

8.2 Rights After Termination of Participation. Participants who elect to terminate participation in the Plan but before eligibility for Retirement will be entitled to the same benefits as a Participant who ceases to be an Employee as described in Section 4.6.

#### ARTICLE IX

##### TERMINATIONS, AMENDMENTS, MODIFICATION OR

##### SUPPLEMENT OF PLAN

9.1 Termination, Amendment, Etc. The Bank reserves the right to terminate, amend, modify or supplement this Plan, wholly or partially, and from time to time, at any time. The Bank likewise reserves the right to terminate, amend, modify, or supplement any Plan Agreement, wholly or partially, from time to time. Such right to terminate, amend, modify, or supplement this Plan or any Plan Agreement shall be exercised for the Bank by the Committee; provided, however, that:

- (a) No action to terminate this Plan or a Plan Agreement shall be taken except upon written notice to each Participant to be affected thereby, which notice shall be given not less than 30 days prior to such action; and
- (b) The Committee shall take no action to terminate this Plan or a Plan Agreement with respect to a Participant or his or her Beneficiary after the payment of any benefit has commenced in accordance with Article III or Article IV but has not been completed.

9.2 Rights and Obligations Upon Termination. Upon the termination of this Plan or any Plan Agreement, by either the Committee or a Participant in accordance with the provisions for such termination, neither this Plan nor the Plan Agreement shall be of any further force and effect, and no party shall have any further obligation under either this Plan or any Plan Agreement so terminated except as may be provided for in Section 4.6 or the preceding provisions of this Article IX.

#### ARTICLE X

##### OTHER BENEFITS AND AGREEMENTS

The benefits provided for a Participant and his or her Beneficiary hereunder and under such Participant's Plan Agreement are in addition to any other benefits available to such Participant under any other program or plan of the Bank for its Employees, and, except as may otherwise be expressly provided for, this Plan and Plan Agreements entered into hereunder shall supplement and shall not supersede, modify, or amend any other program or plan of the Bank or a Participant. Moreover, benefits under this Plan and Plan Agreements entered into hereunder shall not be considered compensation for the purpose of computing deferrals or benefits under any plan maintained by the Bank that is qualified under Section 401 (a) of the Internal Revenue Code of 1954, as amended.

#### ARTICLE XI

##### RESTRICTIONS ON ALIENATION OF BENEFITS

No right or benefit under this Plan or a Plan Agreement shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No right or benefit hereunder or under any Plan Agreement shall in any manner be liable for or subject to the debts, contract,

liabilities, or torts of the person entitled to such benefit. If any Participant or Beneficiary under this Plan or a Plan Agreement should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right to a benefit hereunder or under any Plan Agreement, then such right or benefit shall, in the discretion of the Committee, terminate, and, in such event, the Committee shall hold or apply the same or any part thereof for the benefit of such Participant or Beneficiary, his or her spouse, children, or other dependents, or any of them, in such manner and in such portion as the Committee, in its sole and absolute discretion, may deem proper.

## ARTICLE XII

### ADMINISTRATION OF THIS PLAN

- 12.1 Appointment of Committee. The general administration of this Plan, and any Plan Agreements executed hereunder, as well as construction and interpretation thereof, shall be vested in the Committee, the number and members of which shall be designated and appointed from time to time by, and shall serve at the pleasure of, the Board of Directors. Any such member of the Committee may resign by notice in writing filed with the secretary of the Committee. Vacancies shall be filled promptly by the Board of Directors, but any vacancies remaining unfilled for ninety days may be filled by a majority vote of the remaining members of the Committee. Each person appointed a member of the Committee shall signify his or her acceptance by filing a written acceptance with the Secretary of the Committee.
- 12.2 Committee Officials. The board of Directors shall designate one of the members of the Committee as chairman and shall appoint a secretary who need not be a member of the Committee. The Secretary shall keep minutes of the Committee's proceedings and all data, records and documents relating to the Committee's administration of this Plan and any Plan Agreements executed hereunder. The Committee may appoint from its number such subcommittees with such powers as the Committee shall determine and may authorize one or more of its members or any agent to execute or deliver any instrument or make any payment on behalf of the Committee.
- 12.3 Committee Action. All resolutions or other actions taken by the Committee shall be by the vote of a majority of those present at a meeting at which a majority of the members are present, or in writing by all the members at the time in office if they act without a meeting.
- 12.4 Committee Rules and Powers - General. Subject to the provisions of this Plan, the Committee shall from time to time establish rules, forms, and procedures for the administration of this Plan. Such decisions, actions, and records of the Committee shall be conclusive and binding upon the Bank and all persons having or claiming to have any right or interest in or under this Plan.
- 12.5 Reliance on Certificate, etc.. The members of the Committee and the officers and Employees of the Bank shall be entitled to rely on all certificates and reports made by any duly appointed accountants, and on all opinions given by any duly appointed legal counsel. Such legal counsel may be counsel for the Bank.
- 12.6 Liability of Committee. No member of the Committee shall be liable for any act or omission of any other member of the Committee, or for any act or omission on his or her own part, excepting only his or her own willful misconduct. The Bank shall indemnify and save harmless each member of the Committee against any and all expenses and liabilities arising out of his or her membership on the Committee, excepting only expenses and liabilities arising out of his or her own willful misconduct. Expenses against which a

member of the Committee shall be indemnified hereunder shall include, without limitation, the amount of any settlement or judgment, costs, counsel fees and related charges reasonably incurred in connection with a claim asserted or a proceeding brought or settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such member may be entitled as a matter of law.

12.7 Determination of Benefits. In addition to the powers hereinabove specified, the Committee shall have the power to compute and certify, under this Plan and any Plan Agreement, the amount and kind of benefits from time to time payable to Participants and their Beneficiaries, and to authorize all disbursements for such purposes.

12.8 Information to Committee. To enable the Committee to perform its functions, the Bank shall supply full and timely information to the Committee on all matters relating to the compensation of all Participants, their retirement, death or other cause for termination of employment, and such other pertinent facts as the Committee may require.

12.9 Manner and time of Payment of Benefits. The Committee shall have the power, in its sole and absolute discretion, to change the manner and time of payment of benefits to be made to a Participant or his or her Beneficiary from that set forth in the Participant's Plan Agreement if requested to do so by such Participant or Beneficiary.

#### ARTICLE XIII

##### ADOPTION OF PLAN BY SUBSIDIARY, PARENT

##### AFFILIATED OR ASSOCIATED COMPANIES

Any corporation that is a Subsidiary or Parent may, with the approval of the Board of Directors, adopt this Plan and thereby come within the definition of Bank in Article I hereof.

#### ARTICLE XIV

##### REORGANIZATION

In the event the Bank shall be merged, consolidated, reorganized, or substantially sells all of its assets to another corporation, firm, or person and such corporation, firm, or person takes such action to terminate this Plan, the Participants will be entitled to a minimum of a benefit payable at the earlier of (i) the Participant's death or (ii) attainment of his or her Early Retirement Date or (iii) at the time said Employee ceases his or her relationship or the Plan is terminated if such date is later than his or her Early Retirement Date. Said Benefit shall be determined by improving the Participant's deferrals by the Moody's Average Corporate Bond Rate as compounded on an annual basis with such amounts being computed from the date of entry to the termination date of Participant and/or the termination of the Plan. This resulting amount payable in one hundred and eighty (180) installments will continue to be improved by the Moody's Average Corporate Bond Rate as compounded on an annual basis at the time of the termination of Participant and/or the termination of the Plan until the Benefit is completed and will be the only benefit to which such Participant is entitled.

#### ARTICLE XV

##### MISCELLANEOUS

15.1 Execution of Receipts and Releases. Any payment to any Participant, a Participant's legal representative, or Beneficiary in accordance with the

provisions of this Plan or Plan Agreement executed hereunder shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Bank. The Bank may require such Participant, legal representative, or Beneficiary, as a condition precedent to such payment, to execute a receipt and release therefore in such form as it may determine.

15.2 No Guarantee of Interests. Neither the Committee nor any of its members guarantees the payment of any amounts which may be or become due to any person or entity under this Plan or any Plan Agreement executed hereunder. The liability of the Bank to make any payment under this Plan or any Plan Agreement executed hereunder is limited to the then available assets of the Bank.

15.3 Bank Records. Records of the Bank as to a Participant's employment, termination of employment and the reason therefore authorized leaves of absence, and compensation shall be conclusive on all persons and entities, unless determined to be incorrect.

15.4 Evidence. Evidence required of anyone under this Plan and any Plan Agreement executed hereunder may be by certificate, affidavit, document, or other information which the person or entity acting on it considers pertinent and reliable, and signed, made, or presented by the proper party or parties.

15.5 Notice. Any notice which shall be or may be given under this Plan or a Plan Agreement executed hereunder shall be in writing and shall be mailed by United States mail, postage prepaid. If notice is to be given to the Bank, such notice shall be addressed to the Bank at:

The Peoples Bank & Trust Company  
Box 709  
Tupelo, MS 38802-0709

marked to the attention of the Secretary, Administrative Committee, Deferred Compensation Plan; or, if notice to a Participant, addressed to the address shown on such Participant's Plan Agreement.

15.6 Change of Address. Any party may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.

15.7 Effect of Provisions. The provisions of this Plan and of any Plan Agreement executed hereunder shall be binding upon the Bank and its successors and assigns, and upon a Participant, his or her Beneficiary, assigns, heirs, executors, and administrators.

15.8 Headings. The titles and headings of Articles and Sections are included for convenience of reference only and are not to be considered in the construction of the provisions hereof or any Plan Agreement executed hereunder.

15.9 Governing Law. All questions arising with respect to this Plan and any Plan Agreement executed hereunder shall be determined by reference to the laws of the State of Mississippi, as in effect at the time of their adoption and execution, respectively.

COMPLETE

DIRECTORS'  
 DEFERRED FEE PLAN  
 OF  
 THE PEOPLES BANK & TRUST COMPANY

DIRECTORS' DEFERRED FEE PLAN  
 THE PEOPLES BANK & TRUST COMPANY  
 TABLE OF CONTENTS

Article	Subject	Page
I	Definitions and Construction	1
II	Eligibility and Participation	3
III	Death Benefit	3
IV	Retirement Benefit	4
V	Beneficiary	6
VI	Source of Benefits	6
VII	Termination of Relationship	7
VIII	Termination of Participation	7
IX	Termination, Amendment, Modification, or Supplement of Plan	7
X	Other Benefits and Agreements	8
XI	Restrictions on Alienation of Benefits	8
XII	Administration of the Plan	8
XIII	Adoption of Plan by Subsidiary, Parent, Affiliated or Associated Companies	10
XIV	Reorganization	10
XV	Miscellaneous	10
	Plan Agreement	I-1

DIRECTORS'  
DEFERRED FEE PLAN  
OF  
THE PEOPLES BANK & TRUST COMPANY

PURPOSE AND EFFECTIVE DATE

The purpose of the Directors' Deferred Fee Plan of The Peoples Bank & Trust Company is to provide specified benefits to Directors who contribute materially to the continued growth, development and future business success of The Peoples Bank & Trust Company. It is the intention of The Peoples Bank & Trust Company that this program and the individual plans established hereunder be administered as unfunded welfare benefit plans established for Directors of the Bank. The effective date of this Plan is December 31, 1985.

ARTICLE I

DEFINITIONS AND CONSTRUCTION

1.1 Definitions. For purpose of this Plan, the following phrases or terms shall have the following indicated meanings unless otherwise clearly apparent from the context:

- (a) "Beneficiary" shall mean the person, persons, or estate of a Participant, entitled to receive any benefits subsequent to the death of a Participant under a Plan Agreement entered into in accordance with the terms of this Plan.
- (b) "Beneficiary Designation" shall mean the form of written agreement, attached hereto as Annex II, by which the Participant names the Beneficiary(ies) of the Plan.
- (c) "Board of Directors" shall mean the Board of Directors of The Peoples Bank & Trust Company unless otherwise indicated or the context otherwise requires.
- (d) "Committee" shall mean the Administrative Committee appointed to manage and administer the Plan and individual Plan Agreements in accordance with the provisions of Article XII hereof.
- (e) "Bank" shall mean The Peoples Bank & Trust Company and any Subsidiary and Parent that duly adopts the Plan as provided in Article XIII hereof. Where the context dictates, the term "Bank" as used herein refers to the particular Bank that has entered into a Plan Agreement with a particular Participant.
- (f) "Moody's Average Corporate Bond Rate" shall mean the Monthly Average of the Composite Yield on Seasoned Corporate Bonds as published by Moody's Investors Services, Inc. or its successor as stated for the month of October preceding December 31 of each year. Such rate as it applies to the provisions of this Plan shall than be used for one year.

If the above mentioned "Monthly Average" is no longer published, a substantially similar average will be used.

- (g) "Early Retirement Date" shall be the date of a Participant's Retirement prior to his or her Normal Retirement Date which may occur on the first day of any month following the month in which the Participant attains his or her fifty-fifth (55th) birthday, has completed ten (10) years of service on the Board, and has been a Participant in the Plan for four (4) full years.
- (h) "Director" shall mean any person who is associated as a Director with the Bank.
- (i) "Normal Retirement Date" shall be March 31 following the Participant's attaining his or her seventy second (72nd) birthday and the Participant has completed four (4) continuous full years in the Plan.
- (j) "Participant" shall mean a Director who is selected and elects to participate in the Plan through the execution of a Plan Agreement in accordance with the provisions of Article II.
- (k) "Plan" shall mean the Directors' Deferred Fee Plan of The Peoples Bank & Trust Company as amended from time to time.
- (l) "Plan Agreement" shall mean the form of written agreement, attached hereto as Annex I, which is entered into from time to time by and between the Bank and a Director selected to become a Participant as a condition to participation in the Plan. Each Plan Agreement executed by a Participant shall provide for the entire estimated benefit to which such Participant is entitled under the Plan, and the Plan Agreement bearing the latest date shall govern such entitlement.
- (m) "Retirement" and "Retire" shall mean severance of relationship with the Bank at or after the attainment of his or her Normal Retirement Date or, with the consent of the Bank, on or after the Early Retirement Date.
- (n) "Subsidiary" shall mean any business organization in which The Peoples Bank & Trust Company, directly or indirectly, owns an interest, excluding ownership interests The Peoples Bank & Trust Company may hold in their fiduciary capacities as trustee or otherwise, and any other business organization that the Board of Directors designates as a Subsidiary for purposes of this Plan.
- (o) "Parent" shall mean The Peoples Holding Company.

1.2 Construction. The masculine gender when used herein shall be deemed to include the feminine gender, and the singular may include the plural unless the context clearly indicates to the contrary. The words "hereof", "herein", "hereunder", and other similar compounds of the word "here" shall mean and refer to the entire Plan and not to any particular provision or section. Whenever the words "Article" or "Section" are used in this Plan, or a cross-reference to an "Article" or "Section" is made, the Article or Section referred to shall be an Article or Section of this Plan unless otherwise specified.

## ARTICLE II

### ELIGIBILITY AND PARTICIPATION

- 2.1 Eligibility. In order to be eligible for participation in the Plan, a Director must be selected by the Committee in the year preceding the year in which the Director is eligible to participate and in each succeeding year thereafter as hereinafter provided. The Committee, in its sole and absolute discretion, shall determine eligibility for participation in accordance with the purposes of the Plan.
- 2.2 Participation. After being selected by the Committee to participate in this Plan, a Director shall, as a condition precedent to participation herein, complete and return to the Committee a duly executed Plan Agreement electing to participate herein and agreeing to the terms and conditions thereof, and by the execution of such Plan Agreement a Participant shall agree that all amounts deferred thereby shall be irrevocably deferred and that in lieu thereof the Participant shall be entitled solely to the benefits provided under this Plan. Such Plan Agreement shall be completed and returned to the committee at the time specified thereby, but in no event subsequent to December 31st of the year preceding the year to which the Plan Agreement relates.

## ARTICLE III

### DEATH BENEFIT

- 3.1. Amount and Payment of Death Benefit. If a Participant dies before Retirement and the Plan is in effect at that time, the Bank will pay or cause to be paid a Death Benefit to such Participant's Beneficiary. The said Death Benefit shall be paid monthly for the next one hundred and eighty (180) months as set forth in the Plan Agreement. Such payments shall commence effective the first day of the month following the date of death.

Notwithstanding the immediately preceding paragraph of this Section 3.1, the Bank will pay or cause to be paid the Death Benefit specified therein only if:

- (a) At the time of the Participant's death prior to attaining his or her Normal Retirement Date, such Participant was a Director and had not Retired, and all required deferrals required to be made by such Participant under Sections 3.2 et. seq. have been made,
- (b) The Participant's Plan Agreement had been kept in force throughout the period commencing on the date of such Plan Agreement and ending on the date of his or her death; and
- (c) The Participant's death was due to causes other than suicide within two (2) years of the date of his or her original Plan Agreement or within two (2) years of the date of any amendment to his or her Plan Agreement or any subsequent Plan Agreement resulting from additional Death Benefits granted; but the Participant's suicide shall relieve the Bank only of its obligation to pay that portion of the Death Benefit that was granted within two (2) years prior to the date of such suicide; and
- (d) The Participant's death is determined not to be from a bodily or mental cause or causes, information about which was withheld, or knowingly concealed, or falsely provided by the Participant when requested by the Bank to furnish evidence of good health upon the Participant's enrolling in the Plan or upon an application for an increase in Death Benefits; and

(e) Proof of death in such form as determined acceptable by the Committee is furnished.

3.2 Amount of Participant Deferral. Each Participant shall defer an amount of his or her compensation in such amounts and at such times as shall be determined by the Committee, and the Committee may change the amount of such deferral in connection with changes in the level of participation selected by a Participant. A Participant's obligation to defer an amount of his or her compensation in accordance with this Section 3.2, shall commence on the date his or her Plan Agreement becomes effective, and shall continue thereafter during the term of his or her Plan Agreement or until the earlier of such Participant's death, Retirement, or attainment of his or her Normal Retirement Date. A Participant shall have the right to increase or decrease the amount of his or her participation initially selected by him or her by amending his or her Plan Agreement in accordance with the rules adopted by the Committee for this purpose.

3.3 Time and Manner of Deferring or Making Payments. A Participant shall, in his or her Plan Agreement, authorize the Bank to defer an amount of such Participant's compensation equal to the amount specified pursuant to Section 3.2.

3.4 Participant Deferrals - Use and Forfeitability. The amount of each Participant's compensation deferred pursuant to Sections 3.2 and 3.3 shall be and remain solely the property of the Bank, and a Participant shall have no right thereto, nor shall the Bank be obligated to use such amounts in any specific manner. Except as provided in Article IV, if a Participant's death occurs under circumstances other than those specified in Section 3.1, no benefit shall be payable hereunder or under his or her Plan Agreement to his or her Beneficiary or any other person or entity on his or her behalf, and any payments made by such Participant under Sections 3.2 and 3.3 shall be forfeited.

#### ARTICLE IV

##### RETIREMENT BENEFIT

4.1 Normal Retirement. If a Participant has remained a Director until his or her Normal Retirement Date and shall then retire, and if the Plan and his or her Plan Agreement have been kept in force, the Bank shall pay or cause to be paid to such Participant, as a Retirement Benefit (herein so called), the amount per month specified as a Retirement Benefit. Payment of such monthly amount shall commence on the Participant's Normal Retirement Date and shall continue for one hundred and eighty (180) months. If such Participant shall die before receiving one hundred and eighty (180) payments, the Retirement Benefit will be continued to the Participant's Beneficiary as set forth in the Beneficiary Designation until the balance of the one hundred and eighty (180) payments have been made.

The amount of the Retirement Benefit will be determined by multiplying the total deferrals made by Participant times 130% of the Moody's Average Corporate Bond Rate as compounded on an annual basis until Participant's Normal Retirement. That result will then be improved by 130% of the Moody's Average Corporate Bond Rate being used at the time of Normal Retirement as compounded on an annual basis until the time the Retirement Benefit is completed.

4.2 Early Retirement. The Committee, in its sole and absolute discretion, may permit a Participant to receive an Early Retirement Benefit commencing as of the first day of any month coincident with or following the Participant's Early Retirement Date, but before the attainment of his or

her Normal Retirement Date. In such event, the Participant's monthly Early Retirement Benefit shall be the amount accumulated on behalf of the Participant as set forth in Section 4.1, with such amount being calculated from the date of entry until Participant's Early Retirement Date. The amount will be improved by 130% of the Moody's Average Corporate Bond Rate as compounded on an annual basis being used at the time of Early Retirement and will be payable in one hundred and eighty (180) installments and shall be the only benefit to which such Participant is entitled. If Participant shall die before receiving one hundred and eighty (180) installments after commencement of the Early Retirement Benefit, said amount will be continued to Participant's Beneficiary as set forth in the Beneficiary Designation until the balance of one hundred and eighty (180) payments have been made.

4.3 Post Retirement Death Benefit. If a Participant dies after Retirement but before the applicable Retirement Benefit is paid in full, the unpaid Retirement Benefit payments to which such Participant is entitled shall continue and be paid to that Participant's Beneficiary. Such payments shall be made in accordance with the payment schedule to that Participant pursuant to Sections 4.1 and 4.2 of the Plan.

4.4 Exclusivity of Post Retirement Death Benefit. No Death Benefit as defined in Article III shall be paid to the Beneficiary of a Participant who dies after retirement.

4.5 Accrual of Retirement Benefit. A Participant who ceases to be a Director, except as a result of death or retirement shall not be entitled to any benefits hereunder and the Bank shall have no obligation hereunder to such Participant, except as outlined in Section 4.6.

4.6 Deferred Termination Benefit. A Participant who ceases to be a Director shall receive a termination benefit upon the earlier of (i) the Participant's death or (ii) attainment of his or her Early Retirement Date or (iii) at the time said Director ceases his or her relationship if such date is later than his or her Early Retirement Date. Said benefit shall be determined by improving the Participant's deferrals by the Moody's Average Corporate Bond Rate as compounded on an annual basis if said Participant has been a Director for less than ten (10) years or if the relationship is discontinued for cause and by 130% of the Moody's Average Corporate Bond Rate as compounded on an annual basis if said Participant has been a Director for ten (10) or more years with such amounts being computed from the date of entry to the termination date of Participant.

For those Participants whose relationship is terminated other than for cause the resulting vested amount payable in one hundred and eighty (180) installments will then be improved by the Moody's Average Corporate Bond Rate as compounded on an annual basis being used at the time Participant ceases to be a Director until the completion of payment of the vested amount and will be the only benefit to which such Participant is entitled.

For those Participants whose relationship is terminated for cause, the resulting vested amount will be divided by one hundred and eighty (180) and such amount will be paid in one hundred and eighty (180) installments and will be the only benefit to which such Participant is entitled.

If Participant shall die before receiving one hundred and eighty (180) installments of said amount, the amount will be continued to Participant's Beneficiary as set forth in the Beneficiary Designation until the balance of one hundred and eighty (180) payments have been made.

For those Participants who have been Directors for ten (10) or more years, who cease his or her relationship other than for cause, and who die before benefits have been initiated, the Participant's Beneficiary as set forth in the Beneficiary Designation will receive the greater of the above mentioned accrued benefits as of the date of death or the Death Benefit as described in Article III.

#### ARTICLE V

##### BENEFICIARY

A Participant shall designate his or her Beneficiary to receive benefits under the Plan and his or her Plan Agreement by completing the Beneficiary Designation. If more than one Beneficiary is named, the shares and/or precedence of each Beneficiary shall be indicated. A Participant shall have the right to change the Beneficiary by submitting to the Committee a new Beneficiary Designation. The Beneficiary Designation must be approved in writing by the Bank; however, upon the Bank's acknowledgment of approval, the effective date of the Beneficiary Designation shall be the date it was executed by the Participant. If the Bank has any doubt as to the proper Beneficiary to receive payments hereunder, it shall have the right to withhold such payments until the matter is finally adjudicated. Any payment made by the Bank in good faith and in accordance with the provisions of this Plan and a Participant's Plan Agreement and Beneficiary Designation shall fully discharge the Bank from all further obligations with respect to such payment.

#### ARTICLE VI

##### SOURCE OF BENEFITS

- 6.1 Benefits Payable from General Assets. Amounts payable hereunder shall be paid exclusively from the general assets of the Bank, and no person entitled to payment hereunder shall have any claim, right, security interest, or other interest in any fund, trust, account, or other asset of the Bank that may be looked to for such payment. The Bank's liability for the payment of benefits hereunder shall be evidenced only by this Plan and each Plan Agreement entered into between the Bank and a Participant.
- 6.2 Investments to Facilitate Payment of Benefits. Although the Bank is not obligated to invest in any specific asset or fund in order to provide the means for the payment of any liabilities under this Plan, the Bank may elect to do so and, in such event, no Participant shall have any interest whatever in such asset or fund. As a condition precedent to the Bank's obligation to provide any benefits, including incremental increases in benefits, under this Plan, the Participant shall, if so requested by the Bank, provide evidence of insurability at standard and other rates, in such amounts, and with such insurance carrier or carriers as the Bank may require, including the results and reports of previous Bank and other insurance carrier physical examinations, taking such additional physical examinations as the Bank may request, and taking any other action that the Bank may request. If a Participant is requested to and does not or cannot provide evidence of insurability as specified in the immediately preceding sentence, then the Bank shall have no further obligation to such Participant under this Plan, and such Participant's Plan Agreement shall terminate, except as to benefits previously granted. Notwithstanding the foregoing, if a Participant cannot provide evidence of insurability at standard rates or for the amounts initially contemplated in connection with his or her participation in the Plan, the Bank may, at its discretion, permit the Participant to participate herein for such benefits and upon such deferral of his or her compensation as the Bank may, in its sole discretion, deem appropriate.

6.3 Bank Obligation. The Bank shall have no obligation of any nature whatsoever to a Participant under this Plan or a Participant's Plan Agreement, except otherwise expressly provided herein and in such Plan Agreement.

6.4 Withholding of Information, Etc. If, in connection with a Participant's enrolling in or applying for incremental benefit increases under the Plan, the Bank requests the Participant to furnish evidence of insurability, the Participant dies, and it is determined that the Participant withheld, knowingly concealed, or knowingly provided false information about the bodily or mental condition or conditions that caused the Participant's death, the Bank shall have no obligation to provide the benefits contracted for on the basis of such withholding, concealment, or false information.

#### ARTICLE VII

##### TERMINATION OF RELATIONSHIP

Neither this Plan nor a Participant's Plan Agreement, either singly or collectively, in any way obligate the Bank to continue the relationship of a Participant with the Bank nor does either limit the right of the Bank at any time and for any reason to terminate the Participant's relationship. Termination of a Participant's relationship with the Bank for any reason, whether by action of the Bank, shall immediately terminate his or her participation in this Plan and his or her Plan Agreement, and all further obligations of either party thereunder, except as may be provided in Section 4.6. In no event shall this Plan or a Plan Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Bank and a Participant.

#### ARTICLE VIII

##### TERMINATION OF PARTICIPATION

8.1 Termination of Participation - General. A Participant reserves the right to terminate his or her participation in this Plan and his or her Plan Agreement at his or her election at any time by giving the Committee written notice of such termination not less than 30 days prior to an anniversary date of the date of execution of his or her Plan Agreement. A Participant's termination shall be effective as soon as administratively convenient after such anniversary date.

8.2 Rights After Termination of Participation. Participants who elect to terminate participation in the Plan but before eligibility for Retirement will be entitled to the same benefits as a Participant who ceases to be a Director as described in Section 4.6.

#### ARTICLE IX

##### TERMINATIONS, AMENDMENTS, MODIFICATION OR

##### SUPPLEMENT OF PLAN

9.1 Termination, Amendment, Etc. The Bank reserves the right to terminate, amend, modify or supplement this Plan, wholly or partially, and from time to time, at any time. The Bank likewise reserves the right to terminate, amend, modify, or supplement any Plan Agreement, wholly or partially, from time to time. Such right to terminate, amend, modify, or supplement this Plan or any Plan Agreement shall be exercised for the Bank by the Committee; provided, however, that:

- (a) No action to terminate this Plan or a Plan Agreement shall be taken except upon written notice to each Participant to be affected thereby, which notice shall be given not less than 30 days prior to such action; and
- (b) The Committee shall take no action to terminate this Plan or a Plan Agreement with respect to a Participant or his or her Beneficiary after the payment of any benefit has commenced in accordance with Article III or Article IV but has not been completed.

9.2 Rights and Obligations Upon Termination. Upon the termination of this Plan or any Plan Agreement, by either the Committee or a Participant in accordance with the provisions for such termination, neither this Plan nor the Plan Agreement shall be of any further force and effect, and no party shall have any further obligation under either this Plan or any Plan Agreement so terminated except as may be provided for in Section 4.6 or the preceding provisions of this Article IX.

#### ARTICLE X

##### OTHER BENEFITS AND AGREEMENTS

The benefits provided for a Participant and his or her Beneficiary hereunder and under such Participant's Plan Agreement are in addition to any other benefits available to such Participant under any other program or plan of the Bank for its Directors, and, except as may otherwise be expressly provided for, this Plan and Plan Agreements entered into hereunder shall supplement and shall not supersede, modify, or amend any other program or plan of the Bank or a Participant. Moreover, benefits under this Plan and Plan Agreements entered into hereunder shall not be considered compensation for the purpose of computing deferrals or benefits under any plan maintained by the Bank that is qualified under Section 401 (a) of the Internal Revenue Code of 1954, as amended.

#### ARTICLE XI

##### RESTRICTIONS ON ALIENATION OF BENEFITS

No right or benefit under this Plan or a Plan Agreement shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No right or benefit hereunder or under any Plan Agreement shall in any manner be liable for or subject to the debts, contract, liabilities, or torts of the person entitled to such benefit. If any Participant or Beneficiary under this Plan or a Plan Agreement should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right to a benefit hereunder or under any Plan Agreement, then such right or benefit shall, in the discretion of the Committee, terminate, and, in such event, the Committee shall hold or apply the same or any part thereof for the benefit of such Participant or Beneficiary, his or her spouse, children, or other dependents, or any of them, in such manner and in such portion as the Committee, in its sole and absolute discretion, may deem proper.

#### ARTICLE XII

##### ADMINISTRATION OF THIS PLAN

12.1 Appointment of Committee. The general administration of this Plan, and any Plan Agreements executed hereunder, as well as construction and interpretation thereof, shall be vested in the Committee, the number and members of which shall be designated and appointed from time to time by, and shall serve at the pleasure of, the Board of Directors. Any such member

of the Committee may resign by notice in writing filed with the secretary of the Committee. Vacancies shall be filled promptly by the Board of Directors, but any vacancies remaining unfilled for ninety days may be filled by a majority vote of the remaining members of the Committee. Each person appointed a member of the Committee shall signify his or her acceptance by filing a written acceptance with the Secretary of the Committee.

12.2 Committee Officials. The board of Directors shall designate one of the members of the Committee as chairman and shall appoint a secretary who need not be a member of the Committee. The Secretary shall keep minutes of the Committee's proceedings and all data, records and documents relating to the Committee's administration of this Plan and any Plan Agreements executed hereunder. The Committee may appoint from its number such subcommittees with such powers as the Committee shall determine and may authorize one or more of its members or any agent to execute or deliver any instrument or make any payment on behalf of the Committee.

12.3 Committee Action. All resolutions or other actions taken by the Committee shall be by the vote of a majority of those present at a meeting at which a majority of the members are present, or in writing by all the members at the time in office if they act without a meeting.

12.4 Committee Rules and Powers - General. Subject to the provisions of this Plan, the Committee shall from time to time establish rules, forms, and procedures for the administration of this Plan. Such decisions, actions, and records of the Committee shall be conclusive and binding upon the Bank and all persons having or claiming to have any right or interest in or under this Plan.

12.5 Reliance on Certificate, etc.. The members of the Committee and the officers and directors of the Bank shall be entitled to rely on all certificates and reports made by any duly appointed accountants, and on all opinions given by any duly appointed legal counsel. Such legal counsel may be counsel for the Bank.

12.6 Liability of Committee. No member of the Committee shall be liable for any act or omission of any other member of the Committee, or for any act or omission on his or her own part, excepting only his or her own willful misconduct. The Bank shall indemnify and save harmless each member of the Committee against any and all expenses and liabilities arising out of his or her membership on the Committee, excepting only expenses and liabilities arising out of his or her own willful misconduct. Expenses against which a member of the Committee shall be indemnified hereunder shall include, without limitation, the amount of any settlement or judgment, costs, counsel fees and related charges reasonably incurred in connection with a claim asserted or a proceeding brought or settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such member may be entitled as a matter of law.

12.7 Determination of Benefits. In addition to the powers hereinabove specified, the Committee shall have the power to compute and certify, under this Plan and any Plan Agreement, the amount and kind of benefits from time to time payable to Participants and their Beneficiaries, and to authorize all disbursements for such purposes.

12.8 Information to Committee. To enable the Committee to perform its functions, the Bank shall supply full and timely information to the Committee on all matters relating to the compensation of all Participants, their retirement, death or other cause for termination of relationship, and such other pertinent facts as the Committee may require.

12.9 Manner and time of Payment of Benefits. The Committee shall have the power, in its sole and absolute discretion, to change the manner and time of payment of benefits to be made to a Participant or his or her Beneficiary from that set forth in the Participant's Plan Agreement if requested to do so by such Participant or Beneficiary.

#### ARTICLE XIII

##### ADOPTION OF PLAN BY SUBSIDIARY, PARENT

##### AFFILIATED OR ASSOCIATED COMPANIES

Any corporation that is a Subsidiary or Parent may, with the approval of the Board of Directors, adopt this Plan and thereby come within the definition of Bank in Article I hereof.

#### ARTICLE XIV

##### REORGANIZATION

In the event the Bank shall be merged, consolidated, reorganized, or substantially sells all of its assets to another corporation, firm, or person and such corporation, firm, or person takes such action to terminate this Plan, the Participants will be entitled to a minimum of a benefit payable at the earlier of (i) the Participant's death or (ii) attainment of his or her Early Retirement Date or (iii) at the time said Director ceases his or her relationship or the Plan is terminated if such date is later than his or her Early Retirement Date. Said Benefit shall be determined by improving the Participant's deferrals by 130% of the Moody's Average Corporate Bond Rate as compounded on an annual basis with such amounts being computed from the date of entry to the termination date of Participant and/or the termination of the Plan. This resulting amount payable in one hundred and eighty (180) installments will continue to be improved by 130% of the Moody's Average Corporate Bond Rate as compounded on an annual basis at the time of the termination of Participant and/or the termination of the Plan until the Benefit is completed and will be the only benefit to which such Participant is entitled.

#### ARTICLE XV

##### MISCELLANEOUS

15.1 Execution of Receipts and Releases. Any payment to any Participant, a Participant's legal representative, or Beneficiary in accordance with the provisions of this Plan or Plan Agreement executed hereunder shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Bank. The Bank may require such Participant, legal representative, or Beneficiary, as a condition precedent to such payment, to execute a receipt and release therefore in such form as it may determine.

15.2 No Guarantee of Interests. Neither the Committee nor any of its members guarantees the payment of any amounts which may be or become due to any person or entity under this Plan or any Plan Agreement executed hereunder. The liability of the Bank to make any payment under this Plan or any Plan Agreement executed hereunder is limited to the then available assets of the Bank.

15.3 Bank Records. Records of the Bank as to a Participant's relationship, termination of relationship and the reason therefore authorized leaves of absence, and compensation shall be conclusive on all persons and entities, unless determined to be incorrect.

15.4 Evidence. Evidence required of anyone under this Plan and any Plan Agreement executed hereunder may be by certificate, affidavit, document, or

other information which the person or entity acting on it considers pertinent and reliable, and signed, made, or presented by the proper party or parties.

15.5 Notice. Any notice which shall be or may be given under this Plan or a Plan Agreement executed hereunder shall be in writing and shall be mailed by United States mail, postage prepaid. If notice is to be given to the Bank, such notice shall be addressed to the Bank at:

The Peoples Bank & Trust Company  
Box 709  
Tupelo, MS 38802-0709

marked to the attention of the Secretary, Administrative Committee, Deferred Fee Plan; or, if notice to a Participant, addressed to the address shown on such Participant's Plan Agreement.

15.6 Change of Address. Any party may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.

15.7 Effect of Provisions. The provisions of this Plan and of any Plan Agreement executed hereunder shall be binding upon the Bank and its successors and assigns, and upon a Participant, his or her Beneficiary, assigns, heirs, executors, and administrators.

15.8 Headings. The titles and headings of Articles and Sections are included for convenience of reference only and are not to be considered in the construction of the provisions hereof or any Plan Agreement executed hereunder.

15.9 Governing Law. All questions arising with respect to this Plan and any Plan Agreement executed hereunder shall be determined by reference to the laws of the State of Mississippi, as in effect at the time of their adoption and execution, respectively.

COMPLETE



DIRECTORS'  
 DEFERRED FEE PLAN - B  
 OF  
 THE PEOPLES BANK & TRUST COMPANY

DIRECTORS' DEFERRED FEE PLAN - B  
 THE PEOPLES BANK & TRUST COMPANY

TABLE OF CONTENTS

Article	Subject	Page
I	Definitions and Constructi	1
II	Eligibility and Participation	2
III	Death Benefit	3
IV	Retirement Benefit	4
V	Beneficiary	6
VI	Source of Benefit	6
VII	Termination of Relationship	7
VIII	Termination of Participation	7
IX	Termination, Amendment, Modification, or Supplement of Plan	7
X	Other Benefits and Agreements	8
XI	Restrictions on Alienation of Benefits	8
XII	Administration of the Plan	8
XIII	Adoption of Plan by Subsidiary, Parent, Affiliated or Associated Companies	9
XIV	Reorganization	10
XV	Miscellaneous	10
	Plan Agreement	I-1

DEFERRED FEE PLAN - B

OF

THE PEOPLES BANK & TRUST COMPANY

PURPOSE AND EFFECTIVE DATE

The purpose of the Directors' Deferred Fee Plan - B of The Peoples Bank & Trust Company is to provide specified benefits to Directors who contribute materially to the continued growth, development and future business success of The Peoples Bank & Trust Company. It is the intention of The Peoples Bank & Trust Company that this program and the individual plans established hereunder be administered as unfunded welfare benefit plans established for Directors of the Bank. The effective date of this Plan is January 1, 1989.

ARTICLE I

DEFINITIONS AND CONSTRUCTION

1.1 Definitions. For purpose of this Plan, the following phrases or terms shall have the following indicated meanings unless otherwise clearly apparent from the context:

- (a) "Beneficiary" shall mean the person, persons, or estate of a Participant, entitled to receive any benefits subsequent to the death of a Participant under a Plan Agreement entered into in accordance with the terms of this Plan.
- (b) "Beneficiary Designation" shall mean the form of written agreement, attached hereto as Annex II, by which the Participant names the Beneficiary(ies) of the Plan.
- (c) "Board of Directors" shall mean the Board of Directors of The Peoples Bank & Trust Company unless otherwise indicated or the context otherwise requires.
- (d) "Committee" shall mean the Administrative Committee appointed to manage and administer the Plan and individual Plan Agreements in accordance with the provisions of Article XII hereof.
- (e) "Bank" shall mean The Peoples Bank & Trust Company and any Subsidiary and Parent that duly adopts the Plan as provided in Article XIII hereof. Where the context dictates, the term "Bank" as used herein refers to the particular Bank that has entered into a Plan Agreement with a particular Participant.
- (f) "Moody's Average Corporate Bond Rate" shall mean the Monthly Average of the Composite Yield on Seasoned Corporate Bonds as published by Moody's Investors Services, Inc. or its successor as stated for the month of October preceding December 31 of each year. Such rate as it applies to the provisions of this Plan shall than be used for one year.

If the above mentioned "Monthly Average" is no longer published, a substantially similar average will be used.

- (g) "Early Retirement Date" shall be the date of a Participant's Retirement prior to his or her Normal Retirement Date which may occur on the first day of any month following the month in which the Participant attains his or her fifty-fifth (55th) birthday, has completed ten (10) years of service on the Board, and has been a Participant in the Plan for four (4) full years.
- (h) "Director" shall mean any person who is associated as a Director with the Bank.
- (i) "Normal Retirement Date" shall be March 31 following the Participant's attaining his or her seventy second (72nd) birthday and the Participant has completed ten (10) continuous full years in the Plan.
- (j) "Participant" shall mean a Director who is selected and elects to participate in the Plan through the execution of a Plan Agreement in accordance with the provisions of Article II.
- (k) "Plan" shall mean the Directors' Deferred Fee Plan - B of The Peoples Bank & Trust Company as amended from time to time.
- (l) "Plan Agreement" shall mean the form of written agreement, attached hereto as Annex I, which is entered into from time to time by and between the Bank and a Director selected to become a Participant as a condition to participation in the Plan. Each Plan Agreement executed by a Participant shall provide for the entire estimated benefit to which such Participant is entitled under the Plan, and the Plan Agreement bearing the latest date shall govern such entitlement.
- (m) "Retirement" and "Retire" shall mean severance of relationship with the Bank at or after the attainment of his or her Normal Retirement Date or, with the consent of the Bank, on or after the Early Retirement Date.
- (n) "Subsidiary" shall mean any business organization in which The Peoples Bank & Trust Company, directly or indirectly, owns an interest, excluding ownership interests The Peoples Bank & Trust Company may hold in their fiduciary capacities as trustee or otherwise, and any other business organization that the Board of Directors designates as a Subsidiary for purposes of this Plan.
- (o) "Parent" shall mean The Peoples Holding Company.

1.2 Construction. The masculine gender when used herein shall be deemed to include the feminine gender, and the singular may include the plural unless the context clearly indicates to the contrary. The words "hereof", "herein", "hereunder", and other similar compounds of the word "here" shall mean and refer to the entire Plan and not to any particular provision or section. Whenever the words "Article" or "Section" are used in this Plan, or a cross-reference to an "Article" or "Section" is made, the Article or Section referred to shall be an Article or Section of this Plan unless otherwise specified.

## ARTICLE II

### ELIGIBILITY AND PARTICIPATION

- 2.1 Eligibility. In order to be eligible for participation in the Plan, a Director must be selected by the Committee in the year preceding the year in which the Director is eligible to participate and in each succeeding year thereafter as hereinafter provided. The Committee, in its sole and absolute discretion, shall determine eligibility for participation in accordance with the purposes of the Plan.
- 2.2 Participation. After being selected by the Committee to participate in this Plan, a Director shall, as a condition precedent to participation herein, complete and return to the Committee a duly executed Plan Agreement electing to participate herein and agreeing to the terms and conditions thereof, and by the execution of such Plan Agreement a Participant shall agree that all amounts deferred thereby shall be irrevocably deferred and that in lieu thereof the Participant shall be entitled solely to the benefits provided under this Plan. Such Plan Agreement shall be completed and returned to the committee at the time specified thereby, but in no event subsequent to December 31st of the year preceding the year to which the Plan Agreement relates.

## ARTICLE III

### DEATH BENEFIT

- 3.1. Amount and Payment of Death Benefit. If a Participant dies before Retirement and the Plan is in effect at that time, the Bank will pay or cause to be paid a Death Benefit to such Participant's Beneficiary. The said Death Benefit shall be paid monthly for the next one hundred and eighty (180) months as set forth in the Plan Agreement. Such payments shall commence effective the first day of the month following the date of death.

Notwithstanding the immediately preceding paragraph of this Section 3.1, the Bank will pay or cause to be paid the Death Benefit specified therein only if:

- (a) At the time of the Participant's death prior to attaining his or her Normal Retirement Date, such Participant was a Director and had not Retired, and all required deferrals required to be made by such Participant under Sections 3.2 et. seq. have been made,
- (b) The Participant's Plan Agreement had been kept in force throughout the period commencing on the date of such Plan Agreement and ending on the date of his or her death; and
- (c) The Participant's death was due to causes other than suicide within two (2) years of the date of his or her original Plan Agreement or within two (2) years of the date of any amendment to his or her Plan Agreement or any subsequent Plan Agreement resulting from additional Death Benefits granted; but the Participant's suicide shall relieve the Bank only of its obligation to pay that portion of the Death Benefit that was granted within two (2) years prior to the date of such suicide; and
- (d) The Participant's death is determined not to be from a bodily or mental cause or causes, information about which was withheld, or knowingly concealed, or falsely provided by the Participant when requested by the Bank to furnish evidence of good health upon the Participant's enrolling in the Plan or upon an application for an increase in Death Benefits; and

(e) Proof of death in such form as determined acceptable by the Committee is furnished.

3.2 Amount of Participant Deferral. Each Participant shall defer an amount of his or her compensation in such amounts and at such times as shall be determined by the Committee, and the Committee may change the amount of such deferral in connection with changes in the level of participation selected by a Participant. A Participant's obligation to defer an amount of his or her compensation in accordance with this Section 3.2, shall commence on the date his or her Plan Agreement becomes effective, and shall continue thereafter during the term of his or her Plan Agreement or until the earlier of such Participant's death, Retirement, or attainment of his or her Normal Retirement Date. A Participant shall have the right to increase or decrease the amount of his or her participation initially selected by him or her by amending his or her Plan Agreement in accordance with the rules adopted by the Committee for this purpose.

3.3 Time and Manner of Deferring or Making Payments. A Participant shall, in his or her Plan Agreement, authorize the Bank to defer an amount of such Participant's compensation equal to the amount specified pursuant to Section 3.2.

3.4 Participant Deferrals - Use and Forfeiture. The amount of each Participant's compensation deferred pursuant to Sections 3.2 and 3.3 shall be and remain solely the property of the Bank, and a Participant shall have no right thereto, nor shall the Bank be obligated to use such amounts in any specific manner. Except as provided in Article IV, if a Participant's death occurs under circumstances other than those specified in Section 3.1, no benefit shall be payable hereunder or under his or her Plan Agreement to his or her Beneficiary or any other person or entity on his or her behalf, and any payments made by such Participant under Sections 3.2 and 3.3 shall be forfeited.

#### ARTICLE IV

##### RETIREMENT BENEFIT

4.1 Normal Retirement. If a Participant has remained a Director until his or her Normal Retirement Date and shall then retire, and if the Plan and his or her Plan Agreement have been kept in force, the Bank shall pay or cause to be paid to such Participant, as a Retirement Benefit (herein so called), the amount per month specified as a Retirement Benefit. Payment of such monthly amount shall commence on the Participant's Normal Retirement Date and shall continue for one hundred and eighty (180) months. If such Participant shall die before receiving one hundred and eighty (180) payments, the Retirement Benefit will be continued to the Participant's Beneficiary as set forth in the Beneficiary Designation until the balance of the one hundred and eighty (180) payments have been made.

The amount of the Retirement Benefit will be determined by multiplying the total deferrals made by Participant times the Moody's Average Corporate Bond Rate as compounded on an annual basis until Participant's Normal Retirement. That result will then be improved by the Moody's Average Corporate Bond Rate being used at the time of Normal Retirement as compounded on an annual basis until the time the Retirement Benefit is completed.

4.2 Early Retirement. The Committee, in its sole and absolute discretion, may permit a Participant to receive an Early Retirement Benefit commencing as of the first day of any month coincident with or following the Participant's Early Retirement Date, but before the attainment of his or

her Normal Retirement Date. In such event, the Participant's monthly Early Retirement Benefit shall be the amount accumulated on behalf of the Participant as set forth in Section 4.1, with such amount being calculated from the date of entry until Participant's Early Retirement Date. The amount will be improved by the Moody's Average Corporate Bond Rate as compounded on an annual basis being used at the time of Early Retirement and will be payable in one hundred and eighty (180) installments and shall be the only benefit to which such Participant is entitled. If Participant shall die before receiving one hundred and eighty (180) installments after commencement of the Early Retirement Benefit, said amount will be continued to Participant's Beneficiary as set forth in the Beneficiary Designation until the balance of one hundred and eighty (180) payments have been made.

- 4.3 Post Retirement Death Benefit. If a Participant dies after Retirement but before the applicable Retirement Benefit is paid in full, the unpaid Retirement Benefit payments to which such Participant is entitled shall continue and be paid to that Participant's Beneficiary. Such payments shall be made in accordance with the payment schedule to that Participant pursuant to Sections 4.1 and 4.2 of the Plan.
- 4.4 Exclusivity of Post Retirement Death Benefit. No Death Benefit as defined in Article III shall be paid to the Beneficiary of a Participant who dies after retirement.
- 4.5 Accrual of Retirement Benefit. A Participant who ceases to be a Director, except as a result of death or retirement shall not be entitled to any benefits hereunder and the Bank shall have no obligation hereunder to such Participant, except as outlined in Section 4.6.
- 4.6 Deferred Termination Benefit. A Participant who ceases to be a Director shall receive a termination benefit upon the earlier of (i) the Participant's death or (ii) attainment of his or her Early Retirement Date or (iii) at the time said Director ceases his or her relationship if such date is later than his or her Early Retirement Date. Said benefit shall be determined by improving the Participant's deferrals by seventy five percent (75%) of the Moody's Average Corporate Bond Rate as compounded on an annual basis if said Participant has been a Director for less than ten (10) years or if the relationship is discontinued for cause and by the Moody's Average Corporate Bond Rate as compounded on an annual basis if said Participant has been a Director for ten (10) or more years with such amounts being computed from the date of entry to the termination date of Participant.

For those Participants whose relationship is terminated other than for cause after ten (10) years of service, the resulting vested amount payable in one hundred and eighty (180) installments will then be improved by the Moody's Average Corporate Bond Rate as compounded on an annual basis being used at the time Participant ceases to be a Director until the completion of payment of the vested amount and will be the only benefit to which such Participant is entitled.

For those Participants whose relationship is terminated other than for cause with less than ten (10) years of service, the resulting vested amount payable in one hundred and eighty (180) installments will then be improved by seventy five percent (75%) of the Moody's Average Corporate Bond Rate as compounded on an annual basis being used at the time Participant ceases to be a Director until the completion of payment of the vested amount and will be the only benefit to which such Participant is entitled.

For those Participants whose relationship is terminated for cause, the resulting vested amount will be divided by one hundred and eighty (180) and

such amount will be paid in one hundred and eighty (180) installments and will be the only benefit to which such Participant is entitled.

If Participant shall die before receiving one hundred and eighty (180) installments of said amount, the amount will be continued to Participant's Beneficiary as set forth in the Beneficiary Designation until the balance of one hundred and eighty (180) payments have been made.

For those Participants who have been Directors for ten (10) or more years, who cease his or her relationship other than for cause, and who die before benefits have been initiated, the Participant's Beneficiary as set forth in the Beneficiary Designation will receive the greater of the above mentioned accrued benefits as of the date of death or the Death Benefit as described in Article III.

#### ARTICLE V

##### BENEFICIARY

A Participant shall designate his or her Beneficiary to receive benefits under the Plan and his or her Plan Agreement by completing the Beneficiary Designation. If more than one Beneficiary is named, the shares and/or precedence of each Beneficiary shall be indicated. A Participant shall have the right to change the Beneficiary by submitting to the Committee a new Beneficiary Designation. The Beneficiary Designation must be approved in writing by the Bank; however, upon the Bank's acknowledgment of approval, the effective date of the Beneficiary Designation shall be the date it was executed by the Participant. If the Bank has any doubt as to the proper Beneficiary to receive payments hereunder, it shall have the right to withhold such payments until the matter is finally adjudicated. Any payment made by the Bank in good faith and in accordance with the provisions of this Plan and a Participant's Plan Agreement and Beneficiary Designation shall fully discharge the Bank from all further obligations with respect to such payment.

#### ARTICLE VI

##### SOURCE OF BENEFITS

6.1 Benefits Payable from General Assets. Amounts payable hereunder shall be paid exclusively from the general assets of the Bank, and no person entitled to payment hereunder shall have any claim, right, security interest, or other interest in any fund, trust, account, or other asset of the Bank that may be looked to for such payment. The Bank's liability for the payment of benefits hereunder shall be evidenced only by this Plan and each Plan Agreement entered into between the Bank and a Participant.

6.2 Investments to Facilitate Payment of Benefits. Although the Bank is not obligated to invest in any specific asset or fund in order to provide the means for the payment of any liabilities under this Plan, the Bank may elect to do so and, in such event, no Participant shall have any interest whatever in such asset or fund. As a condition precedent to the Bank's obligation to provide any benefits, including incremental increases in benefits, under this Plan, the Participant shall, if so requested by the Bank, provide evidence of insurability at standard and other rates, in such amounts, and with such insurance carrier or carriers as the Bank may require, including the results and reports of previous Bank and other insurance carrier physical examinations, taking such additional physical examinations as the Bank may request, and taking any other action that the Bank may request. If a Participant is requested to and does not or cannot provide evidence of insurability as specified in the immediately preceding

sentence, then the Bank shall have no further obligation to such Participant under this Plan, and such Participant's Plan Agreement shall terminate, except as to benefits previously granted. Notwithstanding the foregoing, if a Participant cannot provide evidence of insurability at standard rates or for the amounts initially contemplated in connection with his or her participation in the Plan, the Bank may, at its discretion, permit the Participant to participate herein for such benefits and upon such deferral of his or her compensation as the Bank may, in its sole discretion, deem appropriate.

6.3 Bank Obligation. The Bank shall have no obligation of any nature whatsoever to a Participant under this Plan or a Participant's Plan Agreement, except otherwise expressly provided herein and in such Plan Agreement.

6.4 Withholding of Information, Etc. If, in connection with a Participant's enrolling in or applying for incremental benefit increases under the Plan, the Bank requests the Participant to furnish evidence of insurability, the Participant dies, and it is determined that the Participant withheld, knowingly concealed, or knowingly provided false information about the bodily or mental condition or conditions that caused the Participant's death, the Bank shall have no obligation to provide the benefits contracted for on the basis of such withholding, concealment, or false information.

#### ARTICLE VII

##### TERMINATION OF RELATIONSHIP

Neither this Plan nor a Participant's Plan Agreement, either singly or collectively, in any way obligate the Bank to continue the relationship of a Participant with the Bank nor does either limit the right of the Bank at any time and for any reason to terminate the Participant's relationship. Termination of a Participant's relationship with the Bank for any reason, whether by action of the Bank, shall immediately terminate his or her participation in this Plan and his or her Plan Agreement, and all further obligations of either party thereunder, except as may be provided in Section 4.6. In no event shall this Plan or a Plan Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Bank and a Participant.

#### ARTICLE VIII

##### TERMINATION OF PARTICIPATION

8.1 Termination of Participation - General. A Participant reserves the right to terminate his or her participation in this Plan and his or her Plan Agreement at his or her election at any time by giving the Committee written notice of such termination not less than 30 days prior to an anniversary date of the date of execution of his or her Plan Agreement. A Participant's termination shall be effective as soon as administratively convenient after such anniversary date.

8.2 Rights After Termination of Participation. Participants who elect to terminate participation in the Plan but before eligibility for Retirement will be entitled to the same benefits as a Participant who ceases to be a Director as described in Section 4.6.

ARTICLE IX

TERMINATIONS, AMENDMENTS, MODIFICATION OR

SUPPLEMENT OF PLAN

9.1 Termination, Amendment, Etc. The Bank reserves the right to terminate, amend, modify or supplement this Plan, wholly or partially, and from time to time, at any time. The Bank likewise reserves the right to terminate, amend, modify, or supplement any Plan Agreement, wholly or partially, from time to time. Such right to terminate, amend, modify, or supplement this Plan or any Plan Agreement shall be exercised for the Bank by the Committee; provided, however, that:

(a) No action to terminate this Plan or a Plan Agreement shall be taken except upon written notice to each Participant to be affected thereby, which notice shall be given not less than 30 days prior to such action; and

(b) The Committee shall take no action to terminate this Plan or a Plan Agreement with respect to a Participant or his or her Beneficiary after the payment of any benefit has commenced in accordance with Article III or Article IV but has not been completed.

9.2 Rights and Obligations Upon Termination. Upon the termination of this Plan or any Plan Agreement, by either the Committee or a Participant in accordance with the provisions for such termination, neither this Plan nor the Plan Agreement shall be of any further force and effect, and no party shall have any further obligation under either this Plan or any Plan Agreement so terminated except as may be provided for in Section 4.6 or the preceding provisions of this Article IX.

ARTICLE X

OTHER BENEFITS AND AGREEMENTS

The benefits provided for a Participant and his or her Beneficiary hereunder and under such Participant's Plan Agreement are in addition to any other benefits available to such Participant under any other program or plan of the Bank for its Directors, and, except as may otherwise be expressly provided for, this Plan and Plan Agreements entered into hereunder shall supplement and shall not supersede, modify, or amend any other program or plan of the Bank or a Participant. Moreover, benefits under this Plan and Plan Agreements entered into hereunder shall not be considered compensation for the purpose of computing deferrals or benefits under any plan maintained by the Bank that is qualified under Section 401 (a) of the Internal Revenue Code of 1954, as amended.

ARTICLE XI

RESTRICTIONS ON ALIENATION OF BENEFITS

No right or benefit under this Plan or a Plan Agreement shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No right or benefit hereunder or under any Plan Agreement shall in any manner be liable for or subject to the debts, contract, liabilities, or torts of the person entitled to such benefit. If any Participant or Beneficiary under this Plan or a Plan Agreement should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right to a benefit hereunder or under any Plan Agreement, then such right or benefit shall, in the discretion of the Committee, terminate, and, in such

event, the Committee shall hold or apply the same or any part thereof for the benefit of such Participant or Beneficiary, his or her spouse, children, or other dependents, or any of them, in such manner and in such portion as the Committee, in its sole and absolute discretion, may deem proper.

## ARTICLE XII

### ADMINISTRATION OF THIS PLAN

- 12.1 Appointment of Committee. The general administration of this Plan, and any Plan Agreements executed hereunder, as well as construction and interpretation thereof, shall be vested in the Committee, the number and members of which shall be designated and appointed from time to time by, and shall serve at the pleasure of, the Board of Directors. Any such member of the Committee may resign by notice in writing filed with the secretary of the Committee. Vacancies shall be filled promptly by the Board of Directors, but any vacancies remaining unfilled for ninety days may be filled by a majority vote of the remaining members of the Committee. Each person appointed a member of the Committee shall signify his or her acceptance by filing a written acceptance with the Secretary of the Committee.
- 12.2 Committee Officials. The board of Directors shall designate one of the members of the Committee as chairman and shall appoint a secretary who need not be a member of the Committee. The Secretary shall keep minutes of the Committee's proceedings and all data, records and documents relating to the Committee's administration of this Plan and any Plan Agreements executed hereunder. The Committee may appoint from its number such subcommittees with such powers as the Committee shall determine and may authorize one or more of its members or any agent to execute or deliver any instrument or make any payment on behalf of the Committee.
- 12.3 Committee Action. All resolutions or other actions taken by the Committee shall be by the vote of a majority of those present at a meeting at which a majority of the members are present, or in writing by all the members at the time in office if they act without a meeting.
- 12.4 Committee Rules and Powers - General. Subject to the provisions of this Plan, the Committee shall from time to time establish rules, forms, and procedures for the administration of this Plan. Such decisions, actions, and records of the Committee shall be conclusive and binding upon the Bank and all persons having or claiming to have any right or interest in or under this Plan.
- 12.5 Reliance on Certificate, etc.. The members of the Committee and the officers and directors of the Bank shall be entitled to rely on all certificates and reports made by any duly appointed accountants, and on all opinions given by any duly appointed legal counsel. Such legal counsel may be counsel for the Bank.
- 12.6 Liability of Committee. No member of the Committee shall be liable for any act or omission of any other member of the Committee, or for any act or omission on his or her own part, excepting only his or her own willful misconduct. The Bank shall indemnify and save harmless each member of the Committee against any and all expenses and liabilities arising out of his or her membership on the Committee, excepting only expenses and liabilities arising out of his or her own willful misconduct. Expenses against which a member of the Committee shall be indemnified hereunder shall include, without limitation, the amount of any settlement or judgment, costs, counsel fees and related charges reasonably incurred in connection with a claim asserted or a proceeding brought or settlement thereof. The foregoing

right of indemnification shall be in addition to any other rights to which any such member may be entitled as a matter of law.

12.7 Determination of Benefits. In addition to the powers hereinabove specified, the Committee shall have the power to compute and certify, under this Plan and any Plan Agreement, the amount and kind of benefits from time to time payable to Participants and their Beneficiaries, and to authorize all disbursements for such purposes.

12.8 Information to Committee. To enable the Committee to perform its functions, the Bank shall supply full and timely information to the Committee on all matters relating to the compensation of all Participants, their retirement, death or other cause for termination of relationship, and such other pertinent facts as the Committee may require.

12.9 Manner and time of Payment of Benefits. The Committee shall have the power, in its sole and absolute discretion, to change the manner and time of payment of benefits to be made to a Participant or his or her Beneficiary from that set forth in the Participant's Plan Agreement if requested to do so by such Participant or Beneficiary.

#### ARTICLE XIII

##### ADOPTION OF PLAN BY SUBSIDIARY, PARENT

##### AFFILIATED OR ASSOCIATED COMPANIES

Any corporation that is a Subsidiary or Parent may, with the approval of the Board of Directors, adopt this Plan and thereby come within the definition of Bank in Article I hereof.

#### ARTICLE XIV

##### REORGANIZATION

In the event the Bank shall be merged, consolidated, reorganized, or substantially sells all of its assets to another corporation, firm, or person and such corporation, firm, or person takes such action to terminate this Plan, the Participants will be entitled to a minimum of a benefit payable at the earlier of (i) the Participant's death or (ii) attainment of his or her Early Retirement Date or (iii) at the time said Director ceases his or her relationship or the Plan is terminated if such date is later than his or her Early Retirement Date. Said Benefit shall be determined by improving the Participant's deferrals by the Moody's Average Corporate Bond Rate as compounded on an annual basis with such amounts being computed from the date of entry to the termination date of Participant and/or the termination of the Plan. This resulting amount payable in one hundred and eighty (180) installments will continue to be improved by the Moody's Average Corporate Bond Rate as compounded on an annual basis at the time of the termination of Participant and/or the termination of the Plan until the Benefit is completed and will be the only benefit to which such Participant is entitled.

#### ARTICLE XV

##### MISCELLANEOUS

15.1 Execution of Receipts and Releases. Any payment to any Participant, a Participant's legal representative, or Beneficiary in accordance with the provisions of this Plan or Plan Agreement executed hereunder shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Bank. The Bank may require such Participant, legal representative, or Beneficiary, as a condition precedent to such payment, to execute a receipt and release therefore in such form as it may determine.

- 15.2 No Guarantee of Interests. Neither the Committee nor any of its members guarantees the payment of any amounts which may be or become due to any person or entity under this Plan or any Plan Agreement executed hereunder. The liability of the Bank to make any payment under this Plan or any Plan Agreement executed hereunder is limited to the then available assets of the Bank.
- 15.3 Bank Records. Records of the Bank as to a Participant's relationship, termination of relationship and the reason therefore authorized leaves of absence, and compensation shall be conclusive on all persons and entities, unless determined to be incorrect.
- 15.4 Evidence. Evidence required of anyone under this Plan and any Plan Agreement executed hereunder may be by certificate, affidavit, document, or other information which the person or entity acting on it considers pertinent and reliable, and signed, made, or presented by the proper party or parties.
- 15.5 Notice. Any notice which shall be or may be given under this Plan or a Plan Agreement executed hereunder shall be in writing and shall be mailed by United States mail, postage prepaid. If notice is to be given to the Bank, such notice shall be addressed to the Bank at:
- The Peoples Bank & Trust Company  
Box 709  
Tupelo, MS 38802-0709
- marked to the attention of the Secretary, Administrative Committee, Deferred Fee Plan; or, if notice to a Participant, addressed to the address shown on such Participant's Plan Agreement.
- 15.6 Change of Address. Any party may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.
- 15.7 Effect of Provisions. The provisions of this Plan and of any Plan Agreement executed hereunder shall be binding upon the Bank and its successors and assigns, and upon a Participant, his or her Beneficiary, assigns, heirs, executors, and administrators.
- 15.8 Headings. The titles and headings of Articles and Sections are included for convenience of reference only and are not to be considered in the construction of the provisions hereof or any Plan Agreement executed hereunder.
- 15.9 Governing Law. All questions arising with respect to this Plan and any Plan Agreement executed hereunder shall be determined by reference to the laws of the State of Mississippi, as in effect at the time of their adoption and execution, respectively.

COMPLETE

## THE PEOPLES HOLDING COMPANY

## EMPLOYMENT AGREEMENT

This Agreement ("Agreement") has been entered into this 1st day of January, 2001, by and between The Peoples Holding Company ("Company"), and Edward R. McGraw, an individual ("Executive").

## RECITALS

The Board of Directors of the Company ("Board") has determined that it is in the best interest of the Company and its stockholders to reinforce and encourage the continued attention and dedication of the Executive to the Company as a member of management of the Company or as a member of management of a subsidiary of the Company, and to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat, or occurrence of a Change in Control (as defined below) of the Company. The Board believes that it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change in Control and to encourage the Executive's full attention and dedication to the Company or a subsidiary currently and in the event of any threatened or pending Change in Control which ensures that the compensation and benefit expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

## IT IS AGREED AS FOLLOWS:

## Section 1: Definitions and Construction.

1.1 Definitions. For purposes of this Agreement, the following words and phrases, whether or not capitalized, shall have the meaning specified below unless the context plainly requires a different meaning.

- (a) "Board" means the Board of Directors of the Company.
- (b) "Change in Control" means any liquidation, dissolution, consolidation or merger of the Company in which the Company is not a continuing or surviving corporation.
- (c) "Change in Control Date" shall mean the date of the change in control.
- (d) "Code" shall mean the Internal Revenue Code of 1986, as amended.
- (e) "Company" means The Peoples Holding Company, a Mississippi Corporation, for the purpose of determining if a change in control has occurred. For the purpose of an employment relationship, it includes any subsidiary or successor of The Peoples Holding Company.
- (f) "Effective Date" shall mean January 1, 2001. .
- (g) "Exchange Act" means the Securities and Exchange Act of 1934, as amended.
- (h) "Person" means any "person" within the meaning of Sec.13(d) and 14(d) of the Exchange Act.
- (i) "Term" means the period that begins on the effective date and ends on the anniversary of the effective date, unless prior thereto a Change in Control shall have occurred. This contract shall automatically renew for additional one- (1) year terms unless either party shall give the other party at least ninety (90) days' advance written notice of said party's intention not to renew said contract; provided, however, the Company shall not be able to give notice of its intention not to renew the contract following a Change in Control or if it is involved in any negotiations, whether formal or informal, that may result in a Change in Control.

1.2 Headings. All headings herein are included solely for ease of reference and do not bear on the interpretation of the text. Accordingly, as used herein, the terms "Article" and "Section" mean the text that accompanies the specified Article or Section hereof.

1.3 Applicable Law. This agreement shall be governed by and construed in accordance with the laws of the State of Mississippi without reference to its conflicts of law principles.

## Section 2: Terms and Conditions of Employment.

2.1 Severance Benefits. In order to induce the Executive to remain in the employ of the Company and in consideration of the Executive's agreeing to remain in the employ of the Company, subject to the terms and conditions set forth herein, this Agreement sets forth the severance benefits which

the Company agrees will be provided to the Executive in the event the Executive's employment with the Company is terminated subsequent to a Change in Control under the circumstances described herein.

2.2 Positions and Duties. Prior to the receipt of benefits under this Agreement, the Executive shall serve as an officer of the Company or of a subsidiary thereof, subject to the reasonable directions of the Board. During the term of this Agreement, Executive agrees that Executive will not voluntarily leave the employ of the Company except as may be provided hereunder. Any violation of this Section 2.2 by the Executive prior to a Change in Control shall result in a termination hereof, and the Executive shall have no other liability hereunder for such action. In consideration of this, the Company agrees that following a Change in Control, the Executive's authority, duties and responsibilities shall be at least commensurate in all material respects with those assigned to, or held and exercised by, the Executive immediately preceding the date on which a Change in Control occurs. Notwithstanding the foregoing, the Company may terminate the Executive's employment at any time, subject to providing the benefits hereinafter specified and in accordance with the terms hereof. Nothing contained herein shall require the surviving corporation to use the designation of Chief Executive Officer and/or President.

2.3 Situs of Employment. Following a Change in Control, the new entity shall make a good faith effort to provide the Executive with the type and kind of employment described herein at the location where the Executive was providing his services prior to the Change of Control. Nothing contained herein shall require the Executive to move and will give the Executive the authority to receive the benefits provided to him under this contract if he does not elect to move.

2.4 Compensation.

(a) Annual Base Salary. The Annual Base Salary ("Annual Base Salary") shall be an amount equal to the salary the Executive was receiving during the month immediately preceding a Change in Control computed on an annualized basis.

(b) Incentive Bonuses. Incentive Bonuses ("Incentive Bonus") shall mean any bonuses provided through any incentive compensation plan, subject to the provisions of such plan.

(c) Welfare Benefit Plans. Welfare benefit plans shall mean practices, policies and programs provided by the Company (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs), subject to the provision of such welfare benefit plans.

### Section 3: Termination of Employment.

3.1 Death. The Executive's employment shall terminate automatically upon the Executive's death during the Term of this Agreement and prior to a termination of employment by the Executive.

3.2 Disability. Following a Change in Control, if the Company determines in good faith that a Disability of the Executive has occurred (pursuant to the definition of Disability set forth below), the Company may give to the Executive written notice in accordance with Section 7.1 of the intention of the Company to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the thirtieth (30th) day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the thirty (30) days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean that the Executive has been unable to perform the services required of the Executive hereunder on a full-time basis for a period of one hundred-eighty (180) consecutive business days by reason of a physical and/or mental condition. "Disability" shall be deemed to exist when certified by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably). The Executive will submit to such medical or psychiatric examinations and tests as such physician deems necessary to make any such Disability determination.

3.3 Termination for Cause. Following a Change in Control, the Company may terminate the Executive's employment for "Cause," which shall mean termination based upon: (a) the Executive's willful and continued failure to perform the Executive's duties with the Company (other than as a result of incapacity due to physical or mental condition), after a demand for substantial performance is delivered to the Executive by the Chief Executive Officer of the Company or the Chairman of the Board, which specifically identifies the manner in which the Executive has not substantially performed the Executive's duties, (b) the Executive's willful commission of misconduct which is materially injurious to the Company, monetarily or otherwise, or (c) the Executive's material breach of any provision of this Agreement. For purposes of this paragraph, no act or failure to act on the Executive's part shall be considered "willful" unless done, or omitted to be done, without good faith and without reasonable belief that the act or omission was in the best interests of the Company. Notwithstanding the foregoing, the Executive shall not be deemed to have

been terminated for Cause unless and until (a) the Executive receives a notice of Termination (as defined in Section 3.5) from the Chief Executive Officer of the Company or the Chairman of the Board, (b) the Executive is given the opportunity, with counsel, to be heard before the Board, and (c) the Board finds, in its good faith opinion, that the Executive was guilty of the conduct set forth in the Notice of Termination.

3.4 Good Reason. Following a Change in Control, the Executive may terminate employment with the Company for "Good Reason," which shall mean termination based upon:

- (a) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position, authority, duties or responsibilities as contemplated by Section 2.2 or any other action by the Company which results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose any action not taken in bad faith and which is remedied by the Company promptly after notice thereof given by the Executive;
- (b) (i) the failure by the Company to continue in effect any benefit or compensation plan, stock ownership plan, life insurance plan, health and accident plan or disability plan in which the Executive is participating as specified in Section 2.4(b) or 2.4(c) or (ii) the taking of any action by the Company which would adversely affect the Executive's participation in, or materially reduce the Executive's benefits under, any plans described in Section 2.4(b) or 2.4(c), or deprive the Executive of any material fringe benefit enjoyed by the Executive as described in Section 2.4(b) or 2.4(c);
- (c) a material breach by the Company of any provision hereof;
- (d) any termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement;
- (e) within a period ending at the close of business on the date three (3) years after the Change in Control Date, any failure by the Company to comply with and satisfy Section 6.2 on or after the Change in Control Date.

3.5 Notice of Termination. Any termination by the Company for Cause or Disability, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party, given in accordance with Section 7.1. For purposes of this Agreement, a "notice of Termination" means a written notice which (a) indicates the specific termination provision herein relied upon, (b) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (c) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty [30] days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company hereunder or preclude the Executive or the Company from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

3.6 Date of Termination. "Date of Termination" means (a) if the Executive's employment is terminated by the Company with or without Cause, or by the Executive for Good Reason, the date of Termination shall be the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, or (b) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

#### Section 4: Certain Benefits Upon Termination of Employment.

4.1 Termination after a Change in Control. If a Change in Control occurs during the Term of this Agreement and within three (3) years after such Change in Control, either the Company shall terminate the Executive's employment without Cause, or the Executive shall terminate employment with the Company for Good Reason, then the Executive shall be entitled to the benefits provided below for the three year period after Change in Control or the remaining portion of said three year period following the date of termination.

- (a) "Accrued Obligations": On the tenth (10th) business day following the Date of Termination, the Company shall pay to the Executive the sum of (i) the Executive's Annual Base Salary prorated through the Date of Termination to the extent not previously paid, and (ii) any accrued vacation pay to the extent not previously paid.
- (b) "Severance Amount": The "Severance Amount" shall be an amount equal to 2.99 times the Executive's Annual Base Salary in effect on the business day prior to the Date of Termination plus 2.99 times the average annual incentive bonus for the two years prior to the Change in Control. The Company shall set aside this amount in escrow for a period of three years and the Escrow Agent shall pay to the Executive,

beginning on the tenth (10th) business day following the Date of Termination, a monthly amount of one-thirty-sixth (1/36) of the severance amount less any monthly W-2, Schedule C or Schedule F earnings reportable on Internal Revenue Service Form 1040 which are received by the Executive from his present employer or any future employer or employers for a period of 36 months or until the earlier exhaustion of the entire severance amount plus interest thereon. In the event of the Executive's death after a termination for which a "Severance Amount" is payable, the Escrow Agent shall continue to pay to the Executive's spouse or other named beneficiary the remaining obligation owed the Executive under the terms of this contract and the Escrow Agreement. The Company may, however, at its option, elect to pay the Severance Amount to the Executive, or in the event of his death, his spouse or other named beneficiary, in the form of a lump-sum cash payment on or before the date the first monthly payment is due; or the Company, at its option, at anytime during the term of the Escrow Agreement, can direct the Escrow Agent to pay the Executive, the Executive's spouse, or named beneficiary, as the case may be, the then remaining balance of the severance amount, plus any accrued and accumulated interest thereon, in the form of a lump-sum cash payment, and the rights and obligations of all parties under both the Employment Agreement and Escrow Agreement shall be terminated.

In the event, subsequent to the Change in Control, the Executive becomes an employee of any competing commercial bank, savings bank, savings and loan association, or credit union ("financial institution") in the defined market area of the Employer prior to the Change in Control, then any obligation of the Employer under this Section is terminated, and the Executive shall not be entitled to any further benefits under this Agreement.

The severance amount set aside in escrow shall be invested according to the provisions of the escrow agreement attached hereto as "Exhibit A" and the interest earned included in the amount payable to the Executive. Any severance amounts not paid to the Executive shall be returned to the Company at the end of the 36-month escrow period, or sooner should the Executive accept employment with a competing "financial institution" as defined above. All interest earned on the account shall be paid to the Executive following the final severance payment.

- (c) "Other Benefits": To the extent not previously provided, the Company shall timely pay or provide to the Executive and/or the Executive's family any other amounts or benefits including benefits from welfare benefit plans required to be paid or provided for which the Executive and/or the Executive's family is eligible to receive pursuant hereto and under any plan, program, policy or practice or contract or agreement of the Company as those provided generally to other peer executives and their families during the ninety (90) day period immediately preceding the Effective Date or, if more favorable to the Executive, as those provided generally after the Effective Date to other peer executives of the Company and their families.
- (d) If termination of the Executive occurs less than three years after such Change in Control, then the benefits provided by this Agreement shall be pro rated on the ratio of the remaining portion of said three year period to the full three year period following Change in Control.
- (e) "Excess Parachute Payment": Anything herein to the contrary notwithstanding, in the event that an independent accountant shall determine that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms hereof or otherwise) (a "Payment") would be nondeductible by the Company for Federal income tax purposes because of Code Sec.280G or would constitute an "excess parachute payment" (as defined in Code Sec.280G), then the aggregate present value of amounts payable or distributable to or for the benefit of the Executive pursuant hereto or pursuant to any other agreement with the company because of the occurrence of a Change in Control (such payments or distributions are hereinafter referred to as "Agreement Payments") shall be reduced (but not below zero) to the Reduced Amount. For purposes of this paragraph, the "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Agreement Payments without causing any payment to be nondeductible by the Company because of Code Sec.280G or without causing any portion of the Payment to be subject to the excise tax imposed by Code Sec.4999.

If the independent accountant determines that any Payment would be nondeductible by the Company because of Code Sec.280G or that any portion of the Payment would be subject to the excise tax imposed by Code Sec.4999, the Company shall promptly give Executive notice to that effect. The Executive may then elect, in the Executive's sole discretion, which and how much of the Agreement Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Agreement Payments equals the Reduced Amount, and shall advise the Company in writing of the Executive's election within ten (10) days after the Executive's receipt of such notice. If no such election is made by the Executive within such ten-day period, the

Company may elect which and how much of the Agreement Payments shall be eliminated or reduced (as long as after such election the aggregate present value of the Agreement Payments equals the Reduced Amount) and shall notify the Executive promptly of such election. For purposes of this paragraph, present value shall be determined in accordance with Code Sec. 280G(d)(4). All determinations made by the independent accountant under this paragraph shall be binding upon the Company and the Executive and shall be made within sixty (60) days of a termination of employment of the Executive. As promptly as practicable following such determination and the elections hereunder, the Company shall pay to or distribute to or for the benefit of the Executive such amounts as are then due to the Executive hereunder and shall promptly pay to or distribute for the benefit of the Executive in the future such amounts as become due to the Executive hereunder.

As a result of the uncertainty in the application of Code Sec. 280G and 4999 at the time of the initial determination by the independent accountant hereunder, it is possible that Agreement Payments will be made by the Company which should not have been made ("Overpayment") or that additional Agreement Payments which have not been made by the Company should have been made ("Underpayment"), in each case, consistent with the calculation of the Reduced Amount hereunder. In the event that the independent accountant, based upon the assertion of a deficiency by the Internal Revenue Service against the Company or the Executive which the independent accountant believes has a high probability of success, determines that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan to the Executive which the Executive shall repay to the Company, together with interest at the applicable Federal rate provided for in Code Sec. 7872(f)(2); provided, however, that no amount shall be payable by the Executive to the Company if and to the extent such payment would not reduce the amount which is subject to taxation under Code Sec. 4999 or if the period of limitations for assessment of tax under Code Sec. 4999 against the Executive shall have expired. If the Executive is required to repay an amount under this Section, the Executive shall repay such amount over a period of time not to exceed one (1) year for each twenty-five thousand dollars (\$25,000) which the Executive must repay to the Company. In the event that the independent accountant, based upon controlling precedent, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive together with interest at the applicable Federal rate provided for in Code Sec. 7872(f)(2)(A).

- 4.2 Death. If the Executive's employment is terminated by reason of the Executive's death during the Term hereof (either prior or subsequent to a Change in Control but prior to a termination of employment by the Executive), this Agreement shall terminate without further obligation to the Executive's legal representatives hereunder.
- 4.3 Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Term hereof subsequent to a Change in Control, this Agreement shall terminate without further obligations to the Executive.
- 4.4 Termination for Cause; Executive's Termination Other Than for Good Reason After a Change in Control. If the Executive's employment shall be terminated for Cause during the Term hereof (either prior to or subsequent to a Change in Control), this Agreement shall terminate without further obligations to the Executive. If the Executive terminates employment with the Company during the Term hereof (other than for Good Reason after a Change in Control), this Agreement shall terminate without further obligations to the Executive.
- 4.5 Non-Exclusivity of Rights. Nothing herein shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company. Amounts which are vested benefits of which the Executive is otherwise entitled to receive under any plan, policy, practice or program of, or any contract or agreement with, the Company at or subsequent to the Date of Termination, shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.
- 4.6 Full Settlement. The Company's obligation to make the payments provided for herein and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others, other than for the repayment of any debt owed the Company which is in default or to receive reimbursement of funds determined to have been taken through malfeasance. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amount payable to the Executive under any of the provisions hereof. The Company agrees, only on and after a Change in Control Date, to pay promptly as incurred all reasonable legal fees and expenses which the Executive may reasonably incur as a result of any unsuccessful contest by the Company or successful contest by the Executive, his heirs, agents or

attorneys-in-fact, of the validity or enforceability of, or liability under, any provision hereof or any guarantee of performance thereof, plus in each case interest on any delayed payment at the applicable Federal rate provided for in Code Sec.7872(f)(2)(A). If Executive commits acts of malfeasance during his employment which result in the conviction of said Executive of a crime, Executive shall be entitled to no benefits under this agreement from and after the date of such conviction.

4.7 Resolution of Disputes. If there shall be any dispute between the Company and the Executive (a) in the event of any termination of the Executive's employment by the Company, whether or not such termination was for Cause, or (b) in the event of any termination of employment by the Executive, whether Good Reason existed, then, the entire amount payable under Section 4.1 of this agreement shall be held in escrow until there is a final nonappealable judgment by a court of competent jurisdiction. If said judgment declares that such termination was without Cause or that the determination by the Executive of the existence of Good Reason was made in good faith, the Escrow Agent shall, only on and after a Change in Control Date, pay all amounts, including any interest earned on any funds held in escrow, and provide all benefits, to the Executive and/or the Executive's family or other beneficiaries, as the case may be, that the Company would be required to pay or provide pursuant to Section 4.1 as though such termination were by the Company without Cause or by the Executive with Good Reason. In the event, however, that the Company shall not be required to pay any disputed amounts pursuant to this paragraph, such funds shall be payable to the Company.

During the period of time the funds are held in escrow, the Escrow Agent shall pay to the Executive, the Executive's spouse, or named beneficiary, as the case may be, a monthly amount of 1/36 of the severance amount less any monthly W-2, Schedule C or Schedule F earnings reportable on Internal Revenue Service Form 1040 which are received by the Executive from his present employer, or any future employer or employers, until the earlier of 36 months or the exhaustion of the entire severance amount plus interest thereon.

The severance amount set aside in escrow shall be invested according to the provisions of the escrow agreement attached hereto as "Exhibit A" and the interest earned included in the Amount payable to the Executive.

As a condition of placing the severance amount in escrow, the Executive shall execute an agreement which shall be binding on Executive's spouse or other beneficiaries to repay all such amounts to which the Executive is ultimately adjudged by such court not to be entitled.

Section 5: Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company and its or their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company and which shall not be or become public knowledge (other than by acts of the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company, or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

Section 6: Successors.

6.1 Successors of Executive. This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

6.2 Successors of Company. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement upon the effectiveness of any such succession shall be a breach hereof and shall entitle the Executive to terminate under the terms of the Agreement at the Executive's option on or after the Change in Control for Good Reason. As used herein, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

Section 7: Miscellaneous.

7.1 Notice. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when delivered or mailed by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses as set forth below; provided that all notices to the Company shall be directed to the attention of the Chairman of the Board of the Company with copies to the Chief Executive Officer and the Secretary of the Company, or to such other address as one party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

Notice to Executive

Edward R. McGraw  
2120 Applewood Street  
Tupelo, MS 38804

Notice to Company:

The Peoples Holding Company  
209 Troy Street  
P. O. Box 709  
Tupelo, MS 38802-0709

7.2 Validity. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other portion of this Agreement.

7.3 Withholding. The Company may withhold from any amounts payable hereunder such federal, state, or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

7.4 Waiver. The Executive's or the Company's failure to insist upon a strict compliance with any provision hereof or any other provision hereof or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 3.4 shall not be deemed to be a waiver of such provision or right or any other provision or right hereof.

7.5 Effect on Other Employment Agreements. The terms hereof shall supersede all other employment or other agreements with respect to severance entered into by and between the Executive and the Company, or the Executive and any other employer, and this Agreement shall constitute the governing agreement pursuant to which the Company shall have obligations to the Executive upon the termination of the Executive's relationship with the Company or any subsidiary.

IN WITNESS WHEREOF, the Executive and the Company, pursuant to the authorization from its Board, have caused this Agreement to be executed in its name on its behalf, all as of the day and year first above written.

(s) E. Robinson McGraw

-----  
EXECUTIVE

ATTEST

THE PEOPLES HOLDING COMPANY

By (s) Martha Webb

-----  
Secretary

By (s) Robert C. Leake

-----  
Chairman of the Board

STATEMENT OF THE CHIEF EXECUTIVE OFFICER AND THE CHIEF FINANCIAL OFFICER  
OF THE PEOPLES HOLDING COMPANY  
PURSUANT TO 18 U.S.C. SECTION 1350

Each of the undersigned hereby certifies in his capacity as an officer of The Peoples Holding Company and its subsidiary (collectively the "Company") that this Quarterly Report on Form 10-Q for the period ended September 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATE: November 14, 2002

/s/ E. Robinson McGraw

-----  
E. Robinson McGraw  
Chief Executive Officer

DATE: November 14, 2002

/s/ Stuart R. Johnson

-----  
Stuart R. Johnson  
Chief Financial Officer