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, 1996
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_____

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 14, 1997 was $145,035,309.

On March 14, 1997, there were 3,906,675 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 1996 Annual Shareholders' Report are incorporated by reference into Part I and II of this report.

Portions of annual Proxy Statement dated March 17, 1997, relating to the annual meeting of shareholders of The Peoples Holding Company, are incorporated by reference into Part III.

Exhibit Index on Page 17

THE PEOPLES HOLDING COMPANY

FORM 10-K

For the year ended December 31, 1996

CONTENTS

PART I

This Annual Report on Form 10-K 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 21 of the Securities Exchange Act of 1934, as amended. Prospective investors are cautioned that any such forward-looking statements are not guarantees for future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include significant fluctuations in interest rates, inflation, economic recession, significant changes in the federal and state legal and regulatory environment, significant underperformance in the Company's portfolio of outstanding loans, and competition in the Company's markets. The Company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

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, 1996, had 41 banking offices in Tupelo, Aberdeen, Amory, Batesville, Booneville, Calhoun City, Coffeeville, Corinth, Grenada, Guntown, Hernando, Iuka, Louisville, New Albany, Okolona, Olive Branch, 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, equipment leasing, 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. The Bank also offers accounts receivable factoring to qualified businesses. 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, 1996. 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, 1996, the Registrant and its subsidiary had total assets of $893,089,352 and, as such, ranked sixth in Mississippi. The Registrant receives a large part of its competition from BankCorp South, the Tupelo branch operation of Deposit Guaranty National Bank and Union Planters Bank of Memphis, TN. On December 31, 1996, BankCorp South, Deposit Guaranty National Bank, and Union Planters Bank of Mississippi had total assets of approximately $3,617,239,000, $4,510,498,000, and $2,319,000,000, 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 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. Section 102 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 will remove territorial restrictions for interstate bank mergers. This section will become effective May 1, 1997.

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, 1996, 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-party 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, 1996, the Registrant and its subsidiary employed 551 persons on a full-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, 1996, is as follows:

Name	Age
John W. Smith	61

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 eight (8) 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]

	1996 COMPARED TO 1995		
	INCREASE(DECREASE) DUE TO		
	VOLUME	RATE	NET (1)
	(In Thousands)		
[S]	[C]	[C]	[C]
Earning assets:			
Loans, net of unearned income	$ 1,580	$ (315)	$ 1,265
Securities			
U. S. government securities and agencies	1,160	333	1,493
Obligations of states and political subdivisions	440	(132)	308
Mortgage-backed securities	549	27	576
Other securities	(18)	(25)	(43)
Other	(40)	(95)	(135)
Total earning assets	$ 3,671	$ (207)	$ 3,464
Interest-bearing liabilities:			
Interest-bearing demand deposit accounts	$ 173	$ 743	$ 916
Savings accounts	58	(125)	(67)
Time deposits	1,591	73	1,664
Other	159	(49)	110
Total interest-bearing liabilities	$ 1,981	$ 642	$ 2,623
Change in net interest income	$ 1,690	$ (849)	$ 841

(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]

1995 COMPARED TO 1994

	INCREASE(DECREASE) DUE TO		
	VOLUME	RATE	NET (1)
	(In Thousands)		
[S]	[C]	[C]	[C]
Earning assets:			
Loans, net unearned income	$ 4,607	$ 4,832	$ 9,439
Securities:			
U. S. Government securities and agencies	(1,508)	989	(519)
Obligations of states and political subdivisions	280	80	360
Mortgage-backed securities	156	563	719
Other securities	(31)	94	63
Other	172	328	500
Total earning assets	$ 3,676	$ 6,886	$ 10,562
Interest-bearing liabilities:			
Interest-bearing demand deposits 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	$ 2,168	$ 1,663	$ 3,831

(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]

[S]	1996	1995	1994
	December 31		
	(In Thousands)		
U.S. Government and Agency Securities	$ 125,087	$ 99,842	$124,463
Obligations of State and Political Subdivisions	52,051	45,837	42,910
Other Securities	68,610	66,688	48,124
	$ 245,748	$212,367	$215,497

The following table sets forth the maturity distribution in thousands and weighted average yield by maturity of securities at December 31, 1996:

	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
U.S Government and Agency Securities ...	$ 33,034	6.36%	$ 73,537	6.44%	$ 18,515	6.88%	$	
Obligations of States and Political Subdivisions .	2,531	9.59%	12,277	9.79%	27,214	8.38%	10,029	7.72%
Other Securities	23,938	6.73%	39,372	6.71%	5,300	6.83%		
Total	$59,503		$125,186		$ 51,029		$ 10,029	

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

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, consumer loans, and net receivables on leased equipment, which are included in commercial, financial and agricultural loans in the consolidated financial statements) outstanding as of December 31, 1996, 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			
	Within One Year	After One But Within Five Years	After Five Years	Total
Commercial, financial and agricultural	$ 72,439	$ 26,514	$ 8,636	$107,589
Real estate-construction	19,852	799		20,651
	$ 92,291	$ 27,313	$ 8,636	$128,240

[CAPTION]

	Interest Sensitivity	
	Fixed Rate	Variable Rate
	(In Thousands)	
Due after 1 but within 5 years	$25,031	$ 2,282
Due after 5 years	8,636	
	$33,667	$ 2,282

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 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 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 and the regulators. If the allowance is deemed inadequate, management sets aside additional reserves by increasing the charges against income.
[CAPTION]

The anticipated net charge-offs by loan category during 1997 include:

[S]	In Thousands [C]
Commercial, financial and agricultural	$ 314
Real estate - construction	58
Real estate - mortgage	843
Consumer	385
TOTAL	$1,600

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 Technology Center located in Tupelo, MS houses the electronic data processing, proof, purchasing, statement rendering, and voice response operations. 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, Olive Branch, 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, 1996, 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, Hernando, Corinth and new locations west and north 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, 1996, 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 1996.

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 29 of the Registrant's 1996 Annual Report is incorporated herein by reference.

At March 14, 1997, the total number of shareholders of the Company's common stock was 2,503.

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 28 of the Registrant's 1996 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 30 through 41 of the Registrant's 1996 Annual Report are incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The report of independent auditors and consolidated financial statements are included on pages 8 through 27 of the Registrant's 1996 Annual Report and are incorporated herein by reference.

The information on Page 26 of the Registrant's 1996 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 17, 1997, which is incorporated herein by reference.

Information concerning executive officers of the Registrant and its subsidiary appears on Page 5 under the caption "Executive Officers" of the Company's definitive Proxy Statement, dated March 17, 1997, which is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information appearing under "Summary Compensation Table-Annual Compensation" on Pages 5 through 9 of the Company's definitive Proxy Statement, dated March 17, 1997, 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 17, 1997, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing under "Transaction with Management: on Page 10 of the Company's definitive Proxy Statement, dated March 17, 1997, 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.

(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, 1996

(23) Consent of Independent Auditors

(27) Financial Data Schedule

(b) No Form 8-K was filed during the quarter ended December 31, 1996.

(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 17, 1997	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
Marshall H. Dickerson, Director	/s/ Marshall H. Dickerson
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
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)

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, 1996, are incorporated by reference in Item 8.

Report of Independent Auditors

Consolidated Balance Sheets--December 31, 1996 and 1995

Consolidated Statements of Income--Years ended December 31, 1996, 1995, and 1994

Consolidated Statements of Shareholders' Equity--Years ended December 31, 1996, 1995 and 1994

Consolidated Statements of Cash Flow--Years ended December 31, 1996, 1995 and 1994

Notes to Consolidated Financial Statements--December 31, 1996

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

	Year Ended December 31		
	1996	1995	1994
PRIMARY & FULLY DILUTED:			
Average shares outstanding	3,906,675	3,906,675	3,906,675
Net income	$9,516,252	$9,203,910	$8,208,920
Per share amount	$2.44	$2.36	$2.10

Financial Statements

Consolidated Balance Sheets

	December 31 1996	December 31 1995
Assets		
Cash and due from banks	$ 38,374,641	$ 46,918,819
Federal funds sold	8,500,000	17,000,000
Cash and Cash Equivalents	46,874,641	63,918,819
Interest-bearing balances with banks	1,824,031	8,814,411
Securities held to maturity (market value - $52,334,931 and $46,584,144 at December 31, 1996 and 1995, respectively)	52,051,251	45,837,145
Securities available for sale (amortized cost - $193,696,615 and $166,530,900 at December 31, 1996 and 1995, respectively)	194,058,997	168,381,798
Loans		
Commercial, financial and agricultural	111,686,473	107,558,223
Real estate - construction	20,650,887	16,850,556
Real estate - mortgage	301,077,552	259,918,417
Consumer	137,704,170	149,218,137
Unearned income	(8,366,577)	(11,231,586)
Total Loans, Net of Unearned Income	562,752,505	522,313,747
Allowance for loan losses	(9,309,354)	(8,815,130)
Net Loans	553,443,151	513,498,617
Premises and equipment	21,559,955	20,323,492
Other assets	23,277,326	20,925,126
Total Assets	$ 893,089,352	$ 841,699,408
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	$ 118,638,526	$ 116,894,919
Interest-bearing	654,203,482	622,650,380
Total Deposits	772,842,008	739,545,299
Treasury tax and loan note account	6,354,142	2,400,495
Borrowings	11,174,638	4,313,109
Other liabilities	12,157,744	10,480,085
Total Liabilities	802,528,532	756,738,988
Shareholders' Equity		
Common stock, $5 par value- 7,500,000 shares authorized 3,906,675 and 2,604,760 shares issued and outstanding at December 31, 1996 and 1995, respectively	19,533,375	13,023,800
Additional paid-in capital	39,875,796	39,875,796
Unrealized gains on securities available for sale, net of tax	227,214	1,169,262
Retained earnings	30,924,435	30,891,562
Total Shareholders' Equity	90,560,820	84,960,420
Total Liabilities and Shareholders' Equity	$ 893,089,352	$ 841,699,408

See notes to consolidated financial statements.

Consolidated Statements Of Income

	Year Ended December 31 1996	1995	1994
Interest income			
Loans	$ 50,580,549	$ 49,321,837	$ 40,065,226
Securities:			
Taxable	12,205,952	10,097,721	10,088,324
Tax-exempt	2,764,782	2,580,554	2,407,565
Other	873,630	1,008,809	508,338

Total Interest Income	66,424,913	63,008,921	53,069,453
Interest expense			
Deposits	27,747,241	25,234,441	18,487,040
Borrowings	496,584	386,764	403,041
Total Interest Expense	28,243,825	25,621,205	18,890,081
Net Interest Income	38,181,088	37,387,716	34,179,372
Provision for loan losses	2,813,155	2,826,647	2,001,010
Net Interest Income After Provision For Loan Losses	35,367,933	34,561,069	32,178,362
Noninterest income			
Service charges on deposit accounts	6,564,831	6,357,181	5,910,990
Fees and commissions	1,396,941	1,215,810	1,265,031
Trust revenue	643,302	584,273	549,925
Securities gains (losses)	110,278	(507,344)	2,701
Other	2,315,154	3,089,856	2,100,036
Total Noninterest Income	11,030,506	10,739,776	9,828,683
Noninterest expense			
Salaries and employee benefits	18,218,221	18,055,318	16,617,611
Net occupancy	2,269,122	2,178,314	2,150,588
Equipment	1,594,525	1,460,488	1,149,827
Other	10,748,255	10,472,018	11,259,195
Total Noninterest Expense	32,830,123	32,166,138	31,177,221
Income before income taxes	13,568,316	13,134,707	10,829,824
Income taxes	4,052,064	3,930,797	2,620,904
Net Income	$ 9,516,252	$ 9,203,910	$ 8,208,920
Earnings per share	$ 2.44	$ 2.36	$ 2.10
Weighted average shares outstanding	3,906,675	3,906,675	3,906,675

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, 1994	2,509,055	$ 12,545,275	$ 29,875,796	$	$ 29,017,109	$ 71,438,180
Change in 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)	(40,578)
Cash dividends - $.60 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
Change in 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 - $.69 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
Change in unrealized losses on securities available for sale, net of tax				(942,048)		(942,048)
Net income for 1996					9,516,252	9,516,252
50% stock dividend	1,301,915	6,509,575			(6,509,575)	
Payment of fractional shares for stock dividend					(24,183)	(24,183)
Cash dividends: $.76 per share					(2,949,621)	(2,949,621)
Balance at December 31, 1996	3,906,675	$ 19,533,375	$ 39,875,796	$ 227,214	$ 30,924,435	$ 90,560,820

See notes to consolidated financial statements.

Consolidated Statements Of Cash Flows

	Year Ended December 31 1996	1995	1994
Operating Activities			
Net income	$ 9,516,252	$ 9,203,910	$ 8,208,920
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	2,813,155	2,826,647	2,001,010
Provision for depreciation and amortization	2,178,791	1,868,370	1,774,975
Net amortization of securities premiums/discounts	70,807	131,421	1,180,503
Gain on sale of loans		(585,304)	
(Gains) losses on sales/calls of securities	(110,278)	507,344	(2,701)
Increase in other liabilities	1,677,659	1,192,858	720,883
Deferred income tax credits	(179,376)	(459,499)	(800,550)
(Gains) losses on sales of premises and equipment	16,222)	129,726	21,735
Increase in other assets	(986,023)	(461,230)	(819,410)
Net Cash Provided By Operating Activities	14,964,765	14,354,243	12,285,365
Investing Activities			
Net (increase) decrease in balances with other banks	6,990,380	(8,625,862)	(110,662)
Proceeds from sales of securities held to maturity			489,287
Proceeds from sales of securities available for sale	32,600,278	28,989,992	10,746,669
Proceeds from maturities/calls of securities held to maturity	2,996,556	2,495,029	3,983,937
Proceeds from maturities/calls of securities available for sale	54,504,983	65,464,778	55,120,283
Purchases of securities held to maturity	(9,424,079)	(5,270,000)	(7,304,699)
Purchases of securities available for sale	(114,018,090)	(89,190,035)	(51,199,932)
Net increase in loans	(43,981,837)	(36,849,924)	(63,240,026)
Proceeds from sale of loans		12,690,078	
Proceeds from sales of premises and equipment	122,049	169,850	80,692
Purchases of premises and equipment	(2,937,264)	(5,119,632)	(2,190,754)
Net Cash Used In Investing Activities	(73,147,024)	(35,245,726)	(53,625,205)
Financing Activities			
Net increase (decrease) in noninterest-bearing deposits	1,743,607	(1,816,953)	19,014,257
Net increase in interest-bearing deposits	31,553,102	45,082,543	21,720,393
Net increase (decrease) in treasury tax and loan note account	3,953,647	(714,688)	(995,078)
Net increase (decrease) in borrowings	6,861,529	(337,379)	4,892,591
Issuance of common stock by pooled Company reflected in pooling-of-interests adjustment			105,926
Cash dividends paid	(2,949,621)	(2,676,398)	(2,342,876)
Cash paid on fractional shares for stock dividend and pooling of interests	(24,183)		(40,578)
Net Cash Provided By Financing Activities	41,138,081	39,537,125	42,354,635
Increase (Decrease) In Cash and Cash Equivalents	(17,044,178)	18,645,642	1,014,795
Cash and Cash Equivalents at Beginning of Year	63,918,819	45,273,177	44,258,382
Cash and Cash Equivalents at End of Year	$ 46,874,641	$ 63,918,819	$ 45,273,177
Non-Cash Transactions			
Transfer of loans to other real estate	$ 1,224,148	$ 2,284,916	$ 862,682

See notes to consolidated financial statements.

Notes To Consolidated Financial Statements December 31, 1996

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, securities have been classified as either held to maturity, trading, or available for sale.

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. 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 as a separate component of shareholders' equity.

The amortized cost of securities classified as held to maturity or available for sale is adjusted for amortization of premiums and accretion of discounts. Such amortization is included in interest income from securities. Interest and dividends are included in interest income from securities. Realized gains and losses, as well as 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.

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, "Accounting for Non-refundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases."

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 Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," which was amended by Statement No. 118, "Accounting by Creditors for Impairment of a Loan - - Income Recognition and Disclosures." Under these new standards, the 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 loanOs 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 inherent 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 method for furniture, fixtures, equipment, and 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 $622,406 and $1,357,051 at December 31, 1996 and 1995, 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 $409,590 and $95,267 in 1996 and 1995, 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 $4,250,139 and $4,759,183 at December 31, 1996 and 1995, respectively. Total amortization of intangible assets was $583,817 for years ending December 31, 1996 and 1995, respectively, and $514,579 for the year ending December 31, 1994.

Mortgage Servicing Rights Effective January 1, 1996, the Company adopted the provisions of Statement of Financial Accounting Standards No. 122, "Accounting for Mortgage Servicing Rights, an Amendment of FASB Statement No. 65." Statement No. 122 requires capitalization of purchased as well as internally originated mortgage servicing rights based on the fair value of the mortgage servicing rights relative to the loan as a whole. Mortgage servicing rights are amortized in proportion to, and over the period of estimated net servicing income. The fair value of mortgage servicing rights is determined using assumptions that market participants would use in estimating future net servicing income. Mortgage servicing rights are stratified by loan type (government or conventional) and interest rate for purposes of measuring impairment on a quarterly basis. An impairment loss is recognized to the extent by which the unamortized capitalized mortgage servicing rights for each stratum exceeds the current fair value. The implementation of Statement No. 122 did not have a material effect on the Company's consolidated financial condition or results of operations.

Other Accounting Pronouncements: During the first quarter of 1996, the Company adopted the provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Statement No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The implementation of Statement No. 121 did not have a material effect on the Company's consolidated financial condition or results of operations.

In June 1996, the Financial Accounting Standards Board (FASB) issued Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which provides new accounting and reporting standards for sales, securitization, and servicing of receivables and other financial assets and extinguishments of liabilities. The provisions of the Statement are to be applied to transactions occurring after December 31, 1996, even for transfers of assets pursuant to securitization transactions that previously were established. The Company does not believe that the adoption of this Statement will have a material effect on its consolidated financial condition or results of operations.

Income Taxes: Income taxes are accounted for under the liability method as required by Statement of Financial Accounting Standard No. 109, "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.

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.

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, and for the three-for-two stock split effected in the form of a fifty percent stock dividend issued in 1996.

Note B - Mergers and Acquisitions

Effective December 31, 1994, the Company acquired New South Capital Corporation 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 consolidated financial statements for periods prior to the acquisition have been restated to reflect the accounts and operations of the pooled company.

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 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.

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 based on 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			
	1996		1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and due from banks	$ 38,374,641	$ 38,374,641	$ 46,918,819	$ 46,918,819
Federal funds sold	8,500,000	8,500,000	17,000,000	17,000,000
Interest-bearing balances with banks	1,824,031	1,824,031	8,814,411	8,814,411
Securities	246,110,248	246,393,928	214,218,943	214,965,942
Loans net of unearned income	562,752,505	565,252,000	522,313,747	523,965,382
Allowance for loan losses	(9,309,354)	(9,309,354)	(8,815,130)	(8,815,130)
Net loans	553,443,151	555,942,646	513,498,617	515,150,252
Financial liabilities				
Deposits	772,842,008	771,759,484	739,545,299	738,378,297
Treasury tax and loan note account	6,354,142	6,354,142	2,400,495	2,400,495
Borrowings	11,174,638	10,927,000	4,313,109	4,235,000
Off-balance sheet				
Standby letters of credit	9,450,429	9,165,903	5,003,644	4,914,683
Commitments to extend credit	127,257,000	127,918,790	114,747,000	113,784,627

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, 1996, was approximately $14,974,000.

Note E - Securities

The amortized cost and estimated market values of securities held to maturity and available for sale at December 31, 1996, are as follows:

	Securities Held to Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Values
Obligations of states and political subdivisions	$52,051,251	$ 699,365	$ (415,685)	$ 52,334,931

	Securities Available For Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Values
U.S. Treasury securities	$ 77,953,440	$ 171,339	$ (138,917)	$ 77,985,862
Obligations of other U.S. Government agencies and corporations .	47,133,089	153,717	(146,837)	47,139,969
Mortgage-backed securities	65,887,321	609,182	(286,102)	66,210,401
Preferred stock	2,722,765			2,722,765
	$ 193,696,615	$ 934,238	$ (571,856)	$ 194,058,997

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	$ 45,837,145	$ 1,034,250	$ (287,251)	$ 46,584,144

	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 value of securities held to maturity and available for sale at December 31, 1996, 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	$ 2,531,455	$ 2,635,031
Due after one year through five years	12,277,289	12,458,959
Due after five years through ten years	27,213,907	27,313,241
Due after ten years	10,028,600	9,927,700
	$52,051,251	$52,334,931

Securities Available for Sale	Amortized Cost	Estimated Market Value
Due in one year or less	$ 33,034,483	$ 33,012,270
Due after one year through five years	73,536,849	73,576,091
Due after five years through ten years	18,515,197	18,537,470
	125,086,529	125,125,831
Mortgage-backed securities	65,887,321	66,210,401
Preferred Stock	2,722,765	2,722,765
	$193,696,615	$194,058,997

At December 31, 1996 and 1995, securities with an amortized cost of approximately $140,895,000and $118,022,000, respectively, were pledged to secure government, public, and trust deposits.

Note F - Deposits

Deposit accounts are summarized as follows:

	December 31	
	1996	1995
Noninterest-bearing	$118,638,526	$116,894,919
Interest-bearing DDA	140,328,649	139,569,338
Savings accounts	43,798,995	43,836,151
Money Market accounts	51,123,314	59,969,451
Certificates of deposit exceeding $100,000	89,435,562	62,620,549
Other time deposits	329,516,962	316,654,891
Total	$772,842,008	$739,545,299

At December 31, 1996, the approximate scheduled maturities of time deposits are as follows:

	(In Thousands)
1997	$275,227
1998	107,219
1999	17,786
2000	16,945
2001 and thereafter	1,776
Total	$418,953

Note G - Borrowings

Borrowings primarily consist of balances due to the Federal Home Loan Bank of $11,168,601 and $4,287,833 at December 31, 1996 and 1995, respectively.

During 1996, the Company obtained two advances from the Federal Home Loan Bank totaling $8,092,000. The advances were $3,092,000 and $5,000,000, with interest rates of 6.41% and 6.20%, respectively. Maturity dates are May 1, 2006 and November 8, 2001, respectively. All advances are secured by one-to-four family first mortgages equal to the amount of outstanding aggregate advances.

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.

Future minimum payments, by year and in the aggregate, related to the Federal Home Loan Bank advances with initial or remaining terms of one year or more, consisted of the following at December 31, 1996:

1997	$ 1,801,518
1998	1,817,939
1999	1,596,381
2000	809,451
2001	3,683,131
Thereafter	1,460,181
Total	$11,168,601

Note H - Loans to Related Parties

Certain Bank executive 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 $2,162,790 and $2,501,811 at December 31, 1996 and 1995, respectively. During 1996, $86,095 of new loans were made and payments received totaled $425,116. Total deposits for these related parties at December 31, 1996, were approximately $2,340,000.

Note I - Allowance for Loan Losses

Changes in the allowance for loan losses were as follows:

	Year Ended December 31		
	1996	1995	1994
Balance at beginning of year	$ 8,815,130	$ 8,182,801	$ 6,387,902
Charge-offs	(2,592,719)	(2,438,312)	(1,095,363)
Recoveries	273,788	243,994	889,252
Net Charge-offs	(2,318,931)	(2,194,318)	(206,111)
Provision for loan losses	2,813,155	2,826,647	2,001,010
Balance at End of Year ..	$ 9,309,354	$ 8,815,130	$ 8,182,801

Impaired loans recognized in conformity with FASB Statement No. 114, as amended by FASB Statement No. 118, were as follows:

	December 31	
	1996	1995
Impaired loans with a related allowance for loan losses ...	$2,945,766	$1,545,960
Impaired loans without a specific allowance for loan losses	1,057,699	1,328,209
Total impaired loans	$4,003,465	$2,874,169
Specific allowance for loan losses for impaired loans	$ 733,660	$ 572,281
Average recorded investment in impaired loans	$3,439,000	$2,500,000
Interest income recognized using the accrual basis of income recognition	$ 335,785	$ 159,104
Interest income recognized using the cash basis of income recognition	70,108	44,233
Total interest income recognized on impaired loans.....	$ 405,893	$ 203,337

Note J - Nonaccrual and Past Due Loans

Nonaccrual and past due loans were as follows:

	December 31 1996	1995
Nonaccrual loans outstanding ..	$1,654,650	$ 803,237
Accruing loans past due 90 days or more outstanding ..	2,747,244	2,626,333

At December 31, 1996 and 1995, there were no significant commitments to lend any of these debtors additional funds.

Note K - Premises and Equipment

Premises and equipment accounts are summarized as follows:

	December 31 1996	1995
Land	$ 3,801,414	$ 3,140,667
Premises	18,641,997	16,522,457
Equipment, furniture, and fixtures	13,220,979	11,086,609
Construction in progress	842,360	3,657,196
	36,506,750	34,406,929
Accumulated depreciation and amortization	(14,946,795)	(14,083,437)
	$ 21,559,955	$ 20,323,492
Depreciation expense	$ 1,594,525	$ 1,277,530

Note L - 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 tax 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, 1996 and 1995, are as follows:

	(In Thousands) 1996	1995
Deferred tax assets		
Provision for loan losses	$3,474	$3,290
Deferred compensation	1,181	1,052
Other	203	199
Total deferred tax assets	4,858	4,541
Deferred tax liabilities		
Depreciation	1,244	1,215
Net unrealized gains on securities available for sale	135	682
Other	934	825
Total deferred tax liabilities	2,313	2,722
Net deferred tax assets at end of year	$2,545	$1,819

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

	1996	1995	1994
Current			
Federal	$ 3,902,276	$ 3,981,791	$ 3,421,454
State .	329,164	408,505	
	4,231,440	4,390,296	3,421,454
Deferred			
Federal	(155,331)	(397,904)	(800,550)
State .	(24,045)	(61,595)	
	(179,376)	(459,499)	(800,550)
	$ 4,052,064	$ 3,930,797	$ 2,620,904

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

	1996		1995		1994	
Tax at U.S. statutory rate	$ 4,748,911	35.0%	$ 4,597,147	35.0%	$ 3,790,438	35.0%
Tax-exempt interest income	(1,046,562)	(7.7%)	(965,064)	(7.3%)	910,676)	(8.4%)
State income tax, net of federal deduction	198,327	1.5%	225,492	1.7%		
Amortization of intangible	70,996	0.5%	70,146	0.5%	53,292	0.5%
Dividends received deduction	(15,941)	(0.1%)	(23,152)	(0.2%)	(35,682)	(0.3%)
Other items - net	96,333	0.7%	26,228	0.2%	(276,468)	(2.6%)
	$ 4,052,064	29.9%	$ 3,930,797	29.9%	$ 2,620,904	24.2%

Income taxes provided on gains (losses) on the sales of securities were approximately $37,000, $(189,000), and $1,000 for the years ended December 31, 1996, 1995, and 1994, respectively.

Note M - 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 Bank's capital stock. At December 31, 1996, the unrestricted surplus was approximately $12,200,000.

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, 1996, the maximum amount available for transfer from the Bank to the Company in the form of loans was 11% of consolidated net assets.

Note N - Employee Benefit Plans

The Company and its Bank sponsor a defined benefit noncontributory pension plan, The Peoples Bank & Trust Company Amended and Restated Pension Plan (the Plan), generally covering all full-time employees completing a minimum of one thousand hours of service during a twelve month period. The plan is not open to new participants after December 31, 1996. Effective August 1, 1996, an early retirement window was implemented. Effective December 31, 1996, future benefit accruals were eliminated, and the benefits were frozen as of that date. The curtailment and early retirement window were accounted for under the provisions of Statement of Financial Accounting Standards No. 88, "EmployersO Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" (FAS 88). 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 is at least equal to the minimum amount determined by consulting actuaries in accordance with the Employee Retirement Income Security Act of 1974.

There were significant matters affecting comparability of net periodic pension cost and other information for the current period with that for the prior period. The FAS 88 cost for the early retirement window was $451,871. The curtailment reduced the projected benefit obligation by $3,538,619. All unrecognized gain/loss, transition assets, and prior service cost were recognized. The FAS 88 impact for the curtailment was an increase to income of $728,762.

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

	December 31	
	1996	1995
Actuarial present value of accumulated benefits, including vested benefits of $9,600,413 and $8,041,324 at December 31, 1996 and 1995, respectively	$ (9,600,413)	$ (8,122,371)
Plan assets at fair value	10,946,421	$ 9,350,383
Projected benefit obligation	(9,600,413)	(11,393,191)
Plan assets in excess of (less than) projected benefit obligation	1,346,008	(2,042,808)
Unrecognized net asset		(354,426)
Prior service cost not yet recognized in net periodic cost		708,483
Unrecognized net loss from past experience different from that assumed		1,853,592
Prepaid pension cost	$ 1,346,008	$ 164,841

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

	Year Ended December 31		
	1996	1995	1994
Service costs- benefits earned during the year.	$ 543,211	$ 440,232	$ 456,660
Interest cost on projected benefit obligation .	917,668	794,954	748,988
Actual return on plan assets	(401,706)	(1,696,670)	456,472
Net amortization and deferral	(440,174)	1,093,212	(1,051,402)
Net pension expense	$ 618,999	$ 631,728	$ 610,718

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, 1996 and 1995. The expected long-term rate of return on investments was 9.25% for 1996, 1995, and 1994. Plan assets consist mainly of U. S. Treasury obligations, equity securities, and other fixed income securities. The actual return was 5.6%, 20.8%, and (6.7%) for years ending 1996, 1995, and 1994, respectively.

Effective January 1, 1997, the Company adopted two defined contribution pension plans: a money purchase pension plan and a 401(k) plan. The money purchase pension plan is a noncontributory pension plan in which the Company contributes 5% of compensation for each participant annually. The 401(k) plan is a contributory plan in which employees may contribute up to 10% of pre-tax earnings. In addition, the Company will provide for a matching contribution up to 3% of compensation for each employee who has attained age 21 and completes a year of service and is employed on the last day of the plan year.

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 in either cash or the Company's common stock. Total contributions to the Plan charged to operating expenses were $325,000, $400,000, and $399,992 in 1996, 1995, and 1994, respectively.

In addition to providing retirement income benefits, the Company provides certain health care or 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 consolidated balance sheets, as determined by consulting actuaries:

	December 31 1996	December 31 1995
Accumulated postretirement benefit obligation		
Retirees	$ (78,983)	$ (4,200)
Fully eligible active plan participants	(205,452)	(84,800)
Other active plan participants	(125,056)	(189,600)
Accumulated postretirement benefit obligation	(409,491)	(278,600)
Unrecognized net gain	(41,587)	(84,100)
Accrued postretirement benefit cost	$(451,078)	$(362,700)

Net periodic postretirement benefit cost, as determined by consulting actuaries, includes the following components:

	Year ended December 31 1996	1995	1994
Service cost	$ 23,288	$ 20,600	$ 21,700
Interest cost	27,086	19,600	19,300
Amortization of net gain from earlier periods	(2,450)	(2,100)	
Special termination benefits cost	43,823		
Net periodic postretirement benefit cost .	$ 91,747	$ 38,100	$ 41,000

A curtailment resulted from special termination benefits offered, in the form of an early retirement window, to employees who would attain a certain age and number of service years by December 31, 1996. The effect of the curtailment decreased the unrecognized net gain by $56,696 and resulted in special termination benefits expense of $43,823.

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, 1996, and for the year then ended. The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 8.0% at December 31, 1996 and 1995.

Note O - Other Noninterest Income and Expenses

Components of other noninterest income and expenses which exceed 1% of total revenues were as follows:

	1996	1995	1994
Noninterest Income			
Life Insurance proceeds	$	$	$ 673,494
Noninterest Expense			
Computer processing cost	2,388,267	2,133,604	1,963,510
FDIC/state banking assessments	786,358	1,145,127	1,851,883
Stationery and supplies		783,625	640,603
Other fees			650,105

Note P - 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, 1996, were approximately $127,257,000 and $9,450,000, respectively, compared to December 31, 1995, which were approximately $114,747,000 and $5,003,000, 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 Q - Regulatory Matters

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts 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). Management believes, as of December 31, 1996, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 1996, the most recent notification from the Federal Deposit Insurance Corporation (FDIC) categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios of 10%, 6%, and 5%, respectively. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts and applicable ratios are as follows:

	(In Thousands) Actual Amount	Ratio
As of December 31, 1996		
Total Capital .... (to Risk Weighted Assets)	$ 92,734	16.4%
Tier I Capital .... (to Risk Weighted Assets)	$ 85,618	15.1%
Tier I Capital .... (to Average Assets)	$ 85,618	9.9%
As of December 31, 1995		
Total Capital .... (to Risk Weighted Assets)	$ 85,200	16.1%
Tier I Capital .... (to Risk Weighted Assets)	$ 78,600	14.9%
Tier I Capital .... (to Average Assets)	$ 78,600	9.7%

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

Balance Sheets

	December 31 1996	December 31 1995
Assets		
Cash*	$ 36,840	$ 31,807
Interest-bearing balances with banks*	86,454	81,042
Dividends receivable*	781,335	683,752
Investment in bank subsidiary*	90,508,062	84,910,554
Other assets	165	165
Total Assets	$91,412,856	$85,707,320
Liabilities and Shareholders' Equity		
Dividends payable	$ 781,335	$ 683,752
Accrued interest payable and other liabilities	70,701	63,148
Shareholders' equity	90,560,820	84,960,420
Total Liabilities and Shareholders' Equity	$91,412,856	$85,707,320

Statements of Income

	Year Ended December 31 1996	1995	1994
Income			
Dividends from bank subsidiary*	$ 3,049,624	$ 2,776,398	$ 2,342,876
Other dividends	41,126	59,025	45,092
Interest income from bank subsidiary*	1,904	1,042	
	3,092,654	2,836,465	2,387,968
Expenses			
Other	177,129	213,408	184,936
	177,129	213,408	184,936
Income before income tax credits and equity in undistributed net income of bank subsidiary	2,915,525	2,623,057	2,203,032
Income tax credits	(61,171)	(66,184)	(57,700)
	2,976,696	2,689,241	2,260,732
Equity in undistributed net income of bank subsidiary*	6,539,556	6,514,669	5,948,188
Net Income	$ 9,516,252	$ 9,203,910	$ 8,208,920

*Eliminated in consolidation.

Statements of Cash Flows

	Year Ended December 31 1996	1995	1994
Operating Activities			
Net income	$ 9,516,252	$ 9,203,910	$ 8,208,920
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of bank subsidiary	(6,539,556)	(6,514,669)	(5,948,188)
(Increase) decrease in dividends receivable	(97,583)	(80,504)	77,853
(Increase) decrease in other assets		70,200	(70,200)
Increase in other liabilities	105,136	105,444	64,355
Net Cash Provided By Operating Activities	2,984,249	2,784,381	2,332,740
Investing Activities			
Increase in investment in subsidiaries			(106,000)
Purchase of certificates of deposit	(5,412)	(81,042)	
Net Cash Used In Investing Activities	(5,412)	(81,042)	(106,000)
Financing Activities			
Issuance of common stock by pooled Company reflected in pooling-of-interests adjustment			105,926
Cash dividends	(2,949,621)	(2,676,398)	(2,342,876)
Payment of fractional shares on stock dividend	(24,183)		(40,578)
Net Cash Used In Financing Activities	(2,973,804)	(2,676,398)	(2,277,528)
Increase (Decrease) In Cash	5,033	26,941	(50,788)
Cash At Beginning Of Year	31,807	4,866	55,654
Cash At End Of Year	$ 36,840	$ 31,807	$ 4,866

*Eliminated in consolidation.

Note S - Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 1996 and 1995:

	Three Months Ended			
	Mar 31	June 30	Sept 30	Dec 31
1996				
Interest income	$16,260,326	$16,486,406	$16,727,894	$16,950,287
Interest expense	6,945,864	6,929,623	7,014,053	7,354,285
Net interest income	9,314,462	9,556,783	9,713,841	9,596,002
Provision for loan losses	630,225	630,225	634,358	918,347
Noninterest income	2,734,474	2,541,640	2,685,249	3,069,143
Noninterest expenses	8,105,266	8,249,881	8,500,789	7,974,187
Income before income taxes	3,313,445	3,218,317	3,263,943	3,772,611
Income taxes	1,005,977	955,447	985,198	1,105,442
Net income	2,307,468	2,262,870	2,278,745	2,667,169
Earnings per share	$ .59	$ .58	$ .59	$ .68
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	2,073,756	2,433,872	3,606,929	2,625,219
Noninterest expenses	7,933,907	7,660,481	8,459,717	8,112,033
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	$ .48	$ .65	$ .67	$ .55

Note T - 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, 1996 and 1995, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. 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, 1996 and 1995 , and the consolidated results of their operations and cash flows for each of the three years in the period ended December 31, 1996, 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 securities.

Memphis, Tennessee /s/ Ernst & Young LLP
January 16, 1997

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

	1996	1995	1994	1993	1992
For the year ended December 31					
Interest Income	$ 66,424,913	$ 63,008,921	$ 53,069,453	$ 48,439,225	$ 51,270,958
Interest Expense	28,243,825	25,621,205	18,890,081	16,963,155	20,676,034
Provision for Loan Losses	2,813,155	2,826,647	2,001,010	2,865,530	4,401,001
Noninterest Income	11,030,506	10,739,776	9,828,683	9,470,239	7,945,490
Noninterest Expense	32,830,123	32,166,138	31,177,221	27,801,501	25,854,285
Income Before Taxes	13,568,316	13,134,707	10,829,824	10,279,278	8,285,128
Income Taxes	4,052,064	3,930,797	2,620,904	3,066,504	2,131,465
Cumulative Effect of Changes in Accounting Principles ...				522,518	
Net Income	9,516,252	9,203,910	8,208,920	7,735,292	6,153,663
Per Common Share					
Net Income	$ 2.44	$ 2.36	$ 2.10	$ 1.98	$ 1.58
Book Value at December 31	23.18	21.75	18.87	18.29	16.89
Market Value at December 31 ...	36.75	29.33	23.33	22.40	16.22
Cash Dividends Declared and Paid	.76	.69	.60	.56	.54
Total at Year-End					
Loans, Net of Unearned Income	$562,752,505	$522,313,747	$502,047,831	$439,876,598	$ 408,894,458
Allowance for Loan Losses	9,309,354	8,815,130	8,182,801	6,387,902	6,613,972
Securities	246,110,248	214,218,943	210,148,446	228,509,922	190,523,135
Assets	893,089,352	841,699,408	787,066,488	739,311,816	680,656,022
Deposits	772,842,008	739,545,299	696,279,709	655,545,060	603,983,574
Borrowings	11,174,638	4,313,109	4,650,488	259,797	292,674
Shareholders' Equity	90,560,820	84,960,420	73,733,881	71,438,180	65,978,112
Selected Ratios					
Return on Average					
Total Assets	1.10%	1.13%	1.05%	1.07%	0.90%
Shareholders' Equity .	10.88%	11.45%	11.24%	11.24%	9.57%
Average Shareholders' Equity to Average Assets	10.07%	9.83%	9.34%	9.52%	9.38%
At December 31					
Shareholders' Equity to Assets	10.14%	10.09%	9.37%	9.66%	9.69%
Tier 1 Leverage	9.91%	9.67%	9.22%	9.52%	9.48%
Risk-Based Capital Ratios					
Tier 1	15.10%	14.87%	14.86%	17.40%	14.70%
Total (8.00% Required)	16.35%	16.14%	16.12%	18.65%	15.95%
Allowance for Loan Losses to Total Loans	1.65%	1.69%	1.63%	1.45%	1.62%
Allowance for Loan Losses to Nonperforming Loans	211.50%	257.03%	394.57%	137.15%	128.12%
Nonperforming Loans to Total Loans	.78%	.66%	.42%	1.07%	1.27%
Dividend Payout	31.25%	29.08%	29.03%	29.41%	34.18%

Market Value Of Stock By Quarters

The public market for The Peoples Holding Company common stock is limited. The stock is currently listed on the National Association of Securities Dealers Automated Quotations system (NASDAQ) 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. Dividends per share and market values have been adjusted to reflect the fifty percent stock dividend issued in 1996. At December 31, 1996, there were approximately 2,500 shareholders of record.

PERIOD	DIVIDENDS PER SHARE	PRICES LOW	HIGH
1996			
1st Quarter	$.175	$ 32.67	$ 35.34
2nd Quarter	.190	34.25	36.00
3rd Quarter	.190	35.00	37.00
4th Quarter	.200	35.50	38.00
1995			
1st Quarter	$.160	$ 24.17	$ 26.67
2nd Quarter	.175	24.83	27.44
3rd Quarter	.175	25.67	31.00
4th Quarter	.175	28.50	32.00

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, with New South Capital Corporation (New South). All per share data is restated to reflect all stock dividends declared through December 31, 1996.

The Company ended 1996 with assets totaling $893,089,352, up from the prior year total of $841,699,408. This represented a 6.1% growth compared to 6.9% for 1995. Earnings were up 3.4% from the previous year with net income surpassing $9,500,000.

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 interestss.

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 63.0% and 62.1% of the total assets at December 31, 1996 and 1995, respectively. Overall loan growth was 7.74% for 1996 compared to 1995, with the most significant growth in real estate-construction and real estate-mortgage loans, while consumer loans decreased slightly. The increase in real estate loans was mainly due to the growth in the residential market and the offering of new mortgage products. Total loans increased 4.0% during 1995, proportionately in each loan category.

The table below sets forth loans outstanding, according to loan type, at the date indicated.

	1996	1995	1994	1993	1992
Commercial, financial, and agricultural	$ 111,686,473	$ 107,558,223	$ 98,767,393	$ 106,293,337	$ 133,611,551
Real estate - construction	20,650,887	16,850,556	18,188,860	25,967,773	15,280,136
Real estate - mortgage	301,077,552	259,918,417	253,153,672	220,363,067	191,861,073
Consumer	137,704,170	149,218,137	143,948,292	97,095,734	77,844,541
Unearned income	(8,366,577)	(11,231,586)	(12,010,336)	(9,843,313)	(9,702,843)
Total loans, net of unearned income ...	$ 562,752,505	$ 522,313,747	$ 502,047,881	$439,876,598	$ 408,894,458

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 increased $31,891,305, or 14.89%, at December 31, 1996 compared to 1995. The most significant increase is in Obligations of other U.S. Government agencies and corporations, which increased 59.38%. All other investment categories increased slightly with the exception of preferred stock, which decreased 68.2%. During 1996, the Company elected not to purchase short-term equity securities.

The securities portfolio was up 1.9% 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 at December 31, 1995, of $7,199,027. The securities portfolio represented 27.6% and 25.5% of assets at December 31, 1996 and 1995, respectively.

Management continues to evaluate the Company's tax position in order to maximize earnings from securities. The Company was not in an alternative minimum tax position during 1996 or 1995. 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 $8,500,000 and $17,000,000 at December 31, 1996 and 1995, respectively. The changes in these balances between periods are 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 4.3% and 5.6% of total assets at December 31, 1996 and 1995, respectively. These funds are available for meeting day-to-day cash requirements inclusive of reserves required to be held by the Federal Reserve Bank. The balance in cash may fluctuate significantly based on bank activity.

Premises and equipment were $21,559,955 and $20,323,492 at December 31, 1996 and 1995, respectively. The increase from 1996 compared to 1995 is due to additions of equipment for the Technology Center which was constructed in 1995. The Technology Center is designed to house the electronic data processing, proof, purchasing, statement rendering, and voice response operations.

Other assets were $23,277,326 and $20,925,126 at December 31, 1996 and 1995, 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 $9,112,058, up from $8,321,434 at the end of 1995. Prepaid expenses were $1,761,528 and $425,417 at December 31, 1996 and 1995, respectively. The increase in 1996 is due mainly to the increase in prepaid pension cost, resulting from the curtailment of the defined benefit pension plan.

Intangible assets, resulting from bank acquisitions, totaled $4,250,139 and $4,759,183 at December 31, 1996 and 1995, respectively. The majority of the intangibles are being amortized over a period of 13 to 15 years. During 1996, the Company capitalized $226,248 to implement FASB Statement No. 122, "Accounting for Mortgage Servicing Rights, an Amendment of FASB Statement No. 65." Mortgage servicing rights are amortized in proportion to, and over the period of, estimated net servicing income.

The Company relies on deposits as its major source of funds. Noninterest-bearing deposits were $118,638,526 and $116,894,919 at December 31, 1996 and 1995, respectively. This represented 13.3%and 13.9% of total assets at December 31, 1996 and 1995, respectively. The increase of 1.5% for 1996 compared to 1995 is due to most depositors utilizing interest-bearing products.

Interest-bearing deposits were $654,203,482 and $622,650,380 at December 31, 1996 and 1995, respectively, or a 5.1% increase over 1995. The largest growth contributing to this increase came from certificates of deposit as a result of the Company introducing new products.

Interest-bearing deposits at December 31, 1995, increased 7.8% over 1994. 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, 1996, the balance in the treasury tax and loan account was $6,354,142, up from $2,400,495 at the end of 1995. 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 1996, the Company received advances from the Federal Home Loan Bank (FHLB) totaling $8,092,000. The balance due to the FHLB at December 31, 1996 and 1995 was $11,168,601 and $4,287,833, 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 $12,157,744 and $10,480,085 at December 31, 1996 and 1995, respectively, include accrued interest, accrued expenses, current taxes payable, and dividends payable. Accrued interest payable totaled $4,449,007 and $4,154,065 at December 31, 1996 and 1995, 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 inherent credit losses in 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 inherent 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. If the allowance is deemed inadequate, management sets aside additional reserves by increasing the charges against income.

The allowance for loan losses was $9,309,354 and $8,815,130 at December 31, 1996 and 1995, respectively. This represents a ratio of allowance to year-end loans of 1.65% and 1.69%, respectively. Management deems this allowance adequate for inherent loan losses.

The Company's net charge-offs for 1996 and 1995 were $2,318,931 and $2,194,318, respectively. This represented a net charge-offs to average loans ratio of .44% and .42% for the two years. Management continues to monitor loans and explore diligent collection efforts.

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 discontinued when the full collection of principal or interest 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 table below reflects the activity in the allowance for loan losses for the years ended December 31:

Allowance for Loan Losses

	1996	1995	1994	1993	1992
Balance at Beginning of Year	$ 8,815,130	$ 8,182,801	$ 6,387,902	$ 6,613,972	$ 5,762,429
Provision for Loan Losses	2,813,155	2,826,647	2,001,010	2,865,530	4,401,001
Charge-Offs					
Commercial, Financial, and Agricultural ..	273,494	1,286,161	174,051	2,595,750	3,097,115
Real Estate - Mortgage	246,722	93,452	237,104		
Consumer	2,072,503	1,058,699	684,208	900,085	785,961
Total Charge-Offs	2,592,719	2,438,312	1,095,363	3,495,835	3,883,076
Recoveries					
Commercial, Financial, and Agricultural ..	53,867	101,116	562,303	150,087	119,217
Real Estate - Mortgage	48,594	6,631	148,866		
Consumer	171,327	136,247	178,083	254,148	214,401
Total Recoveries	273,788	243,994	889,252	404,235	333,618
Net Charge-Offs	2,318,931	2,194,318	206,111	3,091,600	3,549,458
Balance at End of Year	$ 9,309,354	$ 8,815,130	$ 8,182,801	$ 6,387,902	$ 6,613,972
Loan Loss Analysis					
Loans - Average	$533,547,898	$516,784,193	$466,137,177	$425,157,580	$412,534,383
Loans - Year End	562,752,505	522,313,747	502,047,881	439,876,598	408,894,458
Net Charge-offs	2,318,931	2,194,318	206,111	3,091,600	3,549,458
Allowance for Loan Losses	9,309,354	8,815,130	8,182,801	6,387,902	6,613,972
Ratios					
Net Charge-offs to					
Loans - Average	.43%	.42%	.04%	.73%	.86%
Allowance for Loan Losses ...	24.91%	24.89%	2.52%	48.40%	53.67%
Allowance for Loan Losses to					
Loans - Year End	1.65%	1.69%	1.63%	1.45%	1.62%
Nonperforming Loans	211.49%	257.03%	394.57%	137.15%	128.12%
Nonperforming Loans to					
Loans - Year End	.78%	.66%	.41%	1.06%	1.26%
Loans - Average	.83%	.66%	.44%	1.10%	1.25%

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

	1996	1995	1994	1993	1992
Nonperforming Loans					
Nonaccruing	$1,654,650	$ 803,237	$ 877,409	$1,605,076	$ 931,084
Accruing Loans Past Due 90 Days Or More ...	2,747,244	2,626,333	1,196,464	3,052,371	4,231,404
Total Nonperforming Loans	4,401,894	3,429,570	2,073,873	4,657,447	5,162,488
Restructured Loans Balance Outstanding	223,850	243,230	259,945	278,416	3,139,551
Total Nonperforming Loans Including Restructured	$4,625,744	$3,672,800	$2,333,818	$4,935,863	$8,302,039

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:

	1996	1995	1994	1993	1992
Gross Amount Of Interest That Would Have Been Recorded At The Original Rate ...	$	$	$ 3,498	$ 10,784	$ 284,267
Interest That Was Recognized In Income	$ 16,477	$ 16,281	$ 20,529	$ 18,500	$ 255,557
Favorable (Unfavorable) Impact On Gross Income	$ 16,477	$ 16,281	$ 17,031	$ 7,716	$ (28,710)

Nonperforming loans totaled $4,401,894 and $3,429,570 at December 31, 1996 and 1995, respectively. These loans represented .83% and .66% of average loans for 1996 and 1995, respectively. The allowance for loan losses to nonperforming loans was 211.49% and 257.03% for the two years. The increase in nonperforming loans for 1996 is due to a significant loan that was placed on nonaccrual by management. Loans that are considered to be nonperforming are closely monitored by management and the Loss Management Committee.

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 have been restructured due to cash flow requirements totaled $223,850 and $243,230 at December 31, 1996 and 1995, 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 38, the Company will reprice approximately $92,759,000 more rate-sensitive liabilities than assets during the first six months of 1997, resulting in a negative gap of 10.4%. At December 31, 1997, the Company will have repriced approximately $48,600,000 more of rate-sensitive liabilities than rate-sensitive assets. This results in a cumulative one-year negative gap of 5.4%.

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 negative 4% to positive 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.

Approximately 88% 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 or the treasury tax and loan note account, in order to meet liquidity needs.

Repayments and maturities of loans provide a substantial source of liquidity. The Company has approximately 70% of loans maturing within the next twelve months.

Capital Resources

Total shareholders' equity of the Company was $90,560,820 and $84,960,420 at December 31, 1996 and 1995, respectively. Shareholders' equity grew 6.6% during 1996 and 15.2% during 1995. The growth in capital for both years was attributable to earnings less dividends declared. In 1996, the Company raised dividends in the second quarter and the fourth quarter. In addition, the effect of FASB Statement No. 115 decreased capital by $942,048 in 1996 and increased capital by $4,699,027 in 1995 compared to 1994. Shareholders' equity as a percentage of assets was 10.1% at December 31, 1996 and 1995.

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 1996 and 1995. At December 31, 1996, the total Tier 1 and total risk-based capital was $85.6 million and $92.7 million, respectively. Risk-weighted assets were $569.3 and $528.0 million at December 31, 1996 and 1995, respectively. Tier 1 and total risk-based capital at December 31, 1995, were $78.6 million and $85.2 million, respectively. See Note Q of the Consolidated Financial Statements for capital ratios.

In May 1996, the Company declared a fifty percent stock dividend to shareholders of record April 30, 1996. Applicable per share and book value information have been restated for the stock dividend. Cash dividends have increased each year since 1990 (see selected financial information for the previous five years). During 1996, the Company raised cash dividends during the second and fourth quarters; in 1995, cash dividends were raised in the second quarter. Book value per share was $23.18 and $21.75 at December 31, 1996 and 1995, 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 69.0% and 71.0% during 1996 and 1995, respectively.

Results of Operations

Net income for the Company was $9,516,252, $9,203,910, and $8,208,920 for 1996, 1995, and 1994, respectively. Net income increased $312,342, or 3.4%, over 1995. Net income increased $994,990, or 12.1%, over 1994. Earnings per share was $2.44, $2.36, and $2.10 for 1996, 1995, and 1994, respectively.

Return on average assets for 1996, 1995, and 1994 was 1.10%, 1.13%, and 1.05%, respectively. The decrease in 1996 earnings compared to 1995 is due to several factors. First, a one-time assessment by the Federal Deposit Insurance Corporation (FDIC) totaling $239,868, to re-capitalize the Savings Association Insurance Fund (SAIF) was recorded in 1996. The Company's net interest margin declined in 1996 compared to 1995 from 5.27% to 5.05% due to a change in the composition of interest-bearing assets and interest-bearing liabilities and the interest rates associated with those changes. Also, during 1996, the Company curtailed its defined benefit pension plan, introducing a defined contribution plan and a 401(k) plan. The curtailment of the defined benefit plan, combined with the impact of FASB Statement No. 122 resulted in income of $315,313 after taxes. Management also strengthened the allowance for loan losses by increasing the provision for loan losses, over the normal accrual, by $142,335 after taxes. The result of the non-recurring transactions was an increase in after-tax income of $172,978. But in 1995, the Company realized a reversal of a lender liability lawsuit judgment of approximately $366,000 after taxes rendered against the Bank in 1991 and recorded a gain on the sale of mortgage loans of approximately $367,000 after taxes.

The increase in earnings for 1995 compared to 1994 was due to several factors: a higher 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; and the gain on sale of mortgage loans, offset by an increase of 3% in noninterest expenses.

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 $38,181,088, $37,387,716, and $34,179,372 for 1996, 1995, and 1994, 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 $50,580,549, $49,321,837, and $40,065,226 for the years ended December 31, 1996, 1995, and 1994, respectively. The increase in 1996 was due to increase in volume over 1995, while the tax equivalent yield decreased slightly from 9.58% in 1995 to 9.52% in 1996. The increase in 1995 over 1994 was due to growth and repricing of loans which increased the yield from 8.60% to 9.58%.

Interest income from securities was $14,970,734, $12,678,275, and $12,495,889 for 1996, 1995, and 1994, respectively. The increase in interest income in 1996 compared to 1995 is due to an increase in the average balance of approximately $31.8 million, while the tax equivalent yield on securities has increased in 1996 to 6.88% from 6.84% in 1995.

Interest income for 1995 increased 1.7% even though the average balance decreased $21.5 million from 1994. The decrease in average balance and increase in yield was due to management's strategy to sell lower yielding securities and invest in securities yielding a higher rate. The tax equivalent yield on securities for 1995 was 92 basis points higher than 1994, due in part to managementOs decision to sell these securities.

The tax equivalent yield on average earning assets was 8.62%, 8.70%, and 7.64% for 1996, 1995, and 1994, respectively.

The major source of funds for the Company is deposits. Deposits represented 86.5% and 87.9% of the total assets at December 31, 1996, and 1995, respectively. Interest-bearing accounts funded 73.3% and 74.0% of the assets for those two years. The cost of funds is reflected in interest expense.

Interest expense for deposits and borrowings was $28,243,825, $25,621,205, and $18,890,081 for the years ended December 31, 1996, 1995, and 1994, respectively. The increase in interest expenses for 1996 compared to 1995 is due to an increase in the average balance of interest-bearing liabilities of approximately $42.3 million and an increase in the cost of interest-bearing liabilities of 13 basis points.

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 98 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 on a tax equivalent basis was 5.06%, 5.27%, and 4.99% for the years ending December 31, 1996, 1995, and 1994, respectively. The decrease in net interest margin for 1996 compared to 1995 is due to the Company paying higher rates on deposits in a competitive environment. The increase in the net interest margin for 1995 is due to management's repricing strategy and changes in product mix.

The provision for loan losses was $2,813,155, $2,826,647, and $2,001,010 for 1996, 1995, and 1994, respectively. The provision for loan losses for 1996 was relatively stable compared to 1995 due to the adequacy of the allowance for loan losses. The provision for loan losses for 1995 was up $825,637 from 1994, or 41%.

Noninterest income totaled $11,030,506, $10,739,776, and $9,828,683 for the years ended December 31, 1996, 1995, and 1994, respectively. This represented 28.9%, 28.7%, and 28.8% of net interest income for the applicable year. Included in noninterest income are service charges on deposit accounts, fees and commissions, trust revenue, securities gains and losses, and other income.

Service charges increased $207,650, or 3.3%, in 1996 compared to 1995 due to growth in noninterest-bearing accounts. Service charges were up $446,191, or 7.5%, in 1995 compared to 1994. This increase is due to deposit growth for 1995.

Fees and commissions were $1,396,941, $1,215,810, and $1,265,031 for 1996, 1995, and 1994, respectively. Fees have remained stable over the years presented.

Securities gains in 1996 totaled $110, 278 compared to securities losses of $507,344 for 1995 and gains in 1994 of $2,701. 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.

Rate Sensitivity Balance Sheet December 31, 1996

(In Thousands)	1st Qtr 1997	2nd Qtr 1997	3rd and 4th Qtr 1997	1-3 Years 1998-1999	3-5 Years 2000-2001	5 Years and over	Total
Assets							
Securities							
U.S. Government and Agency Securities	$ 19,703	$ 2,215	$ 13,118	$ 80,587	$ 4,154	$ 5,310	$ 125,087
Other Securities	6,333	5,081	12,526	35,777	3,595	5,298	68,610
Obligations of States and Political Subdivisions .	1,407	1,528	2,374	7,921	12,913	25,908	52,051
Loans, Net of Unearned Income							
Fixed	92,116	58,773	76,624	111,732	37,108	18,640	394,993
Variable	155,886		11,874				167,760
Federal Funds Sold	8,500						8,500
Interest-Bearing Balances with Banks	1,824						1,824
Other Assets						74,037	74,037
Total Assets	$ 285,769	$ 67,597	$ 116,516	$ 236,017	$ 57,770	$ 129,193	$ 892,862
Liabilities							
Demand Deposit Accounts	$	$	$	$	$	$ 118,639	$ 118,639
Interest-bearing DDA	140,329						140,329
Savings and Money Market Accounts	94,922						94,922
Certificates of Deposit under $100,000	59,335	67,413	50,749	91,442	11,617	27	280,583
Time Deposits exceeding $100,000	30,862	28,697	13,204	13,353	3,205	115	89,436
Individual Retirement Accounts under $100,000	8,604	8,797	7,566	20,210	3,085	671	48,933
Other Borrowed Funds	6,757	409	838	3,612	4,069	1,844	17,529
Other Liabilities						12,157	12,157
Realized Equity						90,334	90,334
Total Liabilities and Equity .	$ 340,809	$ 105,316	$ 72,357	$ 128,617	$ 21,976	$ 223,787	$ 892,862
GAP	$ (55,040)	$ (37,719)	$ 44,159	$ 107,400	$ 35,794	(94,594)	
GAP / Total Assets	(6.2%)	(4.2%)	4.9%	12.0%	4.0%	(10.6%)	
Cumulative GAP	$ (55,040)	$ (92,759)	$ (48,600)	$ 58,800	$ 94,594		
Cumulative GAP / Total Assets	(6.2%)	(10.4%)	(5.4%)	6.6%	10.6%		

This analysis excludes the impact of SFAS No. 115 which resulted in an unrealized gain on securities available for sale of $362,380, a deferred tax liability of $135,166, and an increase in equity of $227,214.

Other income was $2,315,154, $3,089,856, and $2,100,036 for 1996, 1995, and 1994, respectively. The decrease in other income for 1996 compared to 1995, as well as the increase in 1995 compared to 1994, is due to a gain on the sale of mortgage loans of approximately $585,000 in 1995, and the reversal of a lender liability lawsuit judgment of approximately $575,000 in 1995.

Noninterest expenses include salaries and employee benefits, net occupancy, equipment, income taxes, and other. The totals for these expenses for 1996, 1995, and 1994 were $36,882,187, $36,096,935, and $33,798,125, respectively. Noninterest expenses for 1996 were up 2.2%. In 1995 and 1994, expenses were up 6.8% and 9.5%, respectively.

Salaries and employee benefits, representing a major portion of the Company's operating expenses, have increased 0.9%, 8.7%, and 9.2% during 1996, 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. During 1996, the Company offered an early retirement plan to employees who had attained a certain number of years of service and age. The slight increase in salaries in 1996 compared to 1995 is reflective of these retirees. The increase in 1995 and 1994 is due to merit increases of approximately 4.5% and 4.2% in each year, 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 1996, 1995, and 1994 was $552,377, $685,912, and $158,111, respectively, which also increased salaries and benefits in 1996, 1995, and 1994.

Net occupancy expense includes charges for repairs, janitorial, depreciation, rental, and other expenses related to occupancy. Expenses for 1996, 1995, and 1994 were $2,269,122, $2,178,314, and $2,150,588, respectively. Net occupancy expenses have remained stable over the three-year period.

Equipment expenses include computer equipment rental, repairs, and depreciation. These expenses totaled $1,594,525, $1,460,488, and $1,149,827 for 1996, 1995, and 1994, respectively. The increase in 1996 and 1995 is due to depreciation and expenses incurred in completing the Technology Center.

Other expenses for 1996, 1995, and 1994 were $10,748,255, $10,472,018, and $11,259,195, respectively. Other expenses in 1996 increased over 1995 mainly due to a one-time assessment by the FDIC to re-capitalize the SAIF fund. This assessment, as previously discussed, was $239,868. 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.

Income tax expense for 1996, 1995, and 1994 was $4,052,064, $3,930,797, and $2,620,904, respectively. The increase in income taxes for 1996 and 1995 compared to 1994 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%, 29.9%, and 24.2% for 1996, 1995, and 1994, respectively. Note L of the Notes to Consolidated Financial Statements provides further details of the provision for income taxes.

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 CompanyOs 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: Jeffrey G. Huntington, Assistant Vice President, The Peoples Holding Company, P. O. Box 709, Tupelo, MS 38802-0709.

Three Year Statistical Summary

	1996		
	Income Or Expense	Average Balance Sheet Amounts	Yields/ Rates
Earning assets			
Loans, net of unearned income			
Commercial	$ 23,797,048	$259,223,178	9.23% TE
Consumer	18,387,480	187,520,391	9.81%
Other loans	8,396,021	86,804,329	9.74% TE
Total Loans, Net	50,580,549	533,547,898	9.52% TE
Other	873,630	16,492,352	5.30%
Taxable securities			
U.S. Government securities	4,843,727	83,009,995	6.03% TE
U.S. Government agencies	3,013,416	45,725,003	6.68% TE
Mortgage-backed securities	4,122,903	62,214,102	6.63%
Other securities	225,906	3,177,515	7.87% TE
Total Taxable Securities	12,205,952	194,126,615	6.41% TE
Tax-exempt securities			
Obligations of states and political subdivisions	2,764,782	49,249,802	8.76% TE
Total Securities	14,970,734	243,376,417	6.88% TE
Total Earning Assets	66,424,913	793,416,667	8.62% TE
Cash and due from banks		40,844,620	
Other assets, less allowance for loan losses		34,459,380	
Total Assets		$868,720,667	
Interest-bearing liabilities			
Interest-bearing demand deposit accounts	4,730,974	$146,367,576	3.23%
Savings accounts	2,367,360	101,790,316	2.33%
Time deposits	20,648,907	395,826,585	5.22%
Total Interest-Bearing Deposits	27,747,241	643,984,477	4.31%
Total Other Interest-Bearing Liabilities	496,584	10,009,063	4.96%
Total Interest-Bearing Liabilities ...	28,243,825	653,993,540	4.32%
Noninterest-bearing sources			
Noninterest-bearing deposits		116,633,921	
ther liabilities		10,598,454	
Shareholders' equity		87,494,752	
Total Liabilities and Shareholders' Equity		$868,720,667	
Net interest income/net interest margin .	$ 38,181,088		5.06% TE

TE - Ratios have been calculated on a tax equivalent basis.

	1995		
	Income Or Expense	Average Balance Sheet Amounts	Yields/ Rates
Earning assets			
Loans, net of unearned income			
Commercial	$ 22,195,292	$238,390,733	9.36%TE
Consumer	18,801,477	193,146,649	9.73%
Other loans	8,325,068	85,246,811	9.84%TE
Total Loans, Net	49,321,837	516,784,193	9.58%TE
Other	1,008,809	17,189,987	5.87%
Taxable 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 Securities	10,097,721	167,345,403	6.22%TE
Tax-exempt securities			
Obligations of states and political subdivisions	2,580,554	44,268,670	9.05%TE
Total Securities	12,678,275	211,614,073	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	18,985,385	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

	1994		
	Income Or Expense	Average Balance Sheet Amounts	Yields/ Rates
Earning assets			
Loans, net of unearned income			
Commercial	$ 17,834,966	$220,690,362	8.08% TE
Consumer	14,289,174	155,593,089	9.18%
Other loans	7,941,086	89,853,726	8.84% TE
Total Loans, Net	40,065,226	466,137,177	8.60% TE
Other	508,338	13,363,563	3.80%
Taxable 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 Securities	10,088,324	191,933,363	5.36% TE
Tax-exempt securities			
Obligations of states and political subdivisions	2,407,565	41,159,567	8.86% TE
Total Securities	12,495,889	233,092,930	5.92% TE
Total Earning Assets	53,069,453	712,593,670	7.64% TE
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	8,342,746	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

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 16, 1997, included in the 1996 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 16, 1997, with respect to the consolidated financial statements of The Peoples Holding Company incorporated herein by reference.

/s/ Ernst & Young LLP

Memphis, Tennessee
March 27, 1997

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