UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 AND 15(d) OF
THE SECURITIES AND EXCHANGE ACT OF 1934

For fiscal year ended December 31, 1995
Commission file number 0-12154

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

Mississippi 64-0676974
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) identification No.)

209 Troy Street
Tupelo, Mississippi 38802-0709
(Address of principal offices) (Zip Code)

Registrant's Telephone Number: (601) 680-1001

Securities registered pursuant to Section 12(b) of
the Act: None Securities registered pursuant to
Section 12(g) of the Act:

Common Stock, $5.00 Par Value
(Title of Class)

Indicate by check mark 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 for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.   YES__X___NO_____

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any admendment to this Form 10-K.   (X)

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 12, 1996 was $119,167,770.

On March 12, 1996, there were 2,604,760 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 1995 Annual Shareholders' Report are incorporated by reference into Part I and II of this report.

Portions of annual Proxy Statement dated March 19, 1996, relating to the annual meeting of shareholders of The Peoples Holding Company, are incorporated by reference into Part III.

Exhibit Index on Page

THE PEOPLES HOLDING COMPANY

FORM 10-K

For the year ended December 31, 1995

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PART I

ITEM 1. BUSINESS

General

The Peoples Holding Company (the ("Registrant" or "Company"), was organized under the laws of the State of Mississippi and incorporated on November 10, 1982, in order to acquire all of the common stock of The Peoples Bank & Trust Company, Tupelo, Mississippi (the "Bank").

Organization

The Registrant commenced business on July 1, 1983 and the acquisition of the Bank was also consummated at that time. All of the Registrant's banking activities are conducted through the Bank, which on December 31, 1995, had 41 banking offices in Tupelo, Aberdeen, Amory, Batesville, Booneville, Calhoun City, Coffeeville, Corinth, Grenada, Guntown, Hernando, Iuka, Louisville, New Albany, Okolona, Plantersville, Pontotoc, Saltillo, Sardis, Shannon, Smithville, Southaven, Verona, Water Valley, West Point, and Winona, Mississippi. All branches are located within a 100 mile radius of Tupelo, Mississippi.

All members of the Board of Directors of the Registrant are also members of the Board of Directors of the Bank. Responsibility for the management of the Bank and its branches remains with the Board of Directors and Officers of the Bank; however, management services rendered to the Bank by the Registrant are intended to supplement the internal management of the Bank and expand the scope of banking services normally offered by them.

The Bank, which is the Registrant's sole subsidiary, was established in February 1904, as a state chartered bank. It is insured by the Federal Deposit Insurance Corporation.

As a commercial bank, a complete range of banking services are provided to individuals and small-to medium-size businesses. These services include checking and savings accounts, business and personal loans, interim construction and residential mortgage loans, student loans, as well as safe deposit and night depository facilities. In addition to a wide variety of fiduciary services, the Bank administers (as trustee or in other fiduciary or representative capacities) pension, profit-sharing and other employee benefit plans and personal trusts and estates. Neither the Registrant nor the Bank has any foreign activities. The Bank also offers to its customers the VISA and MasterCard credit cards.

Competition

Vigorous competition exists in all major areas where the Registrant and its subsidiary are engaged in business. Not only does the Registrant compete through its subsidiary bank with state and national banks in its service areas, but also, with savings and loan associations, credit unions, and finance companies for available loans and depository accounts.

In the following paragraph reference is made to the Registrant's competitive position as measured in terms of total assets on December 31, 1995. Any such reference is used solely as a method of placing the competition in perspective as of that particular date. Due to the intense local competition, the Registrant makes no representation that its competitive position has remained constant, nor can it predict whether its position will change in the future.

On December 31, 1995, the Registrant and its subsidiary had total assets of $841,699,408 and, as such, ranked sixth in Mississippi. The Registrant receives a large part of its competition from the Bank of Mississippi, the Tupelo branch operation of Deposit Guaranty National Bank and Union Planters Bank of Memphis, TN. On December 31, 1995, the Bank of Mississippi, Deposit Guaranty National Bank, and Union Planters Bank of Mississippi had total assets of approximately $3,302,028,000, $4,479,709,000, and $620,152,000, respectively.

The Bank also receives competition from several locally owned banks in several of the towns it serves. The National Bank of Commerce of Mississippi, Starkville, Mississippi has branch banks in Amory and Aberdeen which are in competition with the Bank's branches in those towns.

Supervision and Regulation

The Registrant is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the "Act"), and is registered as such with the Board of Governors of the Federal Reserve System (the "Board"). The Registrant is required to file with the Board an annual report and such other information as the board may require. The Board may also make examinations of the Registrant and its subsidiary pursuant to the Act. The Board also has the authority (which it has not exercised) to regulate provisions of certain bank holding company debt.

The Act requires every bank holding company to obtain prior approval of the Board before acquiring direct or indirect ownership or control of more than 5% of the voting shares of any bank which is not already majority-owned by the Registrant. The Act provides that the Board shall not approve any acquisition, merger or consolidation which would result in monopoly or which would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize or attempt to monopolize the business of banking, or any other transaction the effect of which might substantially lessen competition, or in any manner be a restraint on trade, unless the anti-competitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

The Act also prohibits a bank holding company, with certain exceptions, from itself engaging in or acquiring direct or indirect control of more than 5% of the voting shares of any company engaged in non-banking activities. The principal exception is for engaging in or acquiring shares of a company whose activities are found by the Board to be so closely related to banking or managing banks as to be a proper incident thereto. In making such determinations the Board is required to consider whether the performance of such activities by a bank holding company or its subsidiaries can reasonably be expected to produce benefits to the public such as greater convenience, increased competition or gains in efficiency of resources, versus the risks of possible adverse effects such as decreased or unfair competition, conflicts of interest or unsound banking practices.

The Act prohibits the acquisition by a bank holding company of more than 5% of the outstanding voting shares of a bank located outside the state in which the operations of its banking subsidiaries are principally conducted, unless such an acquisition is specifically authorized by statute of the state in which the bank to be acquired is located.

The Registrant and its subsidiary are subject to certain restrictions imposed by the Federal Reserve Act and the Federal Deposit Insurance Act on any extensions of credit to the bank holding company or its subsidiary, on investments in the stock or other securities of the bank holding company or its subsidiary, and on taking such stock or other securities as collateral for loans of any borrower.

The Bank was chartered under the laws of the State of Mississippi and is subject to the supervision of, and is regularly examined by, the Department of Banking and Consumer Finance of the State of Mississippi. The Bank is also insured by the Federal Deposit Insurance Corporation and is subject to examination and review by that regulatory authority.

Mississippi banks are permitted to merge with other existing banks statewide and to acquire or be acquired, by banks or bank holding companies of a state within a region consisting of Alabama, Arkansas, Florida, Kentucky, Louisiana, Missouri, North Carolina, South Carolina, Tennessee, Texas, Virginia, and West Virginia, provided, however, that the state of an acquired bank has to have reciprocal legislation which would allow banks or bank holding companies in that state to acquire or be acquired by banks or bank holding companies in Mississippi.

Certain restrictions exist regarding the ability of the Bank to transfer funds to the Company in the form of cash dividends, loans, or advances. The approval of the Mississippi Department of Banking and Consumer Finance is required prior to the Bank paying dividends and is limited to earnings retained in the current year plus retained net profits.

Federal Reserve regulations also limit the amount the Bank may loan to the Company unless such loans are collateralized by specific obligations. At December 31, 1995, the maximum amount available for transfer from the Bank to the Company in the form of loans was 11% of consolidated net assets.

Mississippi laws authorize multi-bank holding companies but there are no statutes regulating the operation of such companies.

Monetary Policy and Economic Controls

The earnings and growth of the banking industry, the Bank and, to a larger extent, the Registrant, are affected by the policies of regulatory authorities, including the Federal Reserve System. An important function of the Federal Reserve System is to regulate the national supply of bank credit in order to combat recession and curb inflationary pressures. Among the instruments of monetary policy used by the Federal Reserve to implement these objectives are open market operations in U. S. Government securities, changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits. These instruments are used in varying degrees to influence overall growth of bank loans, investments and deposits and may also affect interest rates charged on loans or paid for deposits.

The monetary policies of the Federal Reserve System have had a significant effect on the operating results of commercial banks in the past and are expected to do so in the future. In view of changing conditions in the national economy and in the various money markets as well as the effect of actions by monetary and fiscal authorities including the Federal Reserve System, the effect on future business and earnings of the Registrant and its subsidiary cannot be predicted with accuracy.

In the past few years, the trend seems to be toward competitive equality within the financial services industry. This was evidenced in 1980 by the formation of the Depository Institution Deregulation Committee (the "DIDC"). The DIDC's sole purpose was to eliminate the restrictions imposed upon the rates of interest a depository institution could pay on a deposit account. The trend was again evidenced in 1982 with the passage of the Garn-St. Germain Depository Institutions Act. This act provided for, among other things, the money market account. This account was designed to operate in a manner similar to the money market mutual funds being offered by the stock and similar to the money market mutual funds being offered by the stock and investment brokers. It would earn a market rate of interest, with limited third-part withdrawals and a minimum balance requirement.

Source and Availability of Funds

The funds essential to the business of the Registrant and its subsidiary consist primarily of funds derived from customer deposits and borrowings of federal funds by the banking subsidiary, and from loans under established lines of credit. The availability of such funds is primarily dependent upon the economic policies of the federal government, the economy in general and the general credit market for loans.

Personnel

At December 31, 1995, the Registrant and its subsidiary employed 602 persons, 537 on a full-time basis and 65 on a part-time basis.

Dependence Upon a Single Customer

Neither the Registrant nor its subsidiary is dependent upon a single customer or upon a limited number of customers.

Line of Business

The Registrant operates in the field of finance, and its activities are solely in commercial banking. The Registrant has derived substantially all of its consolidated total operating income from the commercial banking business of its subsidiary bank.

Acquisition of Certain Assets and Liabilities

In the past several years, the Bank has acquired several banks and continues to examine other possible candidates for acquisition by cash or stock or a combination of both.

Executive Officers of The Registrant

The principal executive officer of the Company and its subsidiary as of December 31, 1995, is as follows:

Name	Age
John W. Smith	60

Position and Office: Director and Executive Vice-President of the Company from July, 1983, until July 1993, and Director and President since August, 1993. Director and Executive Vice-President of the Bank from 1978 and 1976, respectively, until August, 1993, and Director and President of the Bank since August, 1993.

Mr. Smith has been employed by the Registrant or its subsidiary in a management position for the last seven (7) years. All of the Registrant's officers are appointed annually by the appropriate Board of Directors to serve at the discretion of the Board.

The following table sets forth for The Peoples Holding Company, as of December 31 for the years indicated, a summary of the changes in interest earned and interest paid resulting from changes in volume and rates. The change in volume and rate is calculated using the tax equivalent basis.
[CAPTION]

	1995 COMPARED TO 1994		
	INCREASE(DECREASE) DUE TO		
	VOLUME	RATE	NET (1)
	(In Thousands)		
[S]	[C]	[C]	[C]
Earning assets:			
Loans, net of unearned income	$ 4,542	$ 4,737	$ 9,279
Securities			
U. S. government securities and agencies	(1,508)	989	(519)
Obligations of states and political subdivisions	331	71	402
Mortgage-backed securities	156	563	719
Other securities	(31)	94	63
Other	172	328	500
Total earning assets	$ 3,662	$ 6,782	$ 10,444
Interest-bearing liabilities:			
Interest-bearing demand deposit accounts	$ (513)	$ 630	$ 117
Savings accounts	(155)	186	31
Time deposits	2,253	4,346	6,599
Other	(77)	61	(16)
Total interest-bearing liabilities	$ 1,508	$ 5,223	$ 6,731
Change in net interest income	$ 2,154	$ 1,559	$ 3,713

(1) The change in interest due to both volume and rate has been allocated on a pro-rata basis using the absolute ratio value of amounts calculated.

[CAPTION]

1994 COMPARED TO 1993

	INCREASE(DECREASE) DUE TO		
	VOLUME	RATE	NET (1)
	(In Thousands)		
[S]	[C]	[C]	[C]
Earning assets:			
Loans, net unearned income	$ 3,568	$ 600	$ 4,168
Securities:			
U. S. Government securities and agencies	1,214	(306)	908
Obligations of states and political subdivisions	789	(310)	479
Mortgage-backed securities	(391)	(290)	(681)
Other securities	67	(21)	46
Other	(237)	127	(110)
Total earning assets	$ 5,010	$ (200)	$ 4,810
Interest-bearing liabilities:			
Interest-bearing demand deposits accounts	$ (208)	$ 73	$ (135)
Savings accounts	376	(590)	(214)
Time deposits	881	1,118	1,999
Other	166	110	276
Total interest-bearing liabilities	$ 1,215	$ 711	$ 1,926
Change in net interest income	$ 3,795	$ (911)	$ 2,884

(1) The change in interest due to both volume and rate has been allocated on a pro-rata basis using the absolute ratio value of amounts calculated.

INVESTMENT PORTFOLIO

The following table sets forth the amortized cost of securities at the dates indicated:

[CAPTION]

	December 31 1995	1994	1993
	(In Thousands)		
[S]	[C]	[C]	[C]
U.S. Government and Agency Securities	$ 99,842	$124,463	$118,630
Obligations of State and Political Subdivisions	49,363	45,756	42,908
Other Securities	66,688	48,124	70,204
	$215,893	$218,343	$231,742

The following table sets forth the maturity distribution of securities at December 31, 1995:
[CAPTION]

	Within One Year	After One But Within Five Years	After Five But Within Ten Years	After Ten Years
	(In Thousands)			
[S]	[C]	[C]	[C]	[C]
U.S Government and Agency Securities ...	$ 20,881	$ 65,508	$ 13,453	$
Obligations of States and Political Subdivisions .	3,218	12,716	24,832	8,597
Other Securities	18,433	43,467	4,788	
Total	$ 42,532	$121,691	$ 43,073	$ 8,597

The maturity of mortgage-backed securities, included as other securities, reflects scheduled repayments when the payment is due.

The following table sets forth the weighted average yields of securities, by maturity at December 31, 1995:

[CAPTION]

[S]	Within One Year [C]	After One But Within Five Years [C]	After Five But Within Ten Years [C]	After Ten Years [C]
U.S. Government and Agency Securities ...	5.35%	6.79%	6.72%	
Obligations of States and Political Subdivisions .	9.50%	9.87%	8.67%	8.40%
Other Securities	6.04%	6.44%	6.83%	

Weighted average yields on tax-exempt obligations have been computed on a fully tax-equivalent basis assuming a federal tax rate of 34% and a Mississippi state tax rate of 3.3%, which is net of federal tax benefit.

The following table sets forth loans (excluding real estate mortgage loans and consumer loans) outstanding as of December 31, 1995, which, based on remaining scheduled repayments of principal, are due in the periods indicated; also, amounts due after one year are classified according to their sensitivity to changing interest rates.

[CAPTION]

	Loans Maturing			
[S]	Within One Year [C]	After One But Within Five Years [C]	After Five Years [C]	Total [C]
Commercial, financial and agricultural	$ 74,262	$ 23,910	$ 5,861	$104,033
Real estate-construction	16,175	646	30	16,851
	$ 90,437	$ 24,556	$ 5,891	$120,884

[CAPTION]

	Interest Sensitivity	
	Fixed Rate	Variable Rate
[S]	(In Thousands) [C]	[C]
Due after 1 but within 5 years	$22,448	$ 2,108
Due after 5 years	5,870	21
	$28,318	$ 2,129

Allowance for Loan Losses

Inherent in any lending activity is credit risk, that is, the risk of loss should a borrower or trading counterparty default. The Company's credit risk is monitored and managed by a Loan Committee and a Loss Management Committee. Credit quality and policies are the primary responsibilities of these committees. The Company tries to maintain diversification within its loan portfolio in order to minimize the effect of economic conditions within a particular industry.

The allowance for loan losses is available to absorb potential credit losses from the entire loan portfolio. The appropriate level of the allowance is based on a quarterly analysis of the loan portfolio and represents an amount that management deems adequate to provide for potential losses, including losses on loans assessed as impaired under SFAS No. 114, "Accounting by Creditors For Impairement of a Loan." the balance of these loans determined as impaired and their related allowance is included in management's estimation and analysis of the allowance for loan losses. The analysis includes the consideration of such factors as the risk rating of individual credits, the size and diversity of the loan portfolio, economic conditions, prior loss experience, and the results of periodic credit reviews by internal loan review, the regulators, and the Company's independent accounting firm. If the allowance is deemed inadequate, management sets aside additional reserves by increasing the charges against income.

The anticipated net charge-offs by loan category during 1996 include:

	In Thousands
Commercial, financial and agricultural	$ 371
Real estate - construction	61
Real estate - mortgage	929
Consumer	535
TOTAL	$1,896

ITEM 2. PROPERTIES

The main offices of the Registrant and its subsidiary, The Peoples Bank and Trust Company, are located at 209 Troy Street, Tupelo, Mississippi. All floors of the five-story building are occupied by various departments within the Bank. The Bank constructed a new Technology Center designed to house the electronic data processing, proof, purchasing, statement rendering, and voice response operations. The Technology Center is located in Tupelo, Mississippi. In addition, the Bank operated thirty (30) full-service branches, and eleven (11) limited-service branches all of which are located within a 100 mile radius of Tupelo, Mississippi. The Bank has two (2) full-service branches in Southaven; one (1) full-service branch and two (2) limited-service branches in Booneville, one (1) full-service branch and one (1) limited-service branch in Amory, Corinth, Pontotoc, Grenada, Water Valley, and West Point, one (1) full-service branch each at Aberdeen, Batesville, Calhoun City, Coffeeville, Guntown, Hernando, Iuka, Louisville, New Albany, Okolona, Saltillo, Sardis, Shannon, Verona, and Winona, Mississippi, one (1) limited-service branch each at Plantersville, and Smithville, Mississippi and six (6) full-service branches and one (1) limited-service branch in Tupelo, Mississippi.

The Registrant leases, on a long-term basis, five branch locations for use in conducting banking activities. The aggregate annual rental for all leased premises during the year ending December 31, 1995, did not exceed five percent of the Bank's operating expenses.

It is anticipated that in the next five years, branch renovations and construction will be completed at Aberdeen, Grenada, Corinth and a new location west of Tupelo, Mississippi. The other facilities owned or occupied under lease by the Bank are considered by management to be adequate.

ITEM 3. LEGAL PROCEEDINGS

There were no material legal proceedings pending or threatened at December 31, 1995, which in the opinion of the Company could have a material adverse effect upon the Company's business or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None during the fourth quarter of 1995.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The information under the captions "Market Value of Stock by Quarters" on page 28 of the Registrant's 1995 Annual Report is incorporated herein by reference.

At March 14, 1996, the total number of shareholders of the Company's common stock was 2,304.

The Registrant's common stock trades on the Nasdaq Stock Market under the symbol PHCO.

ITEM 6. SELECTED FINANCIAL DATA

The information under the caption "Selected Financial Information" on Page 27 of the Registrant's 1995 Annual Report is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information on pages 29 through 41 of the Registrant's 1995 Annual Report are incorporated herein in reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of independent auditors and consolidated financial statements are included on pages 8 through 26 of the Registrant's 1995 Annual Report and are incorporated herein by reference.

The information on Page 25 of the Registrant's 1995 Annual report reflecting unaudited quarterly results of operations is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors and nominees of the Registrant appear under "Election of Directors" on Pages 3 through 4 of the Company's definitive Proxy Statement, dated March 19, 1996, which is incorporated herein by reference.

Information concerning executive officers of the Registrant and its subsidiary appears on Page 5 of the Proxy Statement under the caption "Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION

The information appearing under "Summary Compensation Table-Annual Compensation" on Pages 6 through 10 of the Company's definitive Proxy Statement, dated March 19, 1996, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information appearing under "Principal Holders of Voting Security" on Page 2 of the Company's definitive Proxy Statement, dated March 19, 1996, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing under "Transaction with Management: on Page 11 of the Company's definitive Proxy Statement, dated March 19, 1996, is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) and (2) and (c) The response to this portion of Item 14 is submitted as a separate section of this report.

(a) (3) Listing of Exhibits:

(3) Articles of Incorporation and Bylaws of the Registrant are incorporated herein by reference to exhibits filed with the Registration Statement on Form S-14, File No. 2-21776.

(11) Statement re: Computation of per share earnings

(13) Annual Report to Shareholders for the year ended December 31, 1995

(23) Consent of Independent Auditors

(27) Financial Data Schedule

(b) No Form 8-K was filed during the quarter ended December 31, 1995.

(d) Financial Statement Schedules -- None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

DATED: March 19, 1996	By /s/ John W. Smith
	John W. Smith, President & CEO

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the date indicated.

John W. Smith, President and Director (Chief Executive Officer, Principal Financial Officer and Principal Accounting Officer) .	/s/ John W. Smith
Robert C. Leake, Chairman of the Board and Director	/s/ Robert C. Leake
William M. Beasley, Director ..	/s/ William M. Beasley
George H. Booth, II, Director .	/s/ George H. Booth, II
Dr. Walter L. Bourland, Director	/s/ Walter L. Bourland, M.D.
Frank B. Brooks, Director	/s/ Frank B. Brooks
A. M. Edwards, Jr., Director ..	/s/ A. M. Edwards, Jr.
Eugene B. Gifford, Jr., Director	/s/ Eugene B. Gifford, Jr.
David P. Searcy, Director	/s/ David P. Searcy
Jimmy S. Threldkeld, Director .	/s/ Jimmy S. Threldkeld
Leonard W. Walden, Director ...	/s/ Leonard W. Walden
J. Heywood Washburn, Director .	/s/ J. Heywood Washburn
Robert H. Weaver, Director	/s/ Robert H. Weaver
J. Larry Young, Director	/s/ J. Larry Young

Form 10-K--Item 14 (a) (1) and (2) and (c)

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY

LIST OF FINANCIAL STATEMENTS

The following consolidated financial statements and report of independent auditors of The Peoples Holding Company and subsidiary included in the Annual Report of the registrant to its shareholders for the year ended December 31, 1995, are incorporated by reference in Item 8. These items are included in exhibit 13.

Report of Independent Auditors

Consolidated Balance Sheets--December 31, 1995 and 1994

Consolidated Statements of Income--Years ended December 31, 1995, 1994, and 1993

Consolidated Statements of Shareholders' Equity--Years ended December 31, 1995, 1994 and 1993

Consolidated Statements of Cash Flow--Years ended December 31, 1995, 1994 and 1993

Notes to Consolidated Financial Statements--December 31, 1995

Schedules to the consolidated financial statements required by Article 9 of Regulation S-X are not required under the related instructions or are not applicable and therefore, have been omitted.

EXHIBIT 11

THE PEOPLES HOLDING COMPANY

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

[CAPTION]

	Year Ended December 31		
	1995	1994	1993
[S]	[C]	[C]	[C]
PRIMARY & FULLY DILUTED:			
Average shares outstanding	2,604,760	2,604,760	2,604,760
Net income	$9,203,910	$8,208,920	$7,735,292
Per share amount	$3.53	$3.15	$2.97

Financial Statements

Consolidated Balance Sheets

	December 31 1995	1994
Assets		
Cash and due from banks	$ 46,918,819	$ 45,123,177
Federal funds sold	17,000,000	150,000
Cash and Cash Equivalents	63,918,819	45,273,177
Interest-bearing balances with banks	8,814,411	188,549
Securities held-to-maturity (market value - $50,109,526 and $44,931,275 at December 31, 1995 and 1994, respectively)	49,362,527	45,756,198
Securities available-for-sale (amortized cost - $166,530,900 and $172,586,341 at December 31, 1995 and 1994, respectively)	168,381,798	167,238,212
Loans:		
Commercial, financial and agricultural	104,032,841	95,921,379
Real estate - construction	16,850,556	18,188,860
Real estate - mortgage	259,918,417	253,153,672
Consumer	149,218,137	143,948,292
Unearned income	(11,231,586)	(12,010,336)
Total Loans, Net of Unearned Income	518,788,365	499,201,867
Allowance for loan losses	(8,815,130)	(8,182,801)
Net Loans	509,973,235	491,019,066
Premises and equipment	20,323,492	16,780,966
Other assets	20,925,126	20,810,320
Total Assets	$ 841,699,408	$ 787,066,488
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	$ 116,894,919	$ 118,711,872
Certificates of deposit exceeding $100,000	62,620,549	58,984,109
Other interest-bearing	560,029,831	518,583,728
Total Deposits	739,545,299	696,279,709
Treasury tax and loan note account	2,400,495	3,115,183
Borrowings	4,313,109	4,650,488
Other liabilities	10,480,085	9,287,227
Total Liabilities	756,738,988	713,332,607
Shareholders' Equity		
Common stock, $5 par value - 7,500,000 and 4,200,000 shares authorized in 1995 and 1994, respectively; 2,604,760 issued and outstanding in 1995 and 1994, respectively	13,023,800	13,023,800
Additional paid-in capital	39,875,796	29,875,796
Unrealized gains (losses) on securities available-for-sale, net of tax	1,169,262	(3,529,765)
Retained earnings	30,891,562	34,364,050
Total Shareholders' Equity	84,960,420	73,733,881
Total Liabilities and Shareholders' Equity	$ 841,699,408	$ 787,066,488

See notes to consolidated financial statements.

Consolidated Statements of Income

	Year Ended December 31 1995	1994	1993
Interest income:			
Loans	$ 49,138,054	$ 39,913,585	$ 35,745,342
Securities:			
Taxable	10,097,721	10,088,324	9,832,739
Tax-exempt	2,764,337	2,559,206	2,242,796
Other	1,008,809	508,338	618,348
Total Interest Income	63,008,921	53,069,453	48,439,225
Interest expense:			
Deposits	25,234,441	18,487,040	16,836,454

Borrowings	386,764	403,041	126,701
Total Interest Expense	25,621,205	18,890,081	16,963,155
Net Interest Income	37,387,716	34,179,372	31,476,070
Provision for loan losses	2,826,647	2,001,010	2,865,530
Net Interest Income After Provision For Loan Losses	34,561,069	32,178,362	28,610,540
Noninterest income:			
Service charges on deposit accounts	6,188,520	5,780,725	5,111,308
Fees and commissions	1,215,810	1,265,031	1,256,543
Trust department	584,273	549,925	500,257
Securities (losses) gains	(507,344)	2,701	524,622
Trading securities gains			114,221
Other	3,089,856	2,100,036	1,846,539
Total Noninterest Income	10,571,115	9,698,418	9,353,490
Noninterest expense:			
Salaries and employee benefits	18,055,318	16,617,611	15,224,417
Net occupancy	2,178,314	2,150,588	1,993,189
Equipment	1,460,488	1,149,827	1,047,365
Other	10,303,357	11,128,930	9,419,781
Total Noninterest Expense	31,997,477	31,046,956	27,684,752
Income before income taxes and cumulative effect of accounting changes	13,134,707	10,829,824	10,279,278
Income taxes	3,930,797	2,620,904	3,066,504
Income before cumulative effect of accounting changes	9,203,910	8,208,920	7,212,774
Cumulative effect of change in method of accounting for income taxes and postretirement benefits other than pensions			522,518
Net Income	$ 9,203,910	$ 8,208,920	$ 7,735,292
Earnings per share:			
Income before cumulative effect of accounting changes	$ 3.53	$ 3.15	$ 2.77
Cumulative effect of accounting changes			.20
Earnings Per Share	$ 3.53	$ 3.15	$ 2.97
Weighted average shares outstanding	2,604,760	2,604,760	2,604,760

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Unrealized Gains and (Losses)	Retained Earnings	Total
Balance at January 1, 1993	2,509,055	$ 12,545,275	$ 29,875,796	$	$ 23,557,041	$ 65,978,112
Net income for 1993					7,735,292	7,735,292
Cash dividends:						
The Peoples Holding Co.-						
$.84 per share					(2,200,224)	(2,200,224)
Pooled Company					(75,000)	(75,000)
Balance at December 31, 1993	2,509,055	12,545,275	29,875,796		29,017,109	71,438,180
Unrealized losses on securities available-for-sale, net of tax				(3,529,765)		(3,529,765)
Net income for 1994					8,208,920	8,208,920
4% stock dividend	95,705	478,525			(478,525)	
Payment of fractional shares for stock dividend and pooling-of-interests					(40,578)	
Cash dividends - $.90 per share					(2,342,876)	(2,342,876)
Balance at December 31, 1994	2,604,760	13,023,800	29,875,796	(3,529,765)	34,364,050	73,733,881
Unrealized gains on securities available-for-sale, net of tax				4,699,027		4,699,027
Transfer of capital			10,000,000		(10,000,000)	
Net income for 1995					9,203,910	9,203,910
Cash dividends - $1.03 per share					(2,676,398)	(2,676,398)
Balance at December 31, 1995	2,604,760	$ 13,023,800	$ 39,875,796	$ 1,169,262	$30,891,562	$ 84,960,420

See notes to consolidated financial statements.

Consolidated Statements Of Cash Flows

	Year Ended December 31 1995	1994	1993
Operating Activities			
Net income	$ 9,203,910	$ 8,208,920	$ 7,735,292
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	2,826,647	2,001,010	2,865,530
Provision for depreciation and amortization	1,868,370	1,774,975	1,532,835
Net amortization of securities premiums/discounts	131,421	1,180,503	475,229
Gains on sales of trading securities			(114,221)
Proceeds from sales of trading securities			8,241,556
Purchases of trading securities			(3,187,429)
Gain on sale of loans	(585,304)		
(Gains) losses on sales/calls of securities	507,344	(2,701)	(524,622)
Increase in other liabilities	1,192,858	720,883	954,812
Deferred income tax credits	(459,499)	(800,550)	(733,521)
(Gains) losses on sales of premises and equipment	129,726	21,735	(3,955)
Increase in other assets	(461,230)	(819,410)	(239,043)
Net Cash Provided By Operating Activities	14,354,243	12,285,365	17,002,463
Investing Activities			
Net (increase) decrease in balances with other banks	(8,625,862)	(110,662)	46,071
Proceeds from sales of securities			4,934,639
Proceeds from sales of securities held-to-maturity		489,287	
Proceeds from sales of securities available-for-sale	28,989,992	10,746,669	
Proceeds from maturities/calls of securities			83,667,180
Proceeds from maturities/calls of securities held-to-maturity	2,495,029	4,369,626	
Proceeds from maturities/calls of securities available-for-sale	65,464,778	55,120,283	
Purchases of securities			(131,709,918)
Purchases of securities held-to-maturity	(5,949,418)	(7,304,699)	
Purchases of securities available-for-sale	(89,190,035)	(51,199,932)	
Net increase in loans	(36,170,506)	(63,625,715)	(36,203,252)
Proceeds from sale of loans	12,690,078		
Proceeds from sales of premises and equipment	169,850	80,692	116,633
Purchases of premises and equipment	(5,119,632)	(2,190,754)	(1,599,887)
Net Cash Used In Investing Activities	(35,245,726)	(53,625,205)	(80,748,534)
Financing Activities			
Net increase (decrease) in noninterest-bearing deposits	(1,816,953)	19,014,257	16,400,533
Net increase in certificates of deposit exceeding $100,000	3,636,440	(4,953,714)	5,649,550
Net increase in other interest-bearing deposits	41,446,103	26,674,106	29,511,403
Net increase (decrease) in treasury tax and loan note account	(714,688)	(995,078)	472,121
Net increase (decrease) in borrowings	(337,379)	4,892,591	207,307
Issuance of common stock by pooled Company reflected in pooling-of-interests adjustment		105,926	
Cash dividends paid	(2,676,398)	(2,342,876)	(2,275,224)
Cash paid on fractional shares for stock dividend and pooling-of-interests		(40,578)	
Net Cash Provided By Financing Activities	39,537,125	42,354,635	49,965,690
Increase (Decrease) In Cash and Cash Equivalents	18,645,642	1,014,795	(13,780,381)
Cash and Cash Equivalents at Beginning of Year	45,273,177	44,258,382	58,038,763
Cash and Cash Equivalents at End of Year	$ 63,918,819	$ 45,273,177	$ 44,258,382
Non-cash Transactions			
Transfer of loans to other real estate	$ 2,284,916	$ 862,682	$ 2,360,311

See notes to consolidated financial statements

Notes To Consolidated Financial Statements December 31, 1995

Note A - Significant Accounting Policies

The Peoples Holding Company (the Company) is a one-bank holding company, offering a diversified range of banking services to retail and commercial customers, primarily in North Mississippi, through The Peoples Bank & Trust Company (the Bank).

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the Bank. All significant intercompany balances and transactions have been eliminated. The Company carries its investment in subsidiary at its equity in the underlying net assets.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Change in Method of Accounting for Securities: The Company adopted the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" on January 1, 1994. As a result, investment securities have been classified as either held-to-maturity, trading, or available-for-sale. In accordance with the Statement, prior period financial statements have not been restated to reflect the change in accounting principle.

Investment securities are classified as held-to-maturity when purchased if management has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost. Investment securities not classified as held-to-maturity or trading are classified as available-for-sale. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported in a separate component of shareholders' equity.

The amortized cost of investment securities classified as held-to-maturity or available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income from investments. Interest and dividends are included in interest income from investments. Realized gains and losses, and declines in value judged to be other-than-temporary are included in net securities gains (losses). The cost of securities sold is based on the specific identification method.

Securities classified as trading are carried at fair value, with gains and losses, both realized and unrealized, reported in earnings.

Revenue Recognition: Interest on loans is accrued and credited to operations based upon the principal amount outstanding. Generally, the accrual of income is discontinued when the full collection of principal is in doubt, or when the payment of principal or interest has become contractually 90 days past due unless the obligation is both well secured and in the process of collection. The Company recognizes loan origination and commitment fees in the period the loan or commitment is granted to reflect reimbursement of the related costs associated with originating those loans and commitments which are not materially different from the results which would be obtained with implementation of Statement of Financial Accounting Standards No. 91.

Allowance for Loan Losses: The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed uncollectible are charged against the allowance for loan losses, and any subsequent recoveries are credited to the allowance.

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

The allowance for loan losses is maintained at a level believed adequate by management to absorb potential losses in the loan portfolio. Management's determination of the allowance is based on an evaluation of the portfolio, past experience, current economic conditions, volume, growth and composition of the loan portfolio and other relevant factors. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant change.

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed primarily by use of the straight-line and declining-balance methods for furniture, fixtures, and equipment and the straight-line method for premises. Leasehold improvements are amortized over the period of the leases or the estimated useful lives of the improvements, whichever is shorter.

Other Real Estate: Other real estate of $1,357,051 and $230,494 at December 31, 1995 and 1994, respectively, is included in other assets and consists of properties acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure. These properties are carried at the lower of cost or fair market value based on appraised value less estimated selling costs at the date acquired. Losses arising from the acquisition of properties are charged against the allowance for loan losses. The net cost of holding other real estate and losses on the sale of properties totaled $95,267 and $846,149 in 1995 and 1994, respectively.

Unamortized Cost in Excess of Fair Value of Net Assets Acquired: Goodwill, included in other assets, represents unamortized cost in excess of fair value of net assets acquired and is being amortized on a straight-line method over 13 to 15 years. Goodwill was $4,759,183 and $5,268,228 at December 31, 1995 and 1994, respectively.

Income Taxes: The Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", in its financial statements for the year ended December 31, 1993. As of January 1, 1993, the cumulative effect of adopting Statement No. 109 increased net income by $686,000, or $.26 per share.

Under Statement No. 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of Statement No. 109, income tax expense was determined using the deferred method. Deferred tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and were measured at the tax rate in effect in the year the difference originated.

The Company and its subsidiary file a consolidated federal income tax return. The Bank provides for income taxes on a separate-return basis and remits to the Company amounts determined to be currently payable.

Postretirement Benefits Other Than Pensions: During the first quarter of 1993, the Company adopted the provisions of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Statement No. 106 changed the practice of accounting for postretirement benefits other than pensions on a pay-as-you-go (cash) basis by requiring accrual, during the years that the employee renders the necessary service, of the expected cost of providing those benefits to an employee, the employee's beneficiaries and covered dependents. As of January 1, 1993, the cumulative effect of adopting Statement No. 106 decreased net income, net of tax effect of $84,218, by $163,482, or $.06 per share.

Earnings Per Share: Earnings per share is based on the weighted average number of shares outstanding during each year adjusted retroactively for all stock dividends. Previously reported per share amounts have been restated for the effect of the acquisition of New South Capital Corporation accounted for as a pooling-of-interests in 1994.

Statements of Cash Flows: Cash equivalents include cash and due from banks and federal funds sold. Generally, federal funds are purchased and sold for one-day periods. During 1995, 1994, and 1993, cash paid for interest was $24,254,488, $18,230,987, and $16,891,833, respectively. During 1995, 1994, and 1993, cash paid for income taxes was $4,455,448, $2,354,158, and $2,927,410, respectively.

Reclassifications: Certain reclassifications have been made to the 1994 and 1993 consolidated financial statements to conform with the 1995 presentation.

Note B - Mergers and Acquisitions

Effective December 31, 1994, the Company (PHC) acquired New South Capital Corporation (NSCC) and its wholly-owned subsidiary, New South Bank, of Batesville, Mississippi, in a transaction accounted for as a pooling-of-interests. In exchange for all of the outstanding common stock of New South Capital Corporation, the Company issued 91,226 shares of its common stock. The accompanying financial statements for periods prior to the acquisition have been restated to reflect the accounts and operations of the pooled company.

During 1994, the Company purchased approximately $16,500,000 of selected assets and assumed approximately $33,065,000 of deposit liabilities located in three branch offices of Security Federal Savings and Loan Association from the Resolution Trust Corporation. The purchase price has been allocated to the acquired assets and liabilities at their respective estimated fair value at the date of acquisition.

Note C - Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash And Due From Banks: The carrying amount reported in the consolidated balance sheet for cash and due from banks approximates fair value.

Federal Funds Sold: The carrying amount reported in the consolidated balance sheet for federal funds sold approximates fair value.

Interest-Bearing Balances With Banks: The carrying amount reported in the consolidated balance sheet for interest-bearing balances with banks approximates fair value.

Securities: Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. See Note E of the Notes to Consolidated Financial Statements.

Loans: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fixed-rate loan fair values, including mortgages, commercial, agricultural, and consumer loans are estimated using a discounted cash flow analysis using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Deposit Liabilities: The fair values disclosed for demand deposits, both interest-bearing and noninterest-bearing, are, by definition, equal to the amount payable on demand at the reporting date. The fair values of certificates of deposit and individual retirement accounts are estimated using a discounted cash flow based on currently effective interest rates for similar types of accounts.

Treasury Tax And Loan Note Account: The carrying amounts reported in the consolidated balance sheet approximate the fair value.

Borrowings: The fair value was determined by discounting the cash flow using the current market rate.

Off-Balance Sheet: The fair value was determined by replacing the current rate with a market rate and applying that to the standby letters of credit and commitments.

	December 31			
	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and due from banks	$ 46,918,819	$ 46,918,819	$ 45,123,177	$ 45,123,177
Federal funds sold	17,000,000	17,000,000	150,000	150,000
Interest-bearing balances with banks	8,814,411	8,814,411	188,549	188,549
Securities	217,744,325	218,491,324	212,994,410	212,169,487
Loans net of unearned income	518,788,365	520,440,000	499,201,867	495,501,571
Allowance for loan losses	(8,815,130)	(8,815,130)	(8,182,801)	(8,182,801)
Net loans	509,973,235	511,624,870	491,019,066	487,318,770
Financial liabilities:				
Deposits	739,545,299	738,378,297	696,279,709	697,174,710
Treasury tax and loan note account	2,400,495	2,400,495	3,115,183	3,115,183
Borrowings	4,313,109	4,235,000	4,650,488	4,299,000
Off-balance sheet:				
Standby letters of credit	5,003,644	4,914,683	6,233,000	6,192,350
Commitments to extend credit	114,747,000	113,784,627	107,778,678	105,008,148

Note D - Restrictions on Cash and Due From Banks

The Bank is required to maintain average reserve balances with the Federal Reserve Bank. The average amount of those balances for the year ended December 31, 1995, was approximately $19,540,000.

Note E - Securities

The amortized cost and estimated market values of securities held-to-maturity and available-for-sale at December 31, 1995, are as follows:

	Securities Held-to-Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Values
Obligations of states and political subdivisions	$49,362,527	$ 1,034,250	$ (287,251)	$ 50,109,526

	Securities Available-For-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Values
U.S. Treasury securities	$ 70,797,698	$ 625,574	$ (86,933)	$ 71,336,339
Obligations of other U.S. Government agencies and corporations .	29,044,357	531,327		29,575,684
Mortgage-backed securities	58,117,693	1,010,007	(229,077)	58,898,623
Preferred stock	8,564,165			8,564,165
Other debt securities	6,987			6,987
	$ 166,530,900	$ 2,166,908	$ (316,010)	$ 168,381,798

The amortized cost and estimated market values of securities held-to-maturity and available-for-sale at December 31, 1994, are as follows:

	Securities Held-to-Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Values
Obligations of states and political subdivisions	$ 45,756,198	$ 678,839	$ (1,503,762)	$ 44,931,275

	Securities Available-For-Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Values
U.S. Treasury securities	$ 110,181,980	$ 983	$ (3,090,155)	$ 107,092,808
Obligations of other U.S. Government agencies and corporations .	14,280,670		(208,016)	14,072,654
Mortgage-backed securities	45,415,163	175,291	(2,226,232)	43,364,222
Preferred stock	2,410,965			2,410,965
Other debt securities	297,563			297,563
	$ 172,586,341	$ 176,274	$ (5,524,403)	$ 167,238,212

The amortized cost and estimated market value of securities held-to-maturity and available-for-sale at December 31, 1995, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Securities Held-to-Maturity	Amortized Cost	Estimated Market Value
Due in one year or less	$ 2,000,134	$ 2,013,380
Due after one year through five years	11,310,780	11,690,973
Due after five years through ten years	23,824,866	24,149,942
Due after ten years	12,226,747	12,255,231
	$49,362,527	$50,109,526

Securities Available-For-Sale	Amortized Cost	Estimated Market Value
Due in one year or less	$ 20,887,603	$ 20,979,829
Due after one year through five years	65,508,314	66,216,832
Due after five years through ten years	13,453,125	13,722,349
	99,849,042	100,919,010
Mortgage-backed securities	58,117,693	58,898,623
Preferred Stock	8,564,165	8,564,165
	$166,530,900	$168,381,798

At December 31, 1995 and 1994, securities with an amortized cost of approximately $118,022,000and $103,979,000, respectively, were pledged to secure government, public and trust deposits.

Note F - Borrowings

Borrowings primarily consist of balances due to the Federal Home Loan Bank of $4,287,833 and $4,500,952 at December 31, 1995 and 1994, respectively.

During 1995, the Company obtained two advances from the Federal Home Loan Bank totaling $632,000. The advances were $132,000 and $500,000, with interest rates of 6.33% and 6.73%, respectively. Maturity dates are January 3, 2011, and October 1, 2015, respectively. All advances are secured by one-to-four family first mortgages equal to the amount of outstanding aggregate advances.

During 1994, the Company obtained several advances from the Federal Home Loan Bank. The advances ranged from $125,000 to $3,500,000 with interest rates from 4.84% to 6.13%. Maturity dates range from August 1, 1999, to April 1, 2007.

Future minimum payments, by year and in the aggregate, related to the advances with initial or remaining terms of one year or more, consisted of the following at December 31, 1995:

1996	$ 893,706
1997	950,124
1998	998,779
1999	802,009
2000	32,355
Thereafter	610,860
Total	$4,287,833

Note G - Loans to Related Parties

Certain Bank officers and directors and their associates are customers of and have other transactions with the Bank. Related party loans and commitments are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than a normal risk of collectibility. The aggregate dollar amount of these loans was $3,990,176 and $4,664,132 at December 31, 1995 and 1994, respectively. During 1995, $1,636,157 of new loans were made and payments received totaled $2,310,113.

Note H - Allowance for Loan Losses

Changes in the allowance for loan losses were as follows:

	Year Ended December 31		
	1995	1994	1993
Balance at beginning of year	$ 8,182,801	$ 6,387,902	$ 6,613,972
Charge-offs	(2,438,312)	(1,095,363)	(3,495,835)
Recoveries	243,994	889,252	404,235
Net Charge-offs	(2,194,318)	(206,111)	(3,091,600)
Provision for loan losses	2,826,647	2,001,010	2,865,530
Balance at End of Year	$ 8,815,130	$ 8,182,801	$ 6,387,902

At December 31, 1995, the recorded investment in loans that are considered to be impaired under Statement No. 114 was $2,874,169, of which $729,265 were on a nonaccrual basis. Included in this amount is $1,545,960 of impaired loans for which the related allowance for loan losses is $572,281, and $1,328,209 of impaired loans that do not have a specific allowance for loan losses due to sufficient collateral value. The average recorded investment in impaired loans during the year ended December 31, 1995, was approximately $2,500,000. For the year ended December 31, 1995, the Company recognized interest income on these impaired loans of $203,337, which included $44,233 of interest income recognized using the cash basis method of income recognition.

Note I - Nonaccrual and Past Due Loans

Nonaccrual and past due loans were as follows:

	December 31	
	1995	1994
Nonaccrual loans outstanding	$ 803,237	$ 877,409
Accruing loans past due 90 days or more outstanding	2,626,333	1,196,464

At December 31, 1995 and 1994, there were no significant commitments to lend any of these debtors additional funds.

Note J - Premises and Equipment

Premises and equipment accounts are summarized as follows:

	December 31	
	1995	1994
Land	$ 2,796,278	$ 2,862,865
Premises	16,522,457	16,344,040
Equipment, furniture and fixtures	10,894,411	10,494,109
Construction in progress	4,193,783	238,385
	34,406,929	29,939,399
Accumulated depreciation and amortization	(14,083,437)	(13,158,433)
	$ 20,323,492	$ 16,780,966
Depreciation expense	$ 1,277,530	$ 1,248,374

Note K - Income Taxes

Deferred income taxes included in other assets reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. No valuation allowance was made since the deferred assets were determined to be realizable in future years. This determination was based on the Company's earnings history with no basis for believing future performance will not continue to follow the same pattern. Significant components of the Company's deferred tax assets and liabilities as of December 31, 1995 and 1994, are as follows:

	(In Thousands) 1995	1994
Deferred tax assets:		
Provision for loan losses	$3,290	$2,715
Net unrealized losses on securitiesavailable-for-sale		1,818
Deferred compensation	1,052	702
Other	199	549
Total deferred tax assets	4,541	5,784
Deferred tax liabilities:		
Depreciation	1,215	1,478
Net unrealized gains on securities available-for-sale	682	
Other	825	446
Total deferred tax liabilities	2,722	1,924
Net deferred tax assets	$1,819	$3,860

Significant components of the provision for income taxes (credits) attributable to continuing operations are as follows:

	1995	1994	1993
Current			
Federal	$ 3,981,791	$ 3,421,454	$ 3,800,025
State	408,505		
	4,390,296	3,421,454	3,800,025
Deferred			
Federal	(397,904)	(800,550)	(733,521)
State	(61,595)		
	(459,499)	(800,550)	(733,521)
	$ 3,930,797	$ 2,620,904	$ 3,066,504

The reconciliation of income taxes (credits) attributable to continuing operations computed at the United States federal statutory tax rates to income tax expense is:

	1995		1994		1993	
Tax at U.S. statutory rate	$ 4,465,800	34.0%	$ 3,682,140	34.0%	$ 3,494,956	34.0%
Tax-exempt interest income	(965,064)	(7.3%)	(910,676)	(8.4%)	(755,617)	(7.4%)
State income tax, net of federal deduction	228,961	1.7%				
Amortization of intangible assets	70,146	0.5%	53,292	0.5%	61,295	0.6%
Dividends received deduction	(23,152)	(0.2%)	(35,682)	(0.3%)	(24,644)	(0.3%)
Other items - net	154,106	1.2%	(168,170)	(1.6%)	290,514	2.9%
	$ 3,930,797	29.9%	$ 2,620,904	24.2%	$ 3,066,504	29.8%

Income taxes provided on gains (losses) on the sales of investment securities were approximately $(189,000), $1,000, and $217,000 for the years ended December 31, 1995, 1994, and 1993, respectively.

Note L - Restrictions on Bank Dividends, Loans or Advances

Certain restrictions exist regarding the ability of the Bank to transfer funds to the Company in the form of cash dividends, loans or advances. The approval of the Mississippi Department of Banking and Consumer Finance is required prior to the Bank paying dividends, which are limited to earned surplus in excess of three times the BankOs capital stock. At December 31, 1995, the unrestricted surplus was approximately $31,696,000.

Federal Reserve regulations also limit the amount the Bank may loan to the Company unless such loans are collateralized by specified obligations. At December 31, 1995, the maximum amount available for transfer from the Bank to the Company in the form of loans was 11% of consolidated net assets.

Note M - Employee Benefit Plans

The Company and its Bank sponsor a defined benefit noncontributory pension plan generally covering all full-time employees. Effective April 1993, all employees are eligible to participate in the plan after completing a minimum of one thousand hours of service during a twelve month period. The normal retirement benefit, one-twelfth of which is payable monthly for life with 120 payments guaranteed, is determined as the sum of (A) 1.4% of average earnings, plus (B) 0.6% of average earnings in excess of covered compensation, times (C) years of service at retirement limited to 25.

The Company's funding policy is to contribute annually an amount that falls within the minimum and maximum amount determined by consulting actuaries in accordance with the Employee Retirement Income Security Act of 1974.

The following table sets forth the Plan's funded status and amounts recognized in the Company's consolidated balance sheet, as determined by consulting actuaries:

	December 31 1995	December 31 1994
Actuarial present value of accumulated benefits, including vested benefits of $8,041,324 and $6,699,365 at December 31, 1995 and 1994, respectively	$ (8,122,371)	$ (6,761,400)
Plan assets at fair value	$ 9,350,383	$ 6,963,692
Projected benefit obligation	(11,393,191)	(9,559,173)
Projected benefit obligation in excess of plan assets	(2,042,808)	(2,595,481)
Unrecognized net asset	(354,426)	(418,483)
Prior service cost not yet recognized in net periodic cost	708,483	770,116
Unrecognized net loss from past experience different from that assumed	1,853,592	2,119,947
Prepaid (accrued) pension cost	$ 164,841	$ (123,901)

Net pension expense as determined by consulting actuaries included the following components:

	Year Ended December 31		
	1995	1994	1993
Service costs-D benefits earned during the year	$ 440,232	$ 456,660	$ 455,506
Interest cost on projected benefit obligation .	794,954	748,988	678,844
Actual return on plan assets	(1,696,670)	456,472	(265,861)
Net amortization and deferral	1,093,212	(1,051,402)	(275,678)
Net pension expense	$ 631,728	$ 610,718	$ 592,811

The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 8.0% and 5.0%, respectively, at December 31, 1995, and 8.5% and 5%, respectively, at December 31, 1994. The expected long-term rate of return on investments was 9.25% for 1995, 1994 and 1993. The unrecognized net asset is being recognized over 15.53 years. Plan assets consist mainly of U. S. Treasury obligations, equity securities, and other fixed income securities. The actual return was 20.8%, (6.7%), and 4.2% for years ending 1995, 1994, and 1993.

In addition to providing retirement income benefits, the Company provides certain health care and life insurance to retired employees. Substantially all of the Company's employees may become eligible for these benefits if they reach normal or early retirement while working for the Company. The Company pays one-half of the health insurance premium. Up to age 70, each retired employee receives $5,000 in life insurance coverage paid entirely by the Company. The Company has accounted for its obligation related to these plans in accordance with Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The following table presents the amounts recognized in the Company's balance sheet:

	December 31	
	1995	1994
Accumulated postretirement benefit obligation:		
Retirees	$ (4,200)	$ (8,700)
Fully eligible active plan participants	(84,800)	(79,400)
Other active plan participants	(189,600)	(179,700)
Accumulated postretirement benefit obligation	(278,600)	(267,800)
Unrecognized net gain	(84,100)	(56,100)
Accrued postretirement benefit cost	$(362,700)	$(323,900)

Net periodic postretirement benefit cost includes the following components:

	Year ended December 31 1995	1994	1993
Service cost	$ 20,600	$ 21,700	$ 22,000
Interest cost	19,600	19,300	19,300
Transition obligation			247,700
Amortization of net gain from earlier periods	(2,100)		
Net periodic postretirement benefit cost	$ 38,100	$ 41,000	$ 289,000

The Company has limited its liability for the rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) to the rate of inflation assumed to be 4% each year. The health care cost trend rate assumption has little effect on the amounts reported. For example, increasing the assumed health care cost trend rates by one percentage point in each year would not increase the accumulated postretirement benefit obligation nor the service and interest cost components of net periodic postretirement benefit cost as of December 31, 1995, and for the year then ended. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 8.0% and 8.5% at December 31, 1995 and 1994, respectively.

The Company and its subsidiary also sponsor an employee stock ownership plan covering essentially all full-time employees who are 21 years of age and have completed one year of employment. Contributions are determined by the Board of Directors and may be paid either in cash or the CompanyOs common stock. Total contributions to the Plan charged to operating expenses were $400,000, $399,992, and $353,890 in 1995, 1994, and 1993, respectively.

Note N - Other Noninterest Income and Expenses

Components of other noninterest income and expenses which exceed 1% of total revenues were as follows: other noninterest expenses in 1995 - computer processing costs, $2,133,604; stationery and supplies, $783,625; FDIC/state banking assessment, $1,145,127; other noninterest income in 1994 - life insurance proceeds, $673,494; other noninterest expenses in 1994 - computer processing cost, $1,963,510; stationery and supplies, $640,603; other fees, $650,105; FDIC/state banking assessment, $1,851,883; 1993-FDIC/state banking assessment, $1,585,024; stationery and supplies, $577,813.

Note O - Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

Loan commitments are made to accommodate the financial needs of the Company's customers. Standby letters of credit commit the Company to make payments on behalf of customers when certain specified future events occur.

Both arrangements have credit risk essentially the same as that involved in extending loans to customers and are subject to the Company's normal credit policies. Collateral (e.g., securities, receivables, inventory, equipment) is obtained based on management's credit assessment of the customer.

The Company's unfunded loan commitments (unfunded loans and unused lines of credit) and standby letters of credit outstanding at December 31, 1995, was approximately $114,747,000 and $5,003,000, respectively, compared to December 31, 1994, which was approximately $107,779,000 and $6,233,000, respectively.

Market risk resulting from interest rate changes on particular off-balance sheet financial instruments may be offset by other on- or off-balance sheet transactions. Interest rate sensitivity is monitored by the Company for determining the net effect of potential changes in interest rates on the market value of both on- or off-balance sheet financial instruments.

Note P - The Peoples Holding Company (Parent Company Only)
Condensed Financial Information

Balance Sheets

	December 31 1995	December 31 1994
Assets		
Cash*	$ 31,807	$ 4,866
Interest-bearing balances with banks*	81,042	
Dividends receivable*	683,752	603,248
Investment in bank subsidiary*	84,910,554	73,696,858
Other assets	165	70,365
Total Assets	$85,707,320	$74,375,337
Liabilities and Shareholders' Equity		
Dividends payable	$ 683,752	$ 603,248
Accrued interest payable and other liabilities	63,148	38,208
Shareholders' equity	84,960,420	73,733,881
Total Liabilities and Shareholders' Equity	$85,707,320	$74,375,337

Statements of Income

	Year Ended December 31 1995	1994	1993
Income:			
Dividends from bank subsidiary*	$ 2,776,398	$ 2,342,876	$ 2,500,224
Other dividends	59,025	45,092	53,019
Interest income from bank subsidiary*	1,042		410
	2,836,465	2,387,968	2,553,653
Expenses:			
Other	213,408	184,936	80,249
	213,408	184,936	80,249
Income before income tax credits and equity in undistributed net income of bank subsidiary	2,623,057	2,203,032	2,473,404
Income tax credits	(66,184)	(57,700)	(21,877)
	2,689,241	2,260,732	2,495,281
Equity in undistributed net income of bank subsidiary*	6,514,669	5,948,188	5,240,011
Net Income	$ 9,203,910	$ 8,208,920	$ 7,735,292

*Eliminated in consolidation

Statements of Cash Flows

	Year Ended December 31		
	1995	1994	1993
Operating Activities:			
Net income	$ 9,203,910	$ 8,208,920	$ 7,735,292
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of bank subsidiary	(6,514,669)	(5,948,188)	(5,240,011)
(Increase) decrease in dividends receivable	(80,504)	77,853	(149,179)
(Increase) decrease in other assets	70,200	(70,200)	
Increase (decrease) in other liabilities	105,444	64,355	(18,150)
Net Cash Provided By Operating Activities	2,784,381	2,332,740	2,327,952
Investing Activities:			
Increase in investment in subsidiaries		(106,000)	
Purchase of certificates of deposit	(81,042)		(60,000)
Proceeds from matured certificates of deposit			60,000
Net Cash Used In Investing Activities	(81,042)	(106,000)	
Financing Activities:			
Issuance of common stock by pooled Company reflected in pooling-of-interests adjustment		105,926	
Cash dividends	(2,676,398)	(2,342,876)	(2,275,224)
Payment of fractional shares on stock dividend		(40,578)	
Net Cash Used In Financing Activities	(2,676,398)	(2,277,528)	(2,275,224)
Increase (Decrease) In Cash	26,941	(50,788)	52,728
Cash at beginning of year	4,866	55,654	2,926
Cash At End Of Year	$ 31,807	$ 4,866	$ 55,654

*Eliminated in consolidation

Note Q - Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 1995 and 1994:

	Three Months Ended			
	Mar 31	June 30	Sept 30	Dec 31
1995				
Interest income	$14,712,503	$15,745,106	$16,192,532	$16,358,780
Interest expense	5,606,144	6,318,404	6,608,905	7,087,752
Net interest income	9,106,359	9,426,702	9,583,627	9,271,028
Provision for loan losses	600,000	600,000	922,306	704,341
Noninterest income	2,031,591	2,391,707	3,564,764	2,583,053
Noninterest expenses	7,891,742	7,618,316	8,417,552	8,069,867
Income before income taxes	2,646,208	3,600,093	3,808,533	3,079,873
Income taxes	758,101	1,059,954	1,171,772	940,970
Net income	1,888,107	2,540,139	2,636,761	2,138,903
Earnings per share	$ .72	$ .98	$ 1.01	$ .82
1994				
Interest income	$12,111,492	$13,113,544	$13,674,616	$14,169,801
Interest expense	4,396,038	4,649,344	4,818,345	5,026,354
Net interest income	7,715,454	8,464,200	8,856,271	9,143,447
Provision for loan losses	500,229	500,228	500,305	500,248
Noninterest income	2,501,182	2,425,146	2,376,082	2,396,008
Noninterest expenses	7,291,352	7,724,631	7,934,904	8,096,069
Income before income taxes	2,425,055	2,664,487	2,797,144	2,943,138
Income taxes	425,103	536,084	840,66	819,055
Net income	1,999,952	2,128,403	1,956,482	2,124,083
Earnings per share	$ .77	$ .82	$ .75	$ .81

The amounts presented for the first three quarters of 1994 do not equal amounts previously reported in Form 10-Q due to restatement of results after the pooling-of-interests discussed in Note B.

Note R - Contingent Liabilities

Various claims and lawsuits, incidental to the ordinary course of business, are pending against the Company and its subsidiary. In the opinion of management, after consultation with legal counsel, resolution of these matters is not expected to have a material effect on the consolidated financial statements.

Report Of Independent Auditors

Board of Directors and Shareholders
The Peoples Holding Company
Tupelo, Mississippi

We have audited the accompanying consolidated balance sheets of The Peoples Holding Company and subsidiary as of December 31, 1995 and 1994, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Peoples Holding Company and subsidiary at December 31, 1995 and 1994, and the consolidated results of their operations and cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, in 1994 the Company changed its method of accounting for certain investment securities and in 1993 changed its method of accounting for income taxes and postretirement benefits.

Memphis, Tennessee /s/ Ernst & Young LLP
January 17, 1996

Selected Financial Information
(Not covered by the Accountants' Report)

	1995	1994	1993	1992	1991
For the year ended December 31:					
Interest Income	$63,008,921	$53,069,453	$48,439,225	$51,270,958	$ 57,437,770
Interest Expense	25,621,205	18,890,081	16,963,155	20,676,034	29,786,414
Provision for Loan Losses ..	2,826,647	2,001,010	2,865,530	4,401,001	2,888,938
Noninterest Income	10,571,115	9,698,418	9,353,490	7,862,593	7,703,632
Noninterest Expense	31,997,477	31,046,956	27,684,752	25,771,388	24,003,557
Income Before Taxes	13,134,707	10,829,824	10,279,278	8,285,128	8,462,493
Income Taxes	3,930,797	2,620,904	3,066,504	2,131,465	1,871,102
Cumulative Effect of Changes in Accounting Principles			522,518		
Net Income	9,203,910	8,208,920	7,735,292	6,153,663	6,591,391
Per Common Share:					
Net Income	$ 3.53	$ 3.15	$ 2.97	$ 2.36	$ 2.53
Book Value at December 31 .	32.62	28.31	27.43	25.33	23.77
Market Value at December 31	44.00	35.00	33.60	24.33	22.12
Cash Dividends Declared and Paid	1.03	0.90	0.84	0.81	0.76
Total at Year-End:					
Loans, Net of Unearned Income	$518,788,365	$499,201,867	$436,644,945	$405,893,604	$413,011,064
Allowance for Loan Losses	8,815,130	8,182,801	6,387,902	6,613,972	5,762,429
Securities	217,744,325	212,994,410	231,741,575	193,523,989	168,807,551
Assets	841,699,408	787,066,488	739,311,816	680,656,022	667,398,720
Deposits	739,545,299	696,279,709	655,545,060	603,983,574	590,649,184
Borrowings	4,313,109	4,650,488	259,797	292,674	279,073
Shareholders' Equity	84,960,420	73,733,881	71,438,180	65,978,112	61,927,960
Selected Ratios:					
Return on Average:					
Total Assets	1.13%	1.05%	1.07%	0.90%	0.99%
Shareholders' Equity .	11.45%	11.24%	11.24%	9.57%	10.99%
Average Shareholders' Equity to Average Assets	9.83%	9.34%	9.52%	9.38%	9.03%
At December 31:					
Shareholders' Equity to Assets	10.09%	9.37%	9.66%	9.69%	9.28%
Tier 1 Leverage	9.67%	9.22%	9.52%	9.48%	9.07%
Risk-Based Capital Ratios					
Tier 1	14.87%	14.86%	17.40%	14.70%	14.26%
Total (8.00% Required)	16.14%	16.12%	18.65%	15.95%	15.62%
Allowance for Loan Losses to Total Loans	1.70%	1.64%	1.46%	1.63%	1.40%
Allowance for Loan Losses to Nonperforming Loans	257.03%	394.57%	137.15%	128.12%	98.91%
Nonperforming Loans to Total Loans	.66%	.42%	1.07%	1.27%	1.41%
Dividend Payout	29.08%	29.03%	29.41%	34.18%	30.23%

Market Value Of Stock By Quarters

The public market for The Peoples Holding Company common stock is limited. The stock is currently listed in the NASDAQ exchange and is traded in the local over-the-counter market. Bid and offer prices have been reported daily by Morgan Keegan & Company, Inc., J.J.B. Hilliard & W. L. Lyons, Inc. (Hilliard Lyons), and Sterne, Agee, and Leach, Inc., market makers of the shares of The Peoples Holding Company common stock. High and low prices are reflective of actual trades as reported in the NASDAQ Stock Bulletin. At December 31, 1995, there were approximately 2,300 shareholders of record.

	DIVIDENDS	PRICES	
PERIOD	PER SHARE	LOW	HIGH
1995			
1st Quarter	$.2400	$36.25	$40.00
2nd Quarter	.2625	37.25	41.16
3rd Quarter	.2625	38.50	46.50
4th Quarter	.2625	42.75	48.00
1994			
1st Quarter	$ .22	$34.08	$39.36
2nd Quarter	.22	37.44	43.27
3rd Quarter	.23	36.25	42.50
4th Quarter	.23	35.00	39.50

Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Overview

The Peoples Holding Company (the Company) is a one-bank holding company incorporated under the laws of the state of Mississippi. The Company was incorporated in February 1904 and is the sixth largest bank holding company located in the state. The Peoples Bank & Trust Company (the Bank) is a wholly-owned subsidiary of the Company which operates forty-one branches located in North and North Central Mississippi.

The Company's banking subsidiary provides a wide range of banking and financial services to its customers. Those include lending services for commercial, consumer, and real estate loans; depository services for checking, savings, money market, IRA's and certificate of deposit accounts; and fiduciary services. The Bank maintains credit card services and is the issuer of the Mississippi State University and Delta State University affinity cards. In addition the Bank has a number of automated teller machines located throughout its market area that provide 24-hour banking services along with 24-hour access to customer account information through a voice response system.

The purpose of this discussion is to focus on important factors affecting the Company's financial condition and results of operations. Reference should be made to the consolidated financial statements (including the notes thereto) and the selected financial data in this report for an understanding of the following discussion and analysis. All applicable information has been restated to include the pooling-of-interests consummated December 31, 1994. All per share data is adjusted to reflect all stock dividends declared through December 31, 1995.

The Company ended 1995 with assets totaling $841,699,408, up from the prior year total of $787,066,488. This represented a 6.9% growth. Earnings were up 12.1% from the previous year with net income surpassing $9,200,000.

During 1994, the Company purchased selected assets and assumed certain deposit liabilities located in three branch offices of Security Federal Savings and Loan Association (Security Federal) from the Resolution Trust Corporation. Effective December 31, 1994, the Company merged with New South Capital Corporation (New South) and its wholly-owned subsidiary, New South Bank, in a transaction accounted for as a pooling-of-interests.

Financial Condition Review

The Company emphasizes the importance of employing a high percentage of its assets in an earning capacity. Utilization of the Company's earning assets is a major factor in generating profitability.

The Company employs the largest portion of its earning assets in loans. Loans, net of unearned income, comprised 61.6% and 63.4% of the total assets at December 31, 1995 and 1994, respectively. Loan growth was 3.9% for 1995, maintaining a proportionate mix in the various loan categories as compared to 1994. Total loans increased 14.3% during 1994. Of the $62,556,922 growth in 1994, approximately $36,686,000 was attributable to the acquisition of the three branches of Security Federal Savings and Loan Association and the pooling of New South Bank. An increase in the demand for consumer and mortgage loans increased as the economy improved and unemployment dropped.

The table on page 30 sets forth loans outstanding, according to loan type, at the date indicated. The major factor affecting comparability with prior year's balances is due to a reclassification of the loan portfolio following a computer conversion in January 1992. Prior to the conversion, certain mortgages were classified as commercial.

	1995	1994	1993	1992	1991
Commercial, financial, and agricultural	$ 104,032,841	$ 95,921,379	$ 103,061,684	$ 130,610,697	$ 145,606,537
Real estate - construction	16,850,556	18,188,860	25,967,773	15,280,136	12,941,094
Real estate - mortgage	259,918,417	253,153,672	220,363,067	191,861,073	186,964,488
Consumer	149,218,137	143,948,292	97,095,734	77,844,541	79,336,554
Unearned income	(11,231,586)	(12,010,336)	(9,843,313)	(9,702,843)	(11,837,609)
Total loans, net of unearned income	$ 518,788,365	$ 499,201,867	$ 436,644,945	$ 405,893,604	$ 413,011,064

The securities portfolio is used to provide term investments, to provide a source of meeting liquidity needs, and to supply securities to be used in collateralizing public funds. The types of securities purchased and the terms of those securities depend on management's assessment of future economic conditions.

The securities portfolio was up 2.2% at December 31, 1995, compared to December 31, 1994. The increase in the securities portfolio is due mainly to the effect of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which resulted in an increase in the net unrealized gain on securities classified as available-for-sale in December 31, 1995, of $7,199,027. The securities portfolio represented 25.9% and 27.1% of assets at the end of 1995 and 1994, respectively.

Total securities were down 8.1% at December 31, 1994, from 1993. The largest change came from a decrease in mortgage-backed securities, and the implementation of SFAS No. 115, which resulted in a net unrealized loss on securities of $5,348,129.

Management continues to evaluate the Company's tax position in order to maximize earnings from investment securities. The Company was not in an alternative minimum tax position during 1995 or 1994. Note E of the Notes to the Consolidated Financial Statements provides details of the securities portfolio.

Federal funds sold provide a significant source of liquidity. These funds consist of day-to-day loans to correspondent banks. Federal funds sold totaled $17,000,000 and $150,000, at December 31, 1995 and 1994, respectively. The changes in these balances between periods is typical of fluctuations caused by changes in deposits, loans, and securities.

Nonearning assets include cash and due from banks, premises and equipment, and other assets. Cash and due from banks represented 5.6% and 5.7% of total assets at December 31, 1995 and 1994, respectively. These funds are available for meeting day-to-day cash requirements inclusive of reserves required to be held by the Federal Reserve Bank.

Premises and equipment was $20,323,492 and $16,780,966 at December 31, 1995 and 1994, respectively. The increase in premises and equipment in 1995 is due to the construction of a new 21,000 square foot Technology Center designed to house the electronic data processing, proof, purchasing, statement rendering, and voice response operations. Included in the cost is the purchase of new power proof machines and imaging equipment which allows the Company to offer its customers imaged account statements. The increase in premises and equipment in 1994 is partially due to the acquisition of the Security Federal and New South branches.

Other assets were $20,925,126 and $20,810,320 at December 31, 1995 and 1994, respectively. The major accounts in this category are interest earned not collected, prepaid expenses, intangible assets, deferred taxes, and other real estate owned. Interest earned not collected totaled $8,321,434, up from $6,895,188 at the end of 1994. Other real estate was $1,357,051 and $230,494 at the end of 1995 and 1994, respectively. The increase is due to several large parcels recently transferred to other real estate.

Intangible assets, resulting from bank acquisitions, totaled $4,759,183 and $5,268,228 at December 31, 1995 and 1994, respectively. The Company recorded a premium on deposits purchased from Security Federal during 1994. The majority of the intangibles is being amortized over a period from 13 to 15 years.

Total asset growth for 1995 and 1994 was 6.9% and 6.5%, respectively. Growth in assets for 1995 and 1994 is quite typical of banks across the nation.

The Company relies on deposits as its major source of funds. Noninterest-bearing deposits were $116,894,919 and $118,711,872 at December 31, 1995 and 1994, respectively. This represented 13.9% and 15.1% of total assets for 1995 and 1994, respectively. The decrease is due to noninterest-bearing deposits being transferred to interest-bearing deposits as a result of depositors utilizing new certificate of deposit products.

Interest bearing deposits were $622,650,380 and $577,567,837 at December 31, 1995 and 1994, respectively, or a 7.8% increase over 1994. The largest growth contributing to this increase came from certificates of deposit under $100,000. The increase is due to deposits obtained as a result of new certificate of deposit products.

The Company maintains a note account with the Federal Reserve Bank for which tax deposits are accepted. The account is secured through pledging of securities. On December 31, 1995, the balance in the treasury tax and loan account was $2,400,495, down from $3,115,183 at the end of 1994. This account fluctuates based on the amount of securities pledged to secure the account and the frequency with which the Federal Reserve Bank draws on those funds.

During 1995, the Company received advances from the Federal Home Loan Bank (FHLB) totaling $632,000. The balance due to the FHLB at December 31, 1995 and 1994, was $4,287,833 and $4,500,952, respectively. These advances are the result of asset/liability management decisions matching certain earning assets (first mortgages and consumer loans) against these advances at positive rate spreads.

Other liabilities totaling $10,480,085 and $9,287,227 at December 31, 1995 and 1994, respectively, include accrued interest, accrued expenses, current taxes, and dividends payable. Accrued interest payable totaled $4,154,065 and $2,787,348 at December 31, 1995 and 1994, respectively.

Risk Management

The management of risk is an on-going process. Risks that are associated with the Company include credit, interest rate, and liquidity risks.

Credit Risk

Inherent in any lending activity is credit risk, that is, the risk of loss should a borrower or trading counterparty default. The Company's credit risk is monitored and managed by a Loan Committee and a Loss Management Committee. Credit quality and policies are major concerns of these committees. The Company tries to maintain diversification within its loan portfolio in order to minimize the effect of economic conditions within a particular industry.

The allowance for loan losses is available to absorb potential credit losses from the entire loan portfolio. The appropriate level of the allowance is based on a quarterly analysis of the loan portfolio and represents an amount that management deems adequate to provide for potential losses, including losses on loans assessed as impaired under FAS 114, "Accounting by Creditors for Impairment of a Loan." The balance of these loans determined as impaired and their related allowance is included in management's estimation and analysis of the allowance for loan losses. The analysis includes the consideration of such factors as the risk rating of individual credits, the size and diversity of the loan portfolio, economic conditions, prior loss experience, and the results of periodic credit reviews by internal loan review, the regulators, and the Company's independent accounting firm. If the allowance is deemed inadequate, management sets aside additional reserves by increasing the charges against income.

The allowance for loan losses was $8,815,130 and $8,182,801 at December 31, 1995 and 1994, respectively. This represents an allowance to year-end loans of 1.70% and 1.64%, respectively. Management deems this allowance adequate for future potential loan losses.

The table below reflects the activity in the allowance for loan losses for the years ended December 31.

Allowance for Loan Losses

	1995	1994	1993	1992	1991
For the year ended December 31:					
Balance at Beginning of Year	$ 8,182,801	$ 6,387,902	$ 6,613,972	$ 5,762,429	$ 5,241,944
Provision for Loan Losses	2,826,647	2,001,010	2,865,530	4,401,001	2,888,938
Charge-Offs:					
Commercial, Financial, and Agricultural ..	1,286,161	174,051	2,595,750	3,097,115	962,136
Real Estate - Mortgage	93,452	237,104			1,022,573
Consumer	1,058,699	684,208	900,085	785,961	910,535
Total Charge-Offs	2,438,312	1,095,363	3,495,835	3,883,076	2,895,244
Recoveries:					
Commercial, Financial, and Agricultural ..	101,116	562,303	150,087	119,217	168,210
Real Estate - Mortgage	6,631	148,866			187,993
Consumer	136,247	178,083	254,148	214,401	170,588
Total Recoveries	243,994	889,252	404,235	333,618	526,791
Net Charge-Offs	2,194,318	206,111	3,091,600	3,549,458	2,368,453
Balance at End of Year	$ 8,815,130	$ 8,182,801	$ 6,387,902	$ 6,613,972	$ 5,762,429
Loan Loss Analysis:					
Loans - Average	$513,670,074	$463,594,744	$422,041,326	$409,694,187	$404,013,545
Loans - Year End	518,788,365	499,201,867	436,644,945	405,893,604	413,011,064
Net Charge-offs	2,194,318	206,111	3,091,600	3,549,458	2,368,453
Allowance for Loan Losses	8,815,130	8,182,801	6,387,902	6,613,972	5,762,429
Ratios:					
Net Charge-offs to:					
Loans - Average	.43%	.04%	.73%	.87%	.59%
Allowance for Loan Losses	24.89%	2.52%	48.40%	53.67%	41.10%
Allowance for Loan Losses to:					
Loans - Year End	1.70%	1.64%	1.46%	1.63%	1.40%
Nonperforming Loans	257.03%	394.57%	137.15%	128.12%	98.91%
Nonperforming Loans to:					
Loans - Year End	.66%	.42%	1.07%	1.27%	1.41%
Loans - Average	.67%	.45%	1.10%	1.26%	1.44%

The Company's net charge-offs for 1995 and 1994 were $2,194,318 and $206,111, respectively. This represented a net charge-offs to average loans ratio of .43% and .04% for the two years. The increase in net charge-offs for 1995 compared to 1994 is due to several large customers which, after diligent collection efforts, required charge-off. During 1994, an individual loan recovery accounted for a significant portion of the decrease in net charge-offs along with the improvement in the quality of the loan portfolio.

Nonperforming loans are those on which the accrual of interest has stopped or the loan is contractually past due 90 days. Generally, the accrual of income is discounted when the full collection of principal is in doubt, or when the payment of principal or interest has been contractually 90 days past due unless the obligation is both well secured and in the process of collection.

The following table shows the principal amounts of nonaccrual and restructured loans at December 31 in the years indicated.

	1995	1994	1993	1992	1991
Nonperforming Loans					
Nonaccruing	$ 803,237	$ 877,409	$1,605,076	$ 931,084	$ 984,278
Accruing Loans Past Due 90 Days Or More	2,626,333	1,196,464	3,052,371	4,231,404	4,841,781
Total Nonperforming Loans	3,429,570	2,073,873	4,657,447	5,162,488	5,826,059
Restructured Loans Balance Outstanding ...	243,230	259,945	278,416	3,139,551	3,210,538
Total Nonperforming Loans Including Restructured	$3,672,800	$2,333,818	$4,935,863	$8,302,039	$9,036,597

The following table presents the interest income on restructured loans, if these loans had been current in accordance with their original terms, and the amount of interest income on these loans that was included in income for the periods indicated:

	1995	1994	1993	1992	1991
Gross Amount Of Interest That Would Have Been Recorded At The Original Rate ....$		$ 3,498	$ 10,784	$ 284,267	$ 443,980
Interest That Was Recognized In Income	16,281	$ 20,529	$ 18,500	$ 255,557	$ 257,267
Favorable (Unfavorable) Impact On Gross Income ....$	16,281	$ 17,031	$ 7,716	$ (28,710)	$(186,713)

Nonperforming loans totaled $3,429,570 and $2,073,873 at December 31, 1995 and 1994, respectively. These loans represented .67% and .45% of average loans for 1995 and 1994. The allowance for loan losses to nonperforming loans was 257.0% and 394.6% for the two years. The increase in nonperforming loans for 1995 is due to an increase in loans over 90 days past due compared to 1994. The increase is due to loan growth and various economic conditions affecting loan payoffs. Loans that are considered to be nonperforming are closely monitored by management and the Loss Management Committee. The decrease in 1994 in nonperforming loans is attributable to an improvement in credit quality and management's commitment to monitor loan performance.

Real estate acquired through the satisfaction of loan indebtedness is recorded at the lower of cost or fair market value based on appraised value, less estimated selling cost at date acquired. Any deficiency between the loan balance and the purchase price of the property is charged to the allowance for loan losses. Subsequent sales of the property may result in gains or losses to the Company.

Restructured loans are those for which concessions have been granted to the borrower due to a deterioration of the borrower's financial condition. Such concessions may include a reduction in interest rates, or a deferral of interest or principal payments.

Loans that had been restructured due to cash flow requirements totaled $243,230 and $259,945 at December 31, 1995 and 1994, respectively. The Company's loan review staff monitors the performance of these loans.

Interest Rate Risk

The Company has an Asset/Liability Committee which is duly authorized by the Board of Directors to monitor the position of the Company and to make decisions relating to that process. The Asset/Liability Committee's goal is to maximize net interest income while providing the Company with an acceptable level of market risk due to changes in interest rates.

Rate sensitivity analysis is performed on a monthly basis and shows the Company's gap position. A positive gap exists when more rate-sensitive assets are repriced than rate-sensitive liabilities within a defined period. A negative gap exists when more rate-sensitive liabilities are repriced than rate-sensitive assets within a defined period. The mismatches between rate-sensitive assets and rate-sensitive liabilities are evaluated and segregated into monthly, quarterly, annually, two years, three years, and five years and over pools. The Asset/Liability Committee's target is to have a cumulative gap position at the six month period of less than a positive 5%, and greater than a negative 30%.

According to the schedule on page 37, the Company will reprice approximately $102,113,000 more rate-sensitive liabilities than assets during the first six months of 1996, resulting in a negative gap of 12.15%. At December 31, 1996, the Company will have repriced approximately $100,617,000 more of rate-sensitive liabilities than rate-sensitive assets. This results in a cumulative one-year negative gap of 11.97%.

The securities portfolio is one of the primary sources for positioning the Company's interest rate risk exposure. The interest rate forecast coupled with the economic forecast provides tools for management in making decisions about future short- and long-term interest rates. From this information, decisions will be made whether to invest short or long term. Consideration is also given to liquidity needs before long-term investments are made. In addition to evaluating the gap position, the Company performs interest rate shocks on its securities portfolio to evaluate the effect of positive or negative changes in interest rates. Rate shocks were performed at year end from -4% to +4%. The effect of the interest rate shock was evaluated by management in order to determine the future investment strategy of the Company.

Liquidity Risk

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

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

Approximately 92% of the Company's deposits are composed of accounts with balances less than $100,000. When evaluating the movement of these funds, even during large interest rate changes, it is apparent that the Company continues to attract deposits that can be used to meet cash flow needs. Other sources available for meeting the Company's liquidity needs include 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 to meet liquidity needs..

Repayments and maturities of loans provide a substantial source of liquidity. The Company has approximately 73% of loans maturing within the next twelve months.

Capital Resources

Total shareholders' equity of the Company was $84,960,420 and $73,733,881 at December 31, 1995 and 1994, respectively. Shareholders' equity grew 15.2% during 1995 and 3.2% during 1994. The growth in capital for both years was attributable to earnings less dividends declared. In addition, the effect of SFAS No. 115 increased capital by $4,699,027 in 1995 compared to 1994 and reduced capital at December 31, 1994, by $3,529,765. Shareholders' equity as a percentage of assets was 10.1% and 9.4% at December 31, 1995 and 1994, respectively.

The Federal Reserve Board, the FDIC, and the OCC have issued guidelines for governing the levels of capital that banks are to maintain. Those guidelines specify capital tiers which include the following classification:

Capital Tiers	Tier 1 Risk-Based Capital	Total Risk-Based Capital	Leverage Ratio
Well capitalized	6% or above	10% or above	5% or above
Adequately capitalized	4% or above	8% or above	4% or above
Undercapitalized	Less than 4%	Less than 8%	Less than 4%
Significantly undercapitalized	Less than 3%	Less than 6%	Less than 3%
Critically undercapitalized ..	2% or less		

The Company met the guidelines for a well capitalized bank for both 1995 and 1994. At December 31, 1995, the total Tier 1 and total risk-based capital was $78.6 million and $85.2 million, respectively. Risk-weighted assets were $528.0 and $481.3 million at December 31, 1995 and 1994, respectively. Tier 1 and total risk-based capital at December 31, 1994, were $71.6 million and $77.6 million, respectively.

	1995	1994
Shareholders' equity	10.09%	9.37%
Tier 1 leverage	9.67%	9.22%
Risk-based capital ratios		
Tier 1	14.87%	14.86%
Total	16.14%	16.12%

Cash dividends have increased each year since 1990. (See selected financial information for the previous five years.) Book value per share was $32.62 and $28.31 at December 31, 1995 and 1994, respectively. Management places significant emphasis on internal growth of capital. The increase in capital for both years, excluding the effects of SFAS No. 115, was internally generated due to a retention of earnings of 71.0% during 1995 and 1994, respectively.

Results of Operations

Net income for the Company was $9,203,910, $8,208,920, and $7,735,292 for 1995, 1994, and 1993, respectively. Net income increased $994,990, or 12.1%, over 1994. Earnings for 1994 were up $473,628, or 6.1%, from the 1993 earnings. Earnings per share was $3.53, $3.15, and $2.97 for 1995, 1994, and 1993, respectively.

Return on average assets for 1995, 1994, and 1993 was 1.13%, 1.05%, and 1.07%, respectively. The improvement in earnings for 1995 over the prior two years was due to several factors, including an increase in net interest margin, an increase of 10% in noninterest income over 1994 which included the reversal of a lender liability lawsuit judgment of approximately $575,000 rendered against the Bank in 1991, coupled with an increase of 3% in noninterest expenses, excluding income taxes. The improvement in earnings for 1994 over 1993 was largely attributable to improvement in loan quality. The increase in 1993 earnings compared to 1992 is attributable to improvement in loan quality and the cumulative effect of adopting changes in method of accounting for income taxes and postretirement benefits other than pensions.

Net interest income is the largest component of net income for the Company. It is an effective measurement of how well management has balanced the interest sensitive assets and liabilities and is the difference between the interest earned on earning assets and the cost paid on interest bearing liabilities. Net interest income was $37,387,716, $34,179,372, and $31,476,070, for 1995, 1994, and 1993, respectively. This increase over the three-year period was the result of management's ability to maximize earnings through changes in interest rates and increased volume in earnings assets.

Loan interest income was $49,138,054 and $39,913,585 for the years ended December 31, 1995 and 1994, respectively. The increase in 1995 was due to growth and repricing of loans which increased the yield from 8.61% to 9.58%.

Loan interest income was $39,913,585 for 1994, up $4,168,243 or 11.7% from the prior year. The increase in interest was the result of repricing loans during a period of rising interest rates during 1994 in which the prime rate rose to 8.5% at December 31, 1994. The average balance of loans for 1994 was greater than 1993. The yield increased 14 basis points from 8.47% in 1993 to 8.61%. Economic conditions continued to improve in the market area of the Company.

Loan interest income for 1993 totaling $35,745,342 was down from 1992 by $2,448,584 or 6.4%. The prime interest rate during 1993 was 6%. The decrease in loan interest income for 1993 is due to a decrease in the yield of 85 basis points from 1992.

Interest income from securities was $12,862,058, $12,647,530, and $12,075,535, for 1995, 1994, and 1993, respectively. Interest income for 1995 increased 1.7% even though the average balance decreased $20.9 million from 1994. The decrease in average balance and increase in yield was due to managementOs strategy to sell lower yielding securities and invest in securities yielding a higher rate. The tax equivalent yield on securities for 1995 was 89 basis points higher than 1994, due in part to management's decision to sell these securities.

The increase in income for 1994 was attributable to an increase in the average balances of securities of approximately $24.0 million. The tax equivalent yield dropped from 6.27% in 1993 to 5.95% in 1994.

In 1993 earnings from investment securities dropped due to a decrease in the yield from 7.18% on a tax equivalent basis to 6.27%. The average balance of those securities increased approximately $22.8 million over 1992.

The tax equivalent yield on average earning assets was 8.70%, 7.64%, and 7.59%, for 1995, 1994, and 1993, respectively.

Rate Sensitivity Balance Sheet December 31, 1995

(In Thousands)	1st Qtr 1996	2nd Qtr 1996	3rd and 4th Qtr 1996	1-3 Years 1997-1998	3-5 Years 1999-2000	5 Years and over	Total
Assets:							
Securities							
U.S. Government and Agency Securities	$	$ 10,301	$ 10,580	$ 64,340	$ 1,168	$13,453	$ 99,842
Other Securities	8,754	2,374	7,305	35,958	7,509	4,788	66,688
Obligations of States and Political Subdivisions ..	488	1,060	1,670	6,565	6,151	33,429	49,363
Loans							
Fixed	84,955	55,588	80,757	110,490	21,852	9,278	362,920
Variable	135,161	5,350	15,202	155			155,868
Federal Funds Sold	17,000						17,000
Interest-Bearing Balances with Banks	8,814						8,814
Other Assets						80,035	80,035
Total Assets	$ 255,172	$ 74,673	$115,514	$217,508	$ 36,680	$140,983	$ 840,530
Liabilities:							
Demand Deposit Accounts	$	$	$	$	$	$116,895	$ 116,895
Interest Bearing DDA	139,570						139,570
Savings and Money Market Accounts	103,805						103,805
Certificates of Deposit (< $100,000)	82,410	46,735	85,096	42,213	6,743	95	263,292
Time Deposits (> $100,000)	24,897	17,674	18,642	10,363	1,516		73,092
Individual Retirement Accounts(<$100,000)	7,741	6,344	9,887	15,335	3,247	337	42,891
Other Borrowed Funds	2,590	192	393	1,677	1,862		6,714
Other Liabilities						10,480	10,480
Realized Equity						83,791	83,791
Total Liabilities and Equity	$ 361,013	$ 70,945	$114,018	$ 69,588	$ 13,368	$211,598	$ 840,530
GAP	$(105,841)	$ 3,728	$ 1,496	$147,920	$ 23,312	$(70,615)	
GAP / Total Assets	(12.59%)	.44%	.18%	17.60%	2.77%	(8.40%)	
Cumulative GAP	(105,841)	(102,113)	(100,617)	47,303	70,615		
Cumulative GAP / Total Assets	(12.59%)	(8.40%)	(11.97%)	5.63%	8.40%		

This analysis excludes the impact of SFAS No. 115 which resulted in an unrealized gain on securities available-for-sale of $1.851 million, a deferred tax liability of $.682 million, and an increase in equity of $1.169 million.

The major source of funds for the Company is deposits. Deposits represented 87.9%, 88.5%, and 88.7% of the total assets at December 31, 1995, 1994, and 1993, respectively. Interest-bearing accounts funded 74.0%, 73.4%, and 75.2% of the assets for those three years. The cost of funds is reflected in interest expense.

Interest expense was $25,621,205, $18,890,081, and $16,963,155 for the three-year period. The increase in interest expense for 1995 is due to an increase in the average balance of interest-bearing deposits of approximately $24.0 million and an increase in the interest cost of 99 basis points. The cost of interest-bearing liabilities increased from 3.05% in 1993 to 3.21% in 1994. The most significant reduction in interest expense occurred between 1993 and 1992. The cost of interest-bearing liabilities dropped 84 basis points.

The net interest margin reflects the portion of the yield on earning assets that remains after the accrual of all interest expense. Net interest margin was 5.27% on a tax equivalent basis for 1995, comparable to 4.99% for 1994. The net interest margin was 5.0% for 1993. The increase in the net interest margin for 1995 is due to managementOs repricing strategy and changes in product mix.

The provision for loan losses was $2,826,647 for 1995, up from $2,001,010 for 1994 or 41%. The increase in the provision is the result of management's efforts to obtain an allowance for loan losses to net loans ratio of 1.75%. At December 31, 1995 and 1994, the allowance for loan losses to net loans was 1.70% and 1.64%, respectively. During 1995, the FDIC premium refund of approximately $426,000 was used to increase the provision for loan losses. None of this refund was added to net income for 1995.

The provision for 1994 decreased $864,520 from the 1993 provision of $2,865,530, while the 1993 provision decreased $1,535,471 from 1992. The reduction in 1994 and 1993 was due to an improvement in the quality of the loan portfolio over the applicable prior year.

Noninterest income totaled $10,571,115, $9,698,418, and $9,353,490 for the years ended December 31, 1995, 1994, and 1993, respectively. This represented 28.3%, 28.4%, and 29.7% of net interest income for the applicable year. Included in noninterest income are service charges on deposit accounts, fees and commissions, trust department revenue, securities gains and losses, trading securities gains and losses, and other income.

Service charges were up $407,795, or 7.1%, in 1995 compared to 1994. This increase is due to deposit growth for 1995. Service charges on deposit accounts were up $669,417, or 13.1%, in 1994 from 1993. This increase is attributable to the acquisition of three branches from Security Federal, the merger with New South and the introduction of new products. Service charges for 1993 increased $427,084 over 1992 due to the acquisition of branches from Sunburst Corporation.

Fees and commissions were $1,215,810, $1,265,031, and $1,256,543, for 1995, 1994, and 1993, respectively. Fees have remained stable over the years presented.

Securities losses totaled $507,344 for 1995 compared to gains in 1994 and 1993 of $2,701 and $524,622, respectively. The losses in securities for 1995 were due to restructuring the portfolio, enabling the Company to reinvest funds to achieve greater yields for 1995 and beyond.

Other income was $3,089,856, $2,100,036, and $1,846,539, for 1995, 1994, and 1993. The increase in other income for 1995 compared to 1994 is due to a gain on the sale of mortgage loans of approximately $585,000, as well as the reversal of a lender liability lawsuit judgment of approximately $575,000. Other income was up for 1994 and 1993 due to the acquisition and gains on the sale of mortgage loans.

Noninterest expenses include salaries and employee benefits, net occupancy, equipment, income taxes, and other. The total for these expenses for 1995, 1994, and 1993 were $35,928,274, $33,667,860, and $30,751,256, respectively. Noninterest expenses for 1995 were up 6.7%. In 1994 and 1993 expenses were up 9.5% and 10.2%, respectively.

Salaries and benefits, representing a major portion of the Company's operating expenses, have increased approximately 8.7% and 9.2% during 1995 and 1994, respectively. Management monitors these costs through the implementation of a performance evaluation system. Jobs are graded according to levels of difficulty using a point system which provides for salary adjustments through specified ranges. Employee performance, in relation to goal achievement, is a major factor contributing to the employee's salary increase. The increase is due to merit increases of approximately 4.5% and 4.2% in 1995 and 1994, respectively, and increases in additional staffing due to acquisitions. Included in salaries is an incentive plan adopted by the Board of Directors. The cash incentive for 1995, 1994, and 1993 was $685,912, $158,111, and $335,615, respectively, which also increased salaries and benefits in 1995.

Net occupancy expense includes charges for repairs, janitorial, depreciation, rental, and other expenses related to occupancy. Expenses for 1995, 1994, and 1993 were $2,178,314, $2,150,588, and $1,993,189, respectively. Net occupancy expenses have remained stable over the three-year period.

Equipment expenses include computer equipment rental, repairs, and depreciation. These expenses totaled $1,460,488, $1,149,827, and $1,047,365 for 1995, 1994, and 1993, respectively. The increase in 1995 is due to expenses incurred in completing the Technology Center.

Other expenses for 1995, 1994, and 1993 were $10,303,357, $11,128,930, and $9,419,781, respectively. The decrease in 1995 is mainly due to a reduction in the third quarter of the FDIC premium from $.23 to $.04 per $100 of deposits. This significant reduction is afforded only to those banks that are considered to be well capitalized as defined through regulation. The increase in other expenses for 1994 was due to losses sustained by the Company in liquidating certain parcels of other real estate held. The increase in 1993 was due to expenses incurred to make the acquisition of branches.

Income tax expense for 1995, 1994, and 1993 was $3,930,797, $2,620,904, and $3,066,504. The increase in income taxes for 1995 is due to increased profits and the Company paying state of Mississippi taxes after a net operating loss carryforward was depleted in the first quarter of 1995. The effective tax rate was approximately 5% for state income taxes. Effective tax rates were 29.9%, 24.2%, and 29.8%. Note K of the Notes to Consolidated Financial Statements provides further details of the provision for income taxes.

The Company adopted SFAS No. 109 and SFAS No. 106 during 1993 resulting in an increase to earnings after taxes of $522,518. Refer to Note A regarding new accounting statements adopted by the Company in 1993.

Impact of Inflation and Changing Prices

The majority of assets and liabilities of a financial institution are monetary in nature and therefore differ greatly from most commercial and industrial companies that have significant investments in fixed assets and inventories. Management believes the most significant impact on financial results stems from the Company's ability to react to changes in interest rates. Therefore, management is constantly monitoring the Company's rate sensitivity.

SEC Form 10-K

A copy of the annual report on Form 10-K, as filed with the Securities and Exchange Commission, may be obtained without charge by directing a written request to: Wayne Conwill, Vice President, The Peoples Holding Company, P. O. Box 709, Tupelo, MS 38802-0709.

Three Year Statistical Summary

	Income Or Expense	1995 Average Balance Sheet Amounts	Yields/Rates
Earning assets:			
Loans, net of unearned income:			
Commercial	$ 22,011,507	$235,276,614	9.36%
Consumer	18,801,477	193,146,649	9.73%
Other loans	8,325,070	85,246,811	9.83% TE
Total Loans, Net	49,138,054	513,670,074	9.58% TE
Other	1,008,809	17,189,987	5.87%
Taxable investment and trading securities:			
U.S. Government securities	4,922,559	90,215,062	5.74% TE
U.S. Government agencies	1,369,710	19,808,620	7.01% TE
Mortgage-backed securities	3,547,259	53,937,225	6.58%
Other securities	258,193	3,384,496	8.63% TE
Total Taxable Investment and Trading Securities	10,097,721	167,345,403	6.22% TE
Tax-exempt securities:			
Obligations of states and political subdivisions	2,764,337	47,382,789	9.03% TE
Total Investment and Trading Securities	12,862,058	214,728,192	6.84% TE
Total Earning Assets	63,008,921	745,588,253	8.70% TE
Cash and due from banks		42,604,018	
Other assets, less allowance for loan losses		29,741,159	
Total Assets		$817,933,430	
Interest-bearing liabilities:			
Interest-bearing demand deposit accounts	3,815,049	$140,218,166	2.72%
Savings accounts	2,434,008	99,392,823	2.45%
Time deposits	18,985,384	365,213,540	5.20%
Total Interest-Bearing Deposits	25,234,441	604,824,529	4.17%
Total Other Interest-Bearing Liabilities	386,764	6,881,101	5.62%
Total Interest-Bearing Liabilities	25,621,205	611,705,630	4.19%
Noninterest-bearing sources:			
Noninterest-bearing deposits		115,846,458	
Other liabilities		9,977,481	
Shareholders' equity		80,403,861	
Total Liabilities and Shareholders' Equity		$817,933,430	
Net interest income/net interest margin	$ 37,387,716		5.27%TE

TE - Ratios have been calculated on a tax equivalent basis

	Income Or Expense	1994 Average Balance Sheet Amounts	Yields/Rates
Earning assets:			
Loans, net of unearned income:			
Commercial	$ 17,683,325	$218,147,929	8.11%
Consumer	14,289,174	155,593,089	9.18%
Other loans	7,941,086	89,853,726	8.84%
Total Loans, Net	39,913,585	463,594,744	8.61%
Other	508,338	13,363,563	3.80%
Taxable investment and trading securities:			
U.S. Government securities	6,200,816	124,081,994	5.00%
U.S. Government agencies	885,201	12,768,507	6.93%
Mortgage-backed securities	2,828,152	51,220,241	5.52%
Other securities	174,155	3,862,621	5.90%TE
Total Taxable Investment and Trading Securities	10,088,324	191,933,363	5.36%TE
Tax-exempt securities:			
Obligations of states and political subdivisions	2,559,206	43,702,000	8.87%TE
Total Investment and Trading Securities	12,647,530	235,635,363	5.95%TE
Total Earning Assets	53,069,453	712,593,670	7.64%
Cash and due from banks		43,446,045	
Other assets, less allowance for loan losses		25,604,012	
Total Assets		$781,643,727	
Interest-bearing liabilities:			
Interest-bearing demand deposit accounts	3,697,980	$161,066,313	2.30%
Savings accounts	2,403,042	106,033,460	2.27%
Time deposits	12,386,018	313,749,274	3.95%
Total Interest-Bearing Deposits	18,487,040	580,849,047	3.18%
Total Other Interest-Bearing Liabilities	403,041	8,342,756	4.83%
Total Interest-Bearing Liabilities	18,890,081	589,191,793	3.21%
Noninterest-bearing sources:			
Noninterest-bearing deposits		111,663,641	
Other liabilities		7,746,773	
Shareholders' equity		73,041,520	
Total Liabilities and Shareholders' Equity		$781,643,727	
Net interest income/net interest margin	$ 34,179,372		4.99%TE

TE - Ratios have been calculated on a tax equivalent basis

	Income Or Expense	1993 Average Balance Sheet Amounts	Yields/Rates
Earning assets:			
Loans, net of unearned income:			
Commercial	$ 17,357,030	$221,681,068	7.83%
Consumer	12,326,579	126,679,135	9.73%
Other loans	6,061,733	73,681,123	8.23%
Total Loans, Net	35,745,342	422,041,326	8.47%
Other	618,348	19,991,545	3.09%
Taxable investment and trading securities:			
U.S. Government securities	5,271,348	100,152,565	5.26%
U.S. Government agencies	906,769	12,425,571	7.30%
Mortgage-backed securities	3,509,565	61,223,623	5.73%
Other securitie	145,057	2,762,231	6.60%TE
Total Taxable Investment and Trading Securities	9,832,739	176,563,990	5.59%TE
Tax-exempt securities:			
Obligations of states and political subdivisions	2,242,796	35,026,031	9.70%TE
Total Investment and Trading Securities	12,075,535	211,590,021	6.27%TE
Total Earning Assets	48,439,225	653,622,892	7.59%TE
Cash and due from banks		42,633,082	
Other assets, less allowance for loan losses		26,440,043	
Total Assets		$722,696,017	
Interest-bearing liabilities:			
Interest-bearing demand deposit accounts	3,832,758	$170,331,137	2.25%
Savings accounts	2,616,800	91,569,907	2.86%
Time deposits	10,386,896	290,040,324	3.58%
Total Interest-Bearing Deposits	16,836,454	551,941,368	3.05%
Total Other Interest-Bearing Liabilities	126,701	4,097,013	3.09%
Total Interest-Bearing Liabilities	16,963,155	556,038,381	3.05%
Noninterest-bearing sources:			
Noninterest-bearing deposits		90,185,490	
Other liabilities		7,667,384	
Shareholders' equity		68,804,762	
Total Liabilities and Shareholders' Equity		$722,696,017	
Net interest income/net interest margin	$ 31,476,070		5.00%TE

TE - Ratios have been calculated on a tax equivalent basis

EXHIBIT 23

THE PEOPLES HOLDING COMPANY

CONSENT OF INDEPENDENT AUDITORS

We consent to the incoporation by reference in this Annual Report (Form 10-K) of The Peoples Holding Company of our report dated January 17, 1996, included in the 1995 Annual Report to Shareholders of The Peoples Holding Company.

We also consent to the incorporation by reference in the Registration Statement (Form S-3 No. 33-20108) of our report dated January 17, 1996, with respect to the consolidated financial statements of The Peoples Holding Company incorporated herein by reference.

/s/ Ernst & Young LLP

Memphis, Tennessee
March 28, 1996

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