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

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

For the quarter ended March 31, 1999
Commission File Number 1-13253

THE PEOPLES HOLDING COMPANY

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

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

209 Troy Street, P. O. Box 709, Tupelo, Mississippi 38801

(Address of principal executive offices)

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

Indicate by check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.
YES__X__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, 6,191,854 shares outstanding
as of May 14, 1999

THE PEOPLES HOLDING COMPANY

INDEX

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

	MARCH 31 1999 (Unaudited)	(Restated) DECEMBER 31 1998 (Note 1)
Assets		
Cash and due from banks	$ 36,040	$ 32,453
Federal funds sold	0	0
Cash and cash equivalents	36,040	32,453
Interest bearing balances with banks	13,024	6,104
Securities held-to-maturity (market value-$82,998 and $80,868 at March 31, 1999 and December 31, 1998, respectively)	81,395	79,176
Securities available-for-sale (amortized cost-$212,343 and $213,138 at March 31, 1999 and December 31, 1998, respectively)	212,664	214,463
Loans, net of unearned income	743,019	729,157
Allowance for loan losses	(10,096)	(9,744)
Net Loans	732,923	719,413
Premises and equipment	27,300	26,805
Other assets	30,545	29,381
Total Assets	$ 1,133,891	$ 1,107,795
Liabilities		
Deposits:		
Noninterest-bearing	$ 142,391	$ 152,496
Certificates of deposit exceeding $100,000	125,351	129,347
Interest bearing	714,571	678,452
Total Deposits	982,313	960,295
Treasury tax and loan note account	4,516	2,455
Borrowings	19,876	20,021
Other liabilities	15,691	14,814
Total Liabilities	1,022,396	997,585
Shareholders' Equity		
Common Stock, $5 par value - 15,000,000 shares authorized, 6,191,854 shares issued and outstanding at March 31, 1999 and December 31, 1998, respectively	30,959	30,959
Additional paid-in capital	43,290	43,290
Accumulated other comprehensive income	201	830
Retained earnings	37,045	35,131
Total Shareholders' Equity	111,495	110,210
Total Liabilities and Shareholders' Equity	$ 1,133,891	$ 1,107,795

See Notes to Condensed Consolidated Financial Statements

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

	THREE MONTHS ENDED MARCH 31 1999	(Restated) 1998
	(Unaudited)	
Interest Income		
Loans	$ 16,162	$ 15,296
Securities:		
Taxable	3,011	3,201
Tax-exempt	989	826
Other	376	381
Total interest income	20,538	19,704
Interest Expense		
Time deposits exceeding $100,000	1,019	1,448
Other deposits	7,756	7,156
Borrowings	361	353
Total interest expense	9,136	8,957
Net interest income	11,402	10,747
Provision for loan losses	746	645
Net interest income after provision for loan losses	10,656	10,102
Noninterest income:		
Service charges on deposit accounts	1,933	1,728
Fees and commissions	679	544
Trust revenue	210	180
Gains on sale of securities and loans	196	230
Other	970	749
Total noninterest income	3,988	3,431
Noninterest expenses:		
Salaries and employee benefits	5,077	5,237
Net occupancy	773	655
Equipment	546	517
Other	3,931	2,948
Total noninterest expenses	10,327	9,357
Income before income taxes	4,317	4,176
Income taxes	1,102	1,221
Net income	$ 3,215	$ 2,955
Basic and diluted earnings per share	$ 0.52	$ 0.48
Weighted average shares outstanding	6,191,854	6,206,854

See Notes to Condensed Consolidated Financial Statements

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

	THREE MONTHS ENDED MARCH 31 1999	(Restated) 1998
	(Unaudited)	
Operating Activities		
Net Cash Provided by Operating Activities	$ 4,903	$ 4,378
Investing Activities		
Net (increase) decrease in balances with other banks	(6,919)	2,337
Proceeds from maturities/calls of securities held-to-maturity	2,313	579
Proceeds from maturities/calls of securities available-for-sale	40,159	12,445
Proceeds from sales of securities available-for-sale	0	0
Purchases of securities held-to-maturity	(4,516)	(5,895)
Purchases of securities available-for-sale	(39,439)	(41,859)
Net increase in loans	(35,272)	(22,872)
Proceeds from sales of loans	20,853	21,555
Proceeds from sales of premises and equipment	225	97
Purchases of premises and equipment	(1,354)	(1,283)
Net Cash Used in Investing Activities	(23,950)	(34,896)
Financing Activities		
Net (decrease) in noninterest-bearing deposits	(10,105)	(142)
Net increase in interest-bearing deposits	32,123	44,323
Net increase (decrease) in treasury tax and loan note account	(439)	1,315
Net increase (decrease) in borrowings	2,355	(590)
Acquisition of treasury stock	0	0
Cash dividends paid	(1,300)	(1,151)
Net Cash Provided by Financing Activities	22,634	43,755
Increase in Cash and Cash Equivalents	3,587	13,237
Cash and Cash Equivalents at beginning of period	32,453	39,349
Cash and Cash Equivalents at end of period	$ 36,040	$ 52,586
Non-cash transactions:		
Transfer of loans to other real estate	$ 233	$ 254

See Notes to Condensed Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 1999
(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 three-month period ended March 31, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999.

For further information, refer to the consolidated financial statements and footnotes thereto included in The Peoples Holding Company and Subsidiary's (collectively, the Company) annual report on Form 10-K for the year ended December 31, 1998.

The historical financial information presented in this Form 10-Q has been restated to include the results of Inter-City Federal Bank for Savings (Inter-City). Inter-City was acquired in a pooling-of-interests transaction on March 26, 1999. In accordance with the pooling-of-interests method of accounting, no adjustments have been made to the historical carrying amounts of assets and liabilities of Inter-City. However, the financial information has been restated to include the results of Inter-City for all stated periods prior to the combination.

Note 2 Mergers and Acquisitions

On March 26, 1999, the Company exchanged 347,382 shares of common stock for all of the outstanding shares of Inter-City, which is located in Louisville, Mississippi. The transaction has been accounted for under the pooling-of-interests method of accounting.

The following table presents selected financial information, split between the Company and Inter-City for the three months ended March 31, 1999 and 1998.

	Three Months Ended March 31 1999	1998
Revenue		
The Peoples Holding Company...............	$ 23,662	$ 22,273
Inter-City Federal Bank for Savings (1)...	864	862
	$ 24,526	$ 23,135
Net Income		
The Peoples Holding Company...............	$ 3,344	$ 2,855
Inter-City Federal Bank for Savings (1)...	(129)	100
	$ 3,215	$ 2,955

(1) The 1999 amounts reflect the results of operations from January 1, 1999 through March 26, 1999. The results of operations from March 27, 1999 through March 31, 1999 are included in The Peoples Holding Company amounts.

Note 3 Comprehensive Income

As of January 1, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption of this Statement had no impact on the Company's net income or shareholders' equity. SFAS No. 130 requires unrealized gains or losses on the Company's available-for-sale securities, which prior to adoption were reported separately in shareholders' equity, to be included in other comprehensive income. Prior year financial statements have been reclassified to conform to the requirements of SFAS No. 130.

During the first quarters of 1999 and 1998, total comprehensive income amounted to $2,586 and $3,096, respectively.

Note 4 Segment Reporting

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which established standards for the reporting of financial information from operating segments in annual and interim financial statements. SFAS No. 131 requires that financial information be reported on the same basis that it is reported internally for evaluating segment performance and allocating resources to segments. Because SFAS No. 131 addresses how supplemental financial information is disclosed in annual and interim reports, its adoption had no impact on the financial condition or operating results of the Company.

Segment information for the three months ended March 31, 1999 and 1998, is presented below.

Three Months Ended March 31, 1999

	Branches	Specialized Products	All Other	Total
Net interest income	$ 10,399	$ 975	$ 28	$ 11,402
Provision for loan loss	455	246	45	746
Net interest income after provision for loan loss ..	9,944	729	(17)	10,656
Non-interest income	2,700	799	489	3,988
Non-interest expense	6,834	1,034	2,459	10,327
Income before income taxes .	5,810	494	(1,987)	4,317
Income taxes	0	0	1,102	1,102
Net income	$ 5,810	$ 494	$ (3,089)	$ 3,215
Intersegment revenue (expense)	$ 93	$ (93)	$ 0	$ 0
Segment assets	$ 984,076	$ 87,164	$ 62,651	$1,133,891

Three Months Ended March 31, 1998

	Branches	Specialized Products	All Other	Total
Net interest income	$ 9,883	$ 848	$ 16	$ 10,747
Provision for loan loss	460	151	34	645
Net interest income after provision for loan loss	9,423	697	(18)	10,102
Non-interest income	2,453	725	253	3,431
Non-interest expense	6,085	980	2,292	9,357
Income before income taxes	5,791	442	(2,057)	4,176
Income taxes	0	0	1,221	1,221
Net income	$ 5,791	$ 442	$ (3,278)	$ 2,955
Intersegment revenue (expense)	$ 114	$ (114)	$ 0	$ 0
Segment assets	$ 920,197	$ 77,912	$ 60,990	$1,059,099

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
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 the Company's portfolio of outstanding loans, and competition in the Company's markets. The Company undertakes 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.

The historical financial information presented in this Form 10-Q has been restated to include the results of Inter-City Federal Bank for Savings (Inter-City). Inter-City was acquired in a pooling-of-interests transaction on March 26, 1999. In accordance with the pooling-of-interests method of accounting, no adjustments have been made to the historical carrying amounts of assets and liabilities of Inter-City. However, the financial information has been restated to include the results of Inter-City for all stated periods prior to the combination.

Financial Condition

Total assets of The Peoples Holding Company grew from $1,107,795 on December 31, 1998, to $1,133,891 on March 31, 1999, or 2.36% for the three month period. Total securities increased slightly from $293,639 on December 31, 1998, to $294,059 on March 31, 1999. Loans, net of unearned income, increased $13,862 or 1.90%, primarily in commercial loan accounts.

Total deposits for the first three months of 1999 grew from $960,295 on December 31, 1998 to $982,313 on March 31, 1999, or an increase of 2.29%, with the majority of growth in public fund checking and time deposits.

The equity capital to total assets ratios were 9.83% and 9.95% for March 31, 1999 and December 31, 1998, respectively. Capital grew 1.17% from December 31, 1998 to March 31, 1999, while cash dividends increased from $.19 per share in December of 1998 to $.21 per share in March of 1999.

Results of Operations

The Company's net income for the three month period ending March 31, 1999, was $3,215, representing an increase of $260 or 8.80% over net income for the three month period ending March 31, 1998, which totaled $2,955. The increase in net income for the three month period in 1999 compared to 1998 resulted from usual and customary deposit gathering and lending operations as well as improved efficiencies derived from the Sheshunoff consulting engagement. Net income was not as great as expected for the first quarter of 1999 due to expenses incurred with the Inter-City merger. Without the effects of restating for the merger, net income for the quarter ended March 31, 1999 was up 17.17% to $3,345 with a return on average assets of 1.25%. After restating, the annualized return on average assets for the three month periods ending March 31, 1999 and 1998, was 1.16% for both periods.

Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of the Company's net income. The primary concerns in managing net interest income are the mix and the maturities of rate-sensitive assets and liabilities. Net interest margins were 4.69% and 4.78% for the three month periods ending March 31, 1999 and 1998, respectively. The decline in net interest margin is due in large part to the current pricing environment. Despite the decrease in net interest margin, our continued growth in volume has allowed net interest income to increase over prior performance. Net interest income for the three month periods ending March 31, 1999 and 1998 was $11,402 and $10,747, respectively. Earning assets averaged $1,041,061 for the three month period ending March 31, 1999, compared to $956,594 for the same period in 1998.

The provision for loan losses charged to operating expense is an amount which, in the judgement of management, is necessary to maintain the allowance for loan losses at a level that is adequate to meet the inherent risks of losses on the Company's current portfolio of loans. The appropriate level of the allowance is based on a quarterly analysis of the loan portfolio including consideration of such factors as the risk rating of individual credits, size and diversity of the portfolio, economic conditions, prior loss experience, and the results of periodic credit reviews by internal loan review and regulators. The provision for loan losses totaled $746 and $645 for the three month periods ending March 31, 1999 and 1998, respectively. The allowance for loan losses as a percentage of loans outstanding was 1.36% and 1.34% as of March 31, 1999 and December 31, 1998, respectively. Net charge-offs to average loans was .05% and .10% for the three month periods ending March 31, 1999 and 1998, respectively.

Noninterest income, excluding gains from the sales of securities and loans, was $3,792 for the three month period ending March 31, 1999, compared to $3,201 for the same period in 1998, or an increase of 18.46%. The increase between 1999 and 1998 is due to fees associated with the increases in loans and deposits and the increased emphasis in sales of miscellaneous services and products such as financial investment alternatives and cash management. Non-sufficient fund fees accounted for the majority of the increase in service charges. This increase was largely due to the implementation of a continuous overdraft fee. Fees and commissions increased as a result of financial investment alternative commissions and mortgage loan fees, while increases in merchant processing, interchange fees, and skip payment fees were the main components of the increase in other income.

Noninterest expenses were $10,327 for the three month period ending March 31, 1999, compared to $9,357 for the same period in 1998, or an increase of 10.37%. Significant increases in noninterest expenses between these periods include depreciation of new premises and equipment, computer processing costs associated with technology enhancements, fees related to the Sheshunoff efficiency consulting engagement, and fees related to the Inter-City acquisition. The remaining components of noninterest expenses reflect normal increases for banking related expenses and general inflation in the cost of services and supplies purchased by the Company.

Income tax expense was $1,102 for the three month period ending March 31, 1999, compared to $1,221 for the same period in 1998. The Company benefited in March of 1999 from a non-taxable life insurance benefit resulting from the death of a director. The Company also continues to invest in assets whose earnings are given favorable tax treatment.

As the year 2000 approaches, an issue impacting all companies has emerged regarding how existing application software programs and operating systems can accommodate this date value. The "year 2000" problem is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two digit value to 00. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Management is in the process of working with its software vendors to assure that the Company is prepared for the year 2000. While the Company believes its planning efforts are adequate to address its year 2000 concerns, there can be no guarantee that the systems of other companies, such as those of our loan customers, will be converted on a timely basis which could have a material effect on the Company. The Company has not incurred significant operating expenses nor will it be required to invest heavily in computer system improvements to be year 2000 compliant.

The Company successfully completed testing for its mission critical applications processed by its third party service provider during the fourth quarter of 1998, following the conversion to the expanded code for year 2000. Nearly all other mission critical applications were successfully tested during the first quarter of 1999 and testing for year 2000 compliance was substantially completed by March 31, 1999. One non-compliant system has been identified and it will be upgraded to a year 2000 compliant version by June 30, 1999. There are also five systems still in process of being tested to validate their year 2000 compatibility. Contingency plans for year 2000 issues have been written and are currently being tested. These contingency plans address potential business interruptions related to the year 2000 as well as liquidity and cash availability contingencies as the millennium approaches.

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 the Company continues 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 the Company meets the liquidity requirements deemed necessary by management and regulators.

Another source available for meeting the Company's 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. In addition, the Company maintains a federal funds position that provides day-to-day funds to meet liquidity needs and may also obtain advances from the Federal Home Loan Bank (FHLB) or the treasury tax and loan note account. Historically, the Company has not relied upon these sources to meet long-term liquidity needs. Sources of funds derived from the FHLB are used primarily to match mortgage loan originations in order to minimize interest rate risk, but may be used to provide short-term funding.

Capital Resources

The Bank is 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 the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's 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 the Bank 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 March 31, 1999, the Bank has met all capital adequacy requirements to which it is subject.

As of March 31, 1999, the most recent notification from the Federal Deposit Insurance Corporation (FDIC) categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank 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:

	Actual Amount (000)	Ratio
As of March 31, 1999		
Total Capital (to Risk Weighted Assets)	$ 115,151	15.2%
Tier I Capital (to Risk Weighted Assets)	$ 105,670	13.9%
Tier I Capital (to Adjusted Average Assets)	$ 105,670	10.0%
As of December 31, 1998		
Total Capital (to Risk Weighted Assets)	$ 112,850	15.2%
Tier I Capital (to Risk Weighted Assets)	$ 103,577	14.0%
Tier I Capital (to Adjusted Average Assets)	$ 103,577	9.8%

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

Book value per share was $18.01 and $17.80 at March 31, 1999 and December 31, 1998, respectively. Quarterly cash dividends were $.21 per share during the first quarter of 1999, up from $.19 per share during the fourth quarter of 1998. All per-share figures have been restated to reflect the 50% stock dividend issued January 20, 1998.

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

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
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, 1998.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material proceedings against the Company during the quarter ending March 31, 1999.

Item 2. Changes in Securities

On March 26, 1999, the Company exchanged 347,382 shares of common stock for all of the outstanding shares of Inter-City, which is located in Louisville, Mississippi. The transaction is being accounted for under the pooling-of-interests method of accounting, and increased the outstanding shares of common stock of the Company from 5,844,472 to 6,191,854.

Item 6(b) Reports on Form 8-K

There were no reports filed on Form 8-K during the first quarter of 1999.

SIGNATURES

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

THE PEOPLES HOLDING COMPANY

Registrant

DATE: May 14, 1999

/s/ John W. Smith

John W. Smith
President & Chief Executive Officer

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