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

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

For the quarterly period ended June 30, 2002
Commission File Number 1-13253

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

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

209 Troy Street, P. O. Box 709, Tupelo, Mississippi 38802-0709
(Address of principal executive offices)

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

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

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

Common stock, $5 Par Value, 5,590,474 shares outstanding
as of August 12, 2002

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

	JUNE 30 2002 (Unaudited)	DECEMBER 31 2001 (Note 1)
Assets		
Cash and due from banks	$ 49,569	$ 41,475
Federal funds sold		7,000
Interest-bearing balances with banks	3,073	22,937
Cash and cash equivalents	52,642	71,412
Securities available-for-sale	344,752	277,293
Loans, net of unearned income	835,789	827,696
Allowance for loan losses	(11,658)	(11,354)
Net loans	824,131	816,342
Premises and equipment, net	28,844	28,346
Other assets	60,556	61,334
Total assets	$ 1,310,925	$ 1,254,727
Liabilities		
Deposits:		
Noninterest-bearing	$ 150,512	$ 145,690
Interest-bearing	956,281	917,365
Total deposits	1,106,793	1,063,055
Treasury tax and loan note account	8,643	6,181
Advances from the Federal Home Loan Bank	50,773	41,145
Other liabilities	17,999	20,764
Total liabilities	1,184,208	1,131,145
Shareholders' equity		
Common Stock, $5 par value - 15,000,000 shares authorized, 6,212,284 shares issued; 5,606,874 and 5,704,680 shares outstanding at June 30, 2002 and December 31, 2001, respectively	31,061	31,061
Treasury stock, at cost	(16,272)	(12,856)
Additional paid-in capital	39,856	39,850
Retained earnings	67,777	63,391
Accumulated other comprehensive income	4,295	2,136
Total shareholders' equity	126,717	123,582
Total liabilities and shareholders' equity	$ 1,310,925	$ 1,254,727

See Notes to Condensed Consolidated Financial Statements

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

	SIX MONTHS ENDED JUNE 30 2002	SIX MONTHS ENDED JUNE 30 2001	THREE MONTHS ENDED JUNE 30 2002	THREE MONTHS ENDED JUNE 30 2001
	(Unaudited)		(Unaudited)	
Interest income				
Loans	$ 30,664	$ 36,146	$ 15,347	$ 17,966
Securities:				
Taxable	6,641	6,350	3,588	3,233
Tax-exempt	1,992	2,013	1,011	998
Other	203	586	25	225
Total interest income	39,500	45,095	19,971	22,422
Interest expense				
Deposits	12,627	21,728	6,123	10,508
Borrowings	1,183	731	597	360
Total interest expense	13,810	22,459	6,720	10,868
Net interest income	25,690	22,636	13,251	11,554
Provision for loan losses	2,200	2,250	1,075	1,125
Net interest income after provision for loan losses	23,490	20,386	12,176	10,429
Noninterest income				
Service charges on deposit accounts	6,000	5,608	3,064	2,816
Fees and commissions	4,275	3,453	2,226	1,665
Trust revenue	462	530	231	265
Securities gains	8	45	8	2
Other	2,514	1,940	1,121	1,098
Total noninterest income	13,259	11,576	6,650	5,846
Noninterest expense				
Salaries and employee benefits	14,319	12,423	7,390	6,346
Data processing	1,881	1,727	959	869
Net occupancy	1,584	1,605	777	777
Equipment	1,594	1,462	790	733
Other	5,446	5,213	2,610	2,650
Total noninterest expense	24,824	22,430	12,526	11,375
Income before taxes and cumulative effect of accounting change	11,925	9,532	6,300	4,900
Income taxes	3,371	2,643	1,811	1,313
Income before cumulative effect of accounting change	8,554	6,889	4,489	3,587
Cumulative effect of accounting change	(1,300)			
Net income	$ 7,254	$ 6,889	$ 4,489	$ 3,587
Basic and diluted earnings per share:				
Income before cumulative effect of accounting change	$ 1.52	$ 1.15	$ 0.80	$ 0.60
Cumulative effect of accounting change	(0.23)			
Net income	$ 1.29	$ 1.15	$ 0.80	$ 0.60
Weighted average shares outstanding	5,635,854	5,992,167	5,614,265	5,935,987
Weighted average shares outstanding - diluted	5,641,245	5,992,167	5,622,047	5,935,987

See Notes to Condensed Consolidated Financial Statements

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

	SIX MONTHS ENDED JUNE 30 2002	2001
	(Unaudited)	
Operating activities		
Net cash provided (used) by operating activities	$ 10,003	$ (8,567)
Investing activities		
Purchases of securities available-for-sale	(124,737)	(50,854)
Proceeds from sales of securities available-for-sale	24,022	7,004
Proceeds from calls/maturities of securities available-for-sale	36,255	42,974
Net increase in loans	(11,922)	(7,171)
Proceeds from sales of premises and equipment	124	16
Purchases of premises and equipment	(2,059)	(934)
Net cash used in investing activities	(78,317)	(8,965)
Financing activities		
Net increase in noninterest-bearing deposits	4,822	16,982
Net increase in interest-bearing deposits	38,916	4,268
Net increase in short-term borrowings	2,462	5,323
Proceeds from other borrowings	16,248	1,000
Repayments of other borrowings	(6,620)	(976)
Acquisition of treasury stock	(3,416)	(5,879)
Cash dividends paid	(2,868)	(2,782)
Net cash provided by financing activities	49,544	17,936
(Decrease) increase in cash and cash equivalents	(18,770)	404
Cash and cash equivalents at beginning of period	71,412	56,817
Cash and cash equivalents at end of period	$ 52,642	$ 57,221
Supplemental disclosures:		
Non-cash transactions:		
Transfer of loans to other real estate	$ 1,933	$ 1,167

See Notes to Condensed Consolidated Financial Statements

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

Note 1 Basis of Presentation

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

For further information, refer to the consolidated financial statements and footnotes thereto included in The Peoples Holding Company and Subsidiary's (collectively, the Company) annual report on Form 10-K for the year ended December 31, 2001.

Note 2 Other Accounting Pronouncements

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

	As of June 30, 2002	
	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:		
Core deposit intangible assets ..	$ 507	$ (342)
Other intangible assets	3,282	(1,886)
Total	$ 3,789	$ (2,228)
Unamortized goodwill	$ 7,190	$ (2,142)

Note 2 Other Accounting Pronouncements (continued)

Aggregate amortization expense:	
For the period ended June 30, 2002	$ 247

Estimated amortization expense in future years:	
For the year ended December 31, 2002	$ 493
For the year ended December 31, 2003	493
For the year ended December 31, 2004	423
For the year ended December 31, 2005	399
For the year ended December 31, 2006	0

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

	Goodwill	Other Intangibles
Balance as of January 1, 2002	$ 6,348	$ 1,808
Impairment losses	(1,300)	
Amortization expense		(247)
Balance as of June 30, 2002	$ 5,048	$ 1,561

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

	Six Months Ended June 30, 2002	Three Months Ended June 30, 2002	Year Ended December 31, 2001	Six Months Ended June 30, 2001	Three Months Ended June 30, 2001
Reported net income	$ 7,254	$ 4,489	$ 14,587	$ 6,889	$ 3,587
Goodwill amortization, net of tax ...			407	204	102
Transitional impairment	1,300				
Adjusted net income	$ 8,554	$ 4,489	$ 14,994	$ 7,093	$ 3,689
Basic and diluted earnings per share:					
Reported net income	$ 1.29	$ 0.80	$ 2.48	$ 1.15	$ 0.60
Goodwill amortization, net of tax ...			0.07	0.03	0.02
Transitional impairment	0.23				
Adjusted net income	$ 1.52	$ 0.80	$ 2.55	$ 1.18	$ 0.62

Note 3 Comprehensive Income

For the six month periods ended June 30, 2002 and 2001, total comprehensive income was $9,413 and $9,688, respectively. For the quarters ended June 30, 2002 and 2001, total comprehensive income amount to $7,701 and $3,865, respectively Total comprehensive income consists of net income and the change in the unrealized gain (loss) on securities available for sale.

(in thousands, except share data)

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

Financial Condition

Total assets of The Peoples Holding Company increased from $1,254,727 on December 31, 2001, to $1,310,925 on June 30, 2002, or 4.48% for the six month period. Most of the growth in assets occurred in the investment portfolio, which increased from $277,293 on December 31, 2001, to $344,752 on June 30, 2002. Federal funds sold and interest bearing bank balances decreased $26,864 from the beginning of the year as funds were shifted to the investment portfolio. For the second quarter of 2002, security purchases, which included both mortgage-backed securities and municipal securities, were $26,608, down from $98,129 in the first quarter. The majority (74%) of the purchases continue to be in the mortgage-back sector because of the cash flow provided by the principal and interest payback each month. This cash flow provides a higher reinvestment opportunity that will be advantageous as rates begin to rise.

Last year, we changed our investment policy, eliminating the minimum requirement of 18% of the portfolio being invested in Treasury securities. We have steadily replaced investments in Treasury securities since that time with investments in other sectors in order to enhance yield. Treasury security balances have decreased approximately $9,000 since December 31, 2001, and approximately $28,200 since June 30, 2001.

Loan balances have increased $8,093, from $827,696 at December 31, 2001, to $835,789 at June 30, 2002. Loan demand began to improve at the end of the first quarter. A strategic decision to curtail our sales finance division in July, 2000 continues to impact loan volume. At the time of the curtailment, the balance was approximately $32 million and has since decreased to approximately $10 million. The purpose of the decision was twofold - to reduce risk and to enhance yield. The sales finance balance decreased approximately $5,000 from December 31, 2001.

The majority of our loan growth in the second quarter was in real estate loans. Our loan portfolio continues to be heavily weighted in real estate loans, with approximately 69% of the portfolio in that type. We have experienced declines in retail installment loans and in commercial, financial and agricultural loans. In addition, mortgage loans held for resale are down approximately $7,200 due to a decline in origination volume toward the end of the first quarter. The fact that mortgage interest rates were higher the entire second quarter of 2002 was a significant factor in the volume decline. The average loan to deposit ratios were 74.76% and 76.68% at June 30, 2002, and December 31, 2001, respectively.

While we are committed to increasing loan volume and recognize that doing so is imperative in order to become a top-performing bank, we are not willing to compromise credit quality in that endeavor. We recognize that the sluggish economy is impacting our ability to expand loan volume at present, however, we are taking action to improve loan volume now. During the second quarter a seasoned commercial lender was assigned to franchise managers to assist in attracting and pricing high dollar commercial business. This has added approximately $6,000 in new loans for various franchises during the second quarter. A second regional commercial lender was added at the end of June.

Total deposits for the first six months of 2002 increased from $1,063,055 on December 31, 2001, to $1,106,793 on June 30, 2002, or an increase of 4.11%. The majority of our growth has been in interest bearing demand accounts (57%). The Bank has also experienced accelerated growth in time deposits (34%), primarily from public funds, during the second quarter. The Bank is benefitting from a lower percentage of time deposits to total deposits (on average) this year. The ratios were 51.18% and 54.48% for June 30, 2002 and December 31, 2001, respectively. In addition, 11% of the increase in deposits from year end is attributable to noninterest bearing demand deposit accounts. Our average noninterest bearing demand deposit accounts as a percent of total average deposits have increased from 13.53% at December 31, 2001 to 13.87% at June 30, 2002.

Other borrowed funds have increased $12,090 from year end. Approximately $9,628 of the increase was due to additional funds borrowed from the Federal Home Loan Bank (FHLB). We minimize rate risk by funding loans with FHLB borrowings having similar terms, locking in fixed rates based on a spread over the FHLB note rates.

The equity capital to total assets ratios were 9.67% and 9.85% at June 30, 2002, and December 31, 2001, respectively. Capital increased $3,135, or 2.54%, from December 31, 2001, to June 30, 2002. There were a number of factors contributing to the increase in capital. Normal transactions such as net income and unrealized portfolio gains contributed to the increase in capital, offset by dividends and the purchase of treasury stock. The increase in the unrealized gains on the investment portfolio was due primarily to market conditions. Cash dividends declared were $.25 per share in the first quarter and $.26 per share in the second quarter of 2002. We continued to purchase treasury stock, purchasing 97,806 shares at an average cost of $34.87 per share over the six month period ending June 30, 2002.

Results of Operations

Our core operating income for the six month period ended June 30, 2002, was $8,554. This represented an increase of $1,461, or 20.60% over comparable net income for the six month period ended June 30, 2001. Core operating income excluding goodwill amortization for the six month period ending June 30, 2001 was $7,093. For the three month periods ended June 30, 2002 and 2001, core net income was $4,489 and $3,689, respectively. Core earnings per share for the six month period ended June 30, 2002 were $1.52, an increase of 28.81% from $1.18 for the comparable period a year ago. The increase in core operating income for the three and six month periods ended June 30, 2002, compared to the same period of 2001 resulted from usual and customary deposit gathering and lending operations and increases in noninterest income for sales of other products such as insurance, mutual funds and annuities. The annualized core return on average assets on the same basis for the three month periods ending June 30, 2002 and 2001, was 1.37% and 1.16%, respectively and for the six month periods ending June 30, 2002 and 2001 was 1.29% and 1.14%, respectively. Core operating income is defined as income before the effect of the change in accounting principle and excluding goodwill amortization.

Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of our net income. The primary concerns in managing net interest income are the mix and the repricing of rate-sensitive assets and liabilities. We have maintained steady growth in our asset base. Net interest income has improved due in part to a shift from time deposits to other interest bearing deposits. Total deposits have grown 3.65% over June 30, 2001. Time deposits, the highest cost funding source, represented approximately 55% of total average deposits for the six month period ended June 30, 2001, compared to approximately 51% for the same period during 2002.

Net interest income for the six month periods ending June 30, 2002 and 2001 was $25,690 and $22,636, respectively, while earning assets for the same periods averaged $1,172,963 and $1,119,622, respectively. The bank's repricing position was favorable under the falling rate environment in which we have been operating. The Federal Reserve Bank lowered rates five times during the last twelve months. This, combined with our repricing strategy and mix change in both assets and liabilities, increased net interest margin.

	Quarter ending June 30, 2002	Year ending December 31, 2001	Quarter ending June 30, 2001
Net interest margin	4.75%	4.54%	4.43%

The provision for loan losses charged to operating expense is an amount which, in the judgement of management, is necessary to maintain the allowance for loan losses at a level that is adequate to meet the inherent risks of losses on our current portfolio of loans. The appropriate level of the allowance is based on a quarterly analysis of the loan portfolio including consideration of such factors as the risk rating of individual credits, size and diversity of the portfolio, economic conditions, prior loss experience, and the results of periodic credit reviews by internal loan review and regulators. The loan loss provision totaled $2,200 and $2,250, respectively for each of the six month periods ending June 30, 2002 and 2001. The tables below present pertinent data and ratios.

Loans and Credit Quality

	Loans* June 30		Nonperforming Loans June 30		Net Charge-offs Six Months Ended June 30	
	2002	2001	2002	2001	2002	2001
Commercial, financial, agricultural ...	$152,321	$159,469	$ 563	$ 601	$ 463	$ 367
Real estate - construction	31,889	27,542	159	117	88	18
Real estate - mortgage	552,541	517,173	2,736	4,518	926	304
Consumer	99,038	116,291	213	715	419	694
	$835,789	$820,475	$ 3,671	$ 5,951	$ 1,896	$ 1,383

* Net of unearned income.

Allowance for Loan Losses

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

Noninterest income, excluding gains from the sales of securities, was $13,251 for the six month period ending June 30, 2002, compared to $11,531 for the same period in 2001, or an increase of 14.92%. Approximately 58% of the increase in noninterest income was attributable to usual and customary loan and deposit services. Income derived from the mortgage loan business continued to be strong for the first six months of 2002. Another significant portion of the increase was due to the income booked as the result of Bank Owned Life Insurance (BOLI) purchased on key management personnel in May, 2001. The additional income derived from BOLI of approximately $512 has been used to offset rising benefits cost, primarily health and life insurance.

We continued to place emphasis on sales of insurance and alternative financial instruments. We implemented an integration in 2001 aimed at improving our cross-selling between the bank and the insurance company. As a result, our insurance commission income increased $193 over that reported in 2001, making up 11% of the total increase in noninterest income. A secondary, yet significant, benefit resulting from the implementation of the insurance integration plan was an improvement in contingency income of $91. Contingency income is a bonus received from the insurance underwriters and is based both on commission income and claims experience on our customers during the previous year.

For the three month periods ended June 30, 2002 and 2001, noninterest income, excluding gains from the sales of securities, was $6,641 and $5,844, respectively. Approximately 67% of this increase was due to customary loan and deposit services. While income derived from the mortgage loan business remained relatively strong during the second quarter of 2002, we did experience a decline in mortgage business from the recent quarters. Mortgage interest rates increased during the second quarter this year, reducing refinancing activity. Higher rates, coupled with current general economic conditions, did little to stimulate new home loan activity. The increase in income derived from the purchase of BOLI is approximately $210, making up 26% of the increase over the second quarter of 2001.

The emphasis placed on the integration of insurance products has significantly enhanced noninterest income. Substantially all of the increase in insurance commissions occurred in the second quarter. Offsetting the commission increase somewhat is a decrease in contingency income for the quarter of $47. While contingency income has increased, we received most of our income during the first quarter this year, compared to an even division between the first and second quarters last year. In addition, income generated from alternative financial products (annuities and mutual funds) was down this quarter, largely attributable to the economy and uncertainties in the market. As discussed above, emphasis is being placed on sales of alternative financial products. During the second quarter, staffing changes were made in our Wealth Management division, which encompasses both trust services and alternative financial products. A new business plan is being implemented, directed toward increasing the number of services per client for our existing client base as well as increasing our affluent client base.

Noninterest expense was $24,824 for the six month period ended June 30, 2002, compared to $22,430 for the same period in 2001, an increase of $2,394, or 10.67%. Core noninterest expense was $24,824 for the six month period ending June 30, 2002 compared to $22,148 for the same period in 2001, an increase of $2,676, or 12.08%. One significant factor for the increase was health and life insurance cost which was approximately 25%, or $674, of the change in core noninterest expense. This increase was due to the rising cost of health care as well as higher claims experienced this year. As noted above, BOLI was purchased to generate revenue to offset the rising cost of benefits and has offset approximately $512 in cost.

Our Company has a performance based reward (PBR) plan which allows for an incentive payment to employees based on improvement in net income over an established baseline. This cost is linked to performance and increases as performance improves. The increase for incentive cost was $585, or 22% of the total increase in core noninterest expenses. Since a significant amount of the improvement in earnings for 2001 occurred in the last half of the year, we recorded 73% of the total incentive cost during the third and fourth quarters.

Other factors contributing to the increase in expense include depreciation, maintenance contract and computer processing costs associated with technological enhancements made during the last year. We installed a teller platform system in 2001, and upgraded our deposit platform system and portions of our loan system, particularly the credit scoring module, this year. In addition, we upgraded data storage to a robotic DVD device which provides near on-line access to data (check images) and purchased software to enhance read rates in item processing. During the fourth quarter of 2002, we will be implementing a new loan platform system. These upgrades have enhanced productivity, reduced losses for the bank, and provided better service for our clients. We have noted improvement in both cash short and fraud/forgery losses as a result of the teller platform and deposit platform systems. All these enhancements improve our position for business continuity should we be faced with disaster. Finally, in recognition of the sophistication of hackers and the damage that can be done by such individuals, information security has been enhanced through software, hardware, and retention of services by experts in that field. It has been, and will continue to be, our practice to seek technological improvements, evaluate the benefit to our company and clients, and to progress with implementation of such if a cost/benefit analysis justifies it. This practice is directly influenced by our vision to be the financial services advisor and provider of choice in the communities we serve.

Although expenses increased, we have improved our efficiency ratio on a GAAP basis. The increase in core noninterest expense, excluding increases in PBR plan cost and health and life insurance cost was 6.40%

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Efficiency ratio	61.28%	62.44%

For the three month periods ending June 30, 2002 and 2001, noninterest expense was $12,526 and $11,375, respectively, an increase of $1,151, or 10.12%. For the three month periods ending June 30, 2002 and 2001, core noninterest expense was $12,526 and $11,234, respectively, an increase of $1,292, or 11.50%. Health and life insurance expense was $373 greater than second quarter last year and the cost of the PBR plan was $302 greater. Salary cost was $177, or 3.96%, higher than last year. During 2002, employee evaluation reviews were changed from each employee's anniversary date to March. All employees are now reviewed in March and merit/cost of living raises are given in April. Insurance commission expense is $104 more than last year. This cost is directly linked to the increase in insurance commission income which was discussed in noninterest income. The increase in health and life insurance expense and PBR plan cost comprised 59% of the increase in core noninterest expense.

Computer depreciation, maintenance contracts and computer processing cost increased $170, or approximately 15% of the increase in core noninterest expense, due to the previously discussed technological enhancements. Offsetting the higher cost associated with the enhancements are decreases in fraud/forgery losses and supplies cost of approximately $103.

Although expenses increased, we have significantly improved our efficiency ratio on a GAAP basis. The increase in core noninterest expense, excluding increases in PBR plan cost and health and life insurance cost was 5.49%.

	Quarter ending June 30, 2002	Quarter ending June 30, 2001
Efficiency ratio	60.54%	62.30%

Income tax expense was $3,371 for the six month period ended June 30, 2002, (with an effective tax rate of 28.27%) compared to $2,643 (with an effective tax rate of 27.73%) for the same period in 2001. The increase in the effective tax rate this year was due in part to less tax-free interest income.

Income tax expense was $1,811 and $1,313 for the three month periods ending June 30, 2002 and 2001 respectively. The effective tax rate for the second quarters of 2002 and 2001 were 28.75% and 26.80%, respectively.

Liquidity Risk

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

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

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

Capital Resources

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

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

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

	Actual Amount	Ratio
As of June 30, 2002		
Total Capital .... (to Risk Weighted Assets)	$ 125,604	14.5%
Tier I Capital .... (to Risk Weighted Assets)	$ 114,795	13.3%
Tier I Capital .... (to Adjusted Average Assets)	$ 114,795	8.8%
As of December 31, 2001		
Total Capital .... (to Risk Weighted Assets)	$ 122,162	14.5%
Tier I Capital .... (to Risk Weighted Assets)	$ 111,622	13.3%
Tier I Capital .... (to Adjusted Average Assets)	$ 111,622	9.1%

Management recognizes the importance of maintaining a strong capital base. As the above ratios indicate, we continue to exceed the requirements for a well capitalized bank.

Book value per share was $22.60 and $21.66 at June 30, 2002 and December 31, 2001, respectively.

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

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Shareholders

The annual meeting of the shareholders of the The Peoples Holding Company was held on April 16, 2002, for the purpose of electing six members to the board of directors for a three year term, one member for a two year term and to ratify the appointment of the independent auditors. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934.

Election of Directors	For	Withheld	Not Voting
THREE-YEAR TERM			
William M. Beasley	5,311,163	25,356	875,765
Marshall H. Dickerson	5,314,158	22,361	875,765
Eugene B. Gifford, Jr.	5,313,056	23,463	875,765
Richard L. Heyer, Jr.	5,314,158	22,361	875,765
J. Niles McNeel	5,313,758	22,761	875,765
H. Joe Trulove	5,313,456	23,063	875,765
TWO-YEAR TERM			
Theodore S. Moll	5,313,456	23,063	875,765

	For	Against	Abstain
Ratify appointment of Ernst & Young LLP as independent auditors for 2002	5,333,846	1,761	876,677

Item 6.(a) Exhibits

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

(b) Reports on Form 8-K

There were no reports filed on Form 8-K during the second quarter of 2002; however, a Form 8-K (Second Quarter Earning Release) was filed July 18, 2002.

SIGNATURES

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

THE PEOPLES HOLDING COMPANY

Registrant

DATE: August 14, 2002

/s/ E. Robinson McGraw

E. Robinson McGraw
President & Chief Executive Officer

EXHIBIT 99.1

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

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

DATE: August 14, 2002

/s/ E. Robinson McGraw

E. Robinson McGraw
Chief Executive Officer

DATE: August 14, 2002

/s/ Stuart R. Johnson

Stuart R. Johnson
Chief Financial Officer