

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

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

For the quarter ended June 30, 1995
Commission File Number 0-12154

THE PEOPLES HOLDING COMPANY

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

MISSISSIPPI

64-0676974

(State of Incorporation) (I.R.S. Employer Identification Number)

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

(Address of principal executive offices)

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

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

YES ☒ NO ☐

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

Common stock, \$5 Par Value, 2,604,760 shares outstanding
as of July 12, 1995

THE PEOPLES HOLDING COMPANY
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THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

[CAPTION]

	JUNE 30 1995	DECEMBER 31 1994
	(Unaudited) [C]	(Note 1) [C]
[S]		
Assets		
Cash and due from banks	\$ 42,999,491	\$ 45,123,177
Federal Funds Sold	10,000,000	150,000
	-----	-----
	52,999,491	45,273,177
Interest bearing balances with banks	3,059,744	188,549
Securities (Market value-		
\$212,421,901 and \$212,169,487 at		
June 30, 1995 and December 31, 1994)	211,628,435	212,994,410
Loans	538,092,405	511,212,203
Unearned Income	(13,046,637)	(12,010,336)
Allowance for loan losses	(8,757,376)	(8,182,801)
	-----	-----
Net Loans	516,288,392	491,019,066
Premises and equipment	17,375,725	16,780,966
Other assets	20,791,579	20,810,320
	-----	-----
Total Assets	\$ 822,143,366	\$ 787,066,488
	=====	=====
Liabilities and Shareholder's Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 115,865,813	\$ 118,711,872
Interest bearing	608,173,027	577,567,837
	-----	-----
Total Deposits	724,038,840	696,279,709
Treasury tax and loan note account	3,488,454	3,115,183
Notes and debentures payable	4,121,789	4,650,488
Other liabilities	9,719,733	9,287,227
	-----	-----
Total Liabilities	741,368,816	713,332,607
Shareholders' Equity		
Common Stock, \$5 par value-		
7,500,000 shares authorized		
2,604,760 shares issued and		
outstanding at June 30, 1995		
and December 31, 1994, respectively	13,023,800	13,023,800
Capital surplus	39,875,796	29,875,796
Unrealized gains (losses) on		
securities, net of tax	391,552	(3,529,765)
Retained earnings	27,483,402	34,364,050
	-----	-----
Total Shareholders' Equity	80,774,550	73,733,881
	-----	-----
Total Liabilities and		
Shareholders' Equity	\$ 822,143,366	\$ 787,066,488
	=====	=====

See Notes to Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

[CAPTION]

	SIX MONTHS ENDED JUNE 30	
	1995	1994
	----	----
	(Unaudited)	
[S]	[C]	[C]
Interest Income		
Loans	\$ 23,871,950	\$ 18,611,848
Balances with banks	79,955	94,235
Federal funds sold	332,421	298,346
Securities:		
Taxable	4,812,589	4,934,797
Tax-exempt	1,360,694	1,285,810
	-----	-----
Total interest income	30,457,609	25,225,036
Interest Expense		
Time deposits of		
\$100,000 or more	1,538,489	870,035
Other deposits	10,188,548	8,025,212
Borrowed funds	197,511	150,135
	-----	-----
Total interest expense	11,924,548	9,045,382
	-----	-----
Net interest income	18,533,061	16,179,654
Provision for loan losses	1,200,000	1,000,457
	-----	-----
Net interest income after provision for loan losses	17,333,061	15,179,197
Non-interest income		
Service charges on deposit accounts	3,055,878	2,749,478
Fees and commissions	716,796	845,352
Trust department	261,000	228,840
Security gains(losses)	(413,963)	115,603
Other	803,587	987,055
	-----	-----
Total non-interest income	4,423,298	4,926,328
Non-interest expenses		
Salaries and employee benefits	8,852,422	8,012,060
Net occupancy	1,113,268	1,037,754
Equipment	643,989	575,233
Other	4,900,379	5,390,936
	-----	-----
Total non-interest expenses	15,510,058	15,015,983
	-----	-----
Income before income taxes	6,246,301	5,089,542
Income taxes	1,818,055	961,187
	-----	-----
Net income	\$ 4,428,246	\$ 4,128,355
	=====	=====

[CAPTION]

	1995	1994
	----	----
[S]	[C]	[C]
Earnings per share:		
Weighted average shares outstanding	2,604,760	2,604,760
	=====	=====
Net income	\$ 4,428,246	\$ 4,128,355
	=====	=====
Earnings per share	\$ 1.70	\$ 1.58
	=====	=====
Cash dividends per share	\$.48	\$.44
	=====	=====

Cash dividends per share is based on actual amounts declared.

See Notes to Consolidated Financial Statements.

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

[CAPTION]

	THREE MONTHS ENDED JUNE 30	
	1995	1994
	----	----
	(Unaudited)	
[S]	[C]	[C]
Interest Income		
Loans	\$ 12,329,842	\$ 9,725,418
Balances with banks	53,752	71,259
Federal funds sold	197,150	114,256
Securities:		
Taxable	2,478,568	2,557,634
Tax-exempt	685,794	644,977
	-----	-----
Total interest income	15,745,106	13,113,544
Interest Expense		
Time deposits of		
\$100,000 or more	833,117	337,125
Other deposits	5,391,431	4,232,129
Borrowings	93,856	80,090
	-----	-----
Total interest expense	6,318,404	4,649,344
	-----	-----
Net interest income	9,426,702	8,464,200
Provision for loan losses	600,000	500,228
	-----	-----
Net interest income after provision for loan losses	8,826,702	7,963,972
Non-interest income		
Service charges on deposit accounts	1,573,039	1,404,442
Fees and commissions	381,352	187,644
Trust department	130,500	114,420
Net security gains(losses)	(39,540)	63,034
Other	346,356	655,606
	-----	-----
Total non-interest income	2,391,707	2,425,146
Non-interest expenses		
Salaries and employee benefits	4,582,643	4,081,380
Net occupancy	586,371	524,710
Equipment	306,269	293,979
Other	2,143,033	2,824,562
	-----	-----
Total non-interest expenses	7,618,316	7,724,631
	-----	-----
Income before income taxes	3,600,093	2,664,487
Income taxes	1,059,954	536,084
	-----	-----
Net income	\$ 2,540,139	\$ 2,128,403
	=====	=====

[CAPTION]

	1995	1994
	----	----
[S]	[C]	[C]
Earnings per share:		
Weighted average shares outstanding	2,604,760	2,604,760
	=====	=====
Net income	\$ 2,540,139	\$ 2,128,403
	=====	=====
Earnings per share amount	\$.98	\$.82
	=====	=====
Cash dividends per share	\$.24	\$.22

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Cash dividends per share is based on actual amounts declared.

See Notes to Consolidated Financial Statements.

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

[CAPTION]

	SIX MONTHS ENDED JUNE 30	
	1995	1994
	----	----
	(Unaudited)	
[S]	[C]	[C]
Operating Activities		
Net Income	\$ 4,428,246	\$ 4,128,355
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,200,000	1,000,457
Provision for depreciation and amortization	920,307	1,000,984
Net amortization (accretion) of securities premiums/discounts	2,476,678	795,971
Loss(gain) on sales/calls of securities	441,542	(2,791)
Increase (decrease) in other liabilities	432,506	(1,046,922)
Deferred income tax	(656,907)	(360,940)
Loss (gain) on sales of premises and equipment	27,069	(1,347)
Increase in other assets	(1,224,018)	(2,466,767)
	-----	-----
Net Cash Provided by Operating Activities	8,045,423	3,047,000
Investing Activities		
Net increase in balances with other banks	(2,871,195)	(482,801)
Proceeds from maturities/calls of securities held-to-maturity	654,042	1,062,199
Proceeds from maturities/calls of securities available-for-sale	30,604,300	39,784,414
Proceeds from sales of securities available-for-sale	23,883,732	4,301,294
Purchases of securities held-to-maturity	(2,990,000)	(3,133,588)
Purchases of securities available-for-sale	(47,762,930)	(53,978,633)
Net increase in loans	(26,873,029)	(29,641,820)
Proceeds from sale of premises and equipment	169,252	2,505
Purchases of premises and equipment	(1,428,090)	(1,745,000)
	-----	-----
Net Cash Used in Investing Activities	(26,613,918)	(43,831,430)

[CAPTION]

	1995	1994
	----	----
	[C]	[C]
Financing Activities		
Net increase (decrease) in demand and savings deposits	(13,621,942)	21,903,303
Net increase in time deposits	41,381,073	18,351,488
Net increase (decrease) in short-term borrowed funds	373,271	(874,393)
Increase (decrease) in long-term debt	(528,699)	4,708,946
Cash dividends paid	(1,308,894)	(1,136,380)
	-----	-----
Net Cash Provided by Financing Activities	26,294,809	42,952,964
	-----	-----
Increase in Cash and Cash Equivalents	7,726,314	2,168,534
Cash and Cash Equivalents at beginning of period	45,273,177	44,258,382
	-----	-----
Cash and Cash Equivalents at end of period	\$ 52,999,491	\$ 46,426,916
	=====	=====

Non-cash transactions:

Transfer of loans to other real estate	\$ 403,703 =====	\$ 519,792 =====
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See Notes to Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 1995

Note 1 Basis of Presentation

The consolidated balance sheet at December 31, 1994, has been derived from the audited financial statements at that date. The accompanying unaudited consolidated financial statements reflect all adjustments (consisting only of normally recurring accruals) which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. The statements should be read in conjunction with the summary of accounting policies and notes to financial statements included in the Registrant's annual report for the year ended December 31, 1994. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in accordance with the rules of the Securities and Exchange Commission.

Note 2 Changes in Accounting Methods

Effective January 1, 1995, the Company adopted Financial Accounting Standards Board (FASB) Statement No. 114, "Accounting by Creditors for Impairment of a Loan" and FASB Statement No. 118, "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures." Under the new standards, the allowance for credit losses related to loans that are identified as impaired are based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral dependent loans. The adoption of the new rules has resulted in an immaterial effect on the Company's financial condition and results of operations.

Note 3 Securities

Securities consist of the following:

[CAPTION]

	June 30, 1995		December 31, 1994	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
[S]	[C]	[C]	[C]	[C]
Available-for-sale	\$163,573,396	\$164,166,657	\$172,586,341	\$167,238,212
Held-to-maturity	47,461,778	48,255,244	45,756,198	44,931,275

Note 4 Income Taxes

Federal and state income taxes payable (receivable) as of June 30, 1995, were as follows:

[S]	[C]
Current	\$ 706,158
Deferred	(2,497,065)

	\$ (1,790,907)
	=====

The components of income tax expense (credits) for the six months ended June 30, 1995, are presented below:

[S]	[C]
Current	\$ 1,425,893
Deferred	392,162

	\$ 1,818,055
	=====

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

[S]	[C]
Tax at United States statutory rate	\$ 2,123,742
Add (deduct) effect of:	
Tax-exempt interest income	(644,219)
State of Mississippi, net of federal tax benefit	312,312
Amortization of intangible assets	26,646
Dividends received deduction	(37,082)
Other items-net	36,656

	\$ 1,818,055
	=====

Deferred tax assets and liabilities result largely from temporary differences arising from loan loss provision and effect of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Historically, the Company has produced taxable income which can fully utilize the deferred tax asset.

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Financial Condition

Total assets of The Peoples Holding Company grew from \$787,066,488 on December 31, 1994, to \$822,143,366 on June 30, 1995, or 4.46% for the six month period. Loans, less unearned income, increased \$25,843,901 or 5.18%. Securities decreased from \$212,994,410 on December 31, 1994, to \$211,628,435 on June 30, 1995, due to management's decision to fund increased loan demands.

Total deposits for the first six months of 1995 grew from \$696,279,709 on December 31, 1994 to \$724,038,840 on June 30, 1995, or an increase of 3.99%, with the majority of growth in certificates of deposit.

The equity capital to total assets ratio was 9.82% and 9.37% for June 30, 1995 and December 31, 1994, respectively.

Results of Operations

The Company's net income for the six months ending June 30, 1995 was \$4,428,246 compared to \$4,128,355 for the same period in 1994. The increase in net income for 1995 compared to 1994 is primarily due to the net effect of security losses incurred based on management's decision to reinvest funds in securities which will yield a higher rate of return for the remainder of 1995 and the reversal of an accrual regarding litigation previously expensed by the Company in 1991. The Company's net income for the quarter ending June 30, 1995 and 1994 was \$2,540,139 and \$2,128,403, respectively. The annualized returns on average assets for the period ending June 30, 1995 and 1994 were 1.11% and 1.06%, respectively. The annualized returns on average assets for the quarter ending June 30, 1995 and 1994 were 1.25% and 1.09%, respectively.

Net interest income, the difference between interest earned on assets and the cost of interest-bearing liabilities, is the largest component of the Company's net income. For purposes of this discussion, all interest income has been adjusted to a fully taxable equivalent basis. The primary items of concern in managing net interest income are the mix and maturity balance between interest-sensitive assets and related liabilities. Net interest income was \$18,533,061 and \$16,179,654 for the six months ending June 30, 1995 and 1994, respectively. Net interest income was \$9,426,702 for the three months ended June 30, 1995, compared to \$8,464,200 for the same period in 1994. Earning assets averaged \$741.5 million in the second quarter of 1995 and \$734.8 million for the first six months of 1995, compared to \$716.7 million and \$705.3 for the same period in 1994. The net interest margin was 5.23% for the six months and quarter ending June 30, 1995, compare to 4.77% and 4.66% for the same period in 1994.

The provision for credit losses charged to operating expense is an amount which, in the judgement of management, is necessary to maintain the allowance for credit losses at a level that is adequate to meet the present and potential risks of losses on the Company's current portfolio of loans. The appropriate level of the allowance is based on a quarterly analysis of the loan portfolio including consideration of such factors as the risk rating of individual credits, size and diversity of the portfolio, economic conditions, prior loss experience, and the results of periodic credit reviews by internal loan review, regulators, and the Company's independent accounting firm. The provision for credit losses totalled \$1,200,000 and \$1,000,457 for the six months ending June 30, 1995 and 1994, respectively. The allowance for credit losses as a percent of net loans outstanding was 1.67% and 1.63% at June 30, 1995 and 1994, respectively. Net charge-offs to average loans remain below .05% for both years.

Non-interest income, excluding security gains and losses was \$4,837,261 for six months ended June 30, 1995 compared to \$4,810,725 for same period in 1994, or an increase of \$26,536. Service charges were up \$306,400, fees and commissions were down \$128,556, and other income was down \$183,468. Other income in 1994 included \$165,388 in life insurance proceeds the Company received as a beneficiary of a life insurance policy. Non-interest income for the quarter ended June 30, 1995 and 1994 was \$2,391,707 and \$2,425,146, respectively. The change in the accounts for the quarter, correspond to the same percentage change in the six months ending for 1995

and 1994.

Non-interest expenses were \$15,510,058 for six months ended June 30, 1995 compared to \$15,015,983 for 1994, or an increase of 3.3%. The non-interest expenses for the three months ended June 30, 1995 and 1994 were \$7,618,316 and \$7,724,631, respectively. The components of other expenses reflect normal increases for personnel related expenses and general inflation in the cost of services and supplies purchased by the Company.

Income tax expense was \$1,818,055 for six months ended June 30, 1995 compared to \$961,187 for same period in 1994. The Company continues to invest in assets whose earnings are given favorable tax treatment; and in first quarter of 1994, the Company was the beneficiary of a life insurance policy of a key executive, that was given favorable tax treatment. Effective in the first quarter of 1995, the Company began to incur taxes to the State of Mississippi due to the extinguishment of a net operating loss carryforward for state taxes.

Liquidity Risk

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

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

Approximately 91% 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 the securities portfolio. The 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.

Repayments and maturities of loans provide a substantial source of liquidity. The Company has approximately 69% of the loans maturing within the next twelve months.

Capital Resources

The Company is required to comply with the risk-based capital requirements of the Federal Reserve Board, the FDIC and the OCC. These requirements apply a variety of weighing factors which vary according to the level of risk associated with the particular assets. The Company met the guidelines for a well capitalized bank as of June 30, 1995, and December 31, 1994. The table below shows the capital ratios of the Company at the dates indicated:

[CAPTION]

	June 30 1995	December 31 1994	Well- Capitalized
	-----	-----	-----
[S]	[C]	[C]	[C]
Tier 1 Risk-Based Capital	14.72%	14.86%	6% or above
Total Risk-Based Capital	15.97%	16.12%	10% or above
Leverage Ratio	9.42%	9.22%	5% or above

Retained earnings through operations have been the primary source of capital over the past three months. The ratio of shareholders' equity to total assets was 9.82% as of June 30, 1995, compared to 9.37% as of December 31, 1994. Total shareholders' equity of the Company was \$80,774,550 and \$73,733,881 for June 30, 1995 and December 31, 1994, respectively. This represented an increase of \$7,040,669 or 9.55%.

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

well capitalized bank.

Book value per share was \$31.01 and \$28.31 at June 30, 1995 and December 31, 1994, respectively. Cash dividends paid during the quarter were \$.24 per share compared to \$.22 per share during the same quarter in 1994.

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

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

There were no material proceedings pending at June 30 1995, against the registrant or its subsidiary.

Item 4. Submission of Matters to a Vote of Shareholders

The annual meeting of the shareholders of The Peoples Holding Company was held on April 11, 1995, for the purpose of electing five members to the board of directors for a three year term, to approve a proposal to amend the articles of incorporation to increase to 7,500,000 the authorized shares of common stock of the Company and to ratify the appointment of the independent auditors. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934.

[CAPTION]

Election of Directors	For	Against	Abstain
[S]	[C]	[C]	[C]
Dr. Walter L. Bourland	2,005,908	50,338	548,514
John W. Smith	2,017,548	38,698	548,514
Jimmy S. Threlkeld	2,017,720	38,526	548,514
Robert H. Weaver	2,017,720	38,526	548,514
J. Larry Young	2,017,720	38,526	548,514

Approve amendment of the articles of incorporation to increase the authorized shares of common stock to 7,500,000	2,016,016	27,645	561,096
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Ratify appointment of Ernst & Young, LLP as independent auditors for 1995	2,046,548	5,840	552,372
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Item 6(b) Reports on Form 8-K

There were was not a Form 8-K filed in the second quarter of 1995.

SIGNATURES

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

THE PEOPLES HOLDING COMPANY

Registrant

DATE: July 20, 1995

/s/ John W. Smith

John W. Smith

President & Chief Executive Officer

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