

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 September 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 November 1, 1995

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

[CAPTION]

	SEPTEMBER 30 1995	DECEMBER 31 1994
	(Unaudited) [C]	(Note 1) [C]
[S]		
Assets		
Cash and due from banks	\$ 43,684,770	\$ 45,123,177
Federal Funds Sold	8,000,000	150,000
	-----	-----
	51,684,770	45,273,177
Interest bearing balances with banks	678,327	188,549
Securities (Market value- \$225,127,508 and \$212,169,487 at September 30, 1995 and December 31, 1994)	224,454,319	212,994,410
Loans	532,116,476	511,212,203
Unearned Income	(12,217,364)	(12,010,336)
Allowance for loan losses	(8,492,599)	(8,182,801)
	-----	-----
Net Loans	511,406,513	491,019,066
Premises and equipment	18,541,945	16,780,966
Other assets	22,592,817	20,810,320
	-----	-----
Total Assets	\$ 829,358,691	\$ 787,066,488
	=====	=====
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 116,290,498	\$ 118,711,872
Interest bearing	611,724,570	577,567,837
	-----	-----
Total Deposits	728,015,068	696,279,709
Treasury tax and loan note account	3,106,481	3,115,183
Notes and debentures payable	4,403,538	4,650,488
Other liabilities	11,111,115	9,287,227
	-----	-----
Total Liabilities	746,636,202	713,332,607
Shareholders' Equity		
Common Stock, \$5 par value-		
7,500,000 shares authorized		
2,604,760 shares issued and		
outstanding at September 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	386,472	(3,529,765)
Retained earnings	29,436,421	34,364,050
	-----	-----
Total Shareholders' Equity	82,722,489	73,733,881
	-----	-----
Total Liabilities and		
Shareholders' Equity	\$ 829,358,691	\$ 787,066,488
	=====	=====

See Notes to Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

[CAPTION]

	NINE MONTHS ENDED SEPTEMBER 30	
	1995	1994
	----	----
	(Unaudited)	
[S]	[C]	[C]
Interest Income		
Loans	\$ 36,520,022	\$ 28,962,117
Balances with banks	120,821	101,804
Federal funds sold	537,153	341,597
Securities:		
Taxable	7,429,274	7,558,550
Tax-exempt	2,042,871	1,935,584
	-----	-----
Total interest income	46,650,141	38,899,652
Interest Expense		
Time deposits of		
\$100,000 or more	2,405,411	1,503,313
Other deposits	15,837,862	12,103,799
Borrowed funds	290,180	256,615
	-----	-----
Total interest expense	18,533,453	13,863,727
	-----	-----
Net interest income	28,116,688	25,035,925
Provision for loan losses	2,122,306	1,500,762
	-----	-----
Net interest income after provision for loan losses	25,994,382	23,535,163
Non-interest income		
Service charges on deposit accounts	4,601,460	4,276,903
Fees and commissions	521,698	608,794
Trust department	391,500	374,701
Security gains(losses)	(511,221)	2,791
Other	2,984,625	2,039,221
	-----	-----
Total non-interest income	7,988,062	7,302,410
Non-interest expenses		
Salaries and employee benefits	13,580,649	12,192,610
Net occupancy	1,635,728	1,576,303
Equipment	956,898	853,440
Other	7,754,335	8,328,534
	-----	-----
Total non-interest expenses	23,927,610	22,950,887
	-----	-----
Income before income taxes	10,054,834	7,886,686
Income taxes	2,989,827	1,801,849
	-----	-----
Net income	\$ 7,065,007	\$ 6,084,837
	=====	=====

[CAPTION]

	1995	1994
	----	----
[S]	[C]	[C]
Earnings per share:		
Weighted average shares outstanding	2,604,760	2,604,760
	=====	=====
Net income	\$ 7,065,007	\$ 6,084,837
	=====	=====
Earnings per share	\$ 2.71	\$ 2.34
	=====	=====
Cash dividends per share	\$.77	\$.68

=====

=====

See Notes to Consolidated Financial Statements.

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

[CAPTION]

	THREE MONTHS ENDED SEPTEMBER 30	
	1995	1994
	----	----
	(Unaudited)	
[S]	[C]	[C]
Interest Income		
Loans	\$ 12,648,072	\$ 10,350,269
Balances with banks	40,866	7,569
Federal funds sold	204,732	43,251
Securities:		
Taxable	2,616,685	2,623,753
Tax-exempt	682,177	649,774
Total interest income	----- 16,192,532	----- 13,674,616
Interest Expense		
Time deposits of		
\$100,000 or more	866,922	633,278
Other deposits	5,649,314	4,078,587
Borrowings	92,669	106,480
Total interest expense	----- 6,608,905	----- 4,818,345
Net interest income	9,583,627	8,856,271
Provision for loan losses	922,306	500,305
Net interest income after provision for loan losses	----- 8,661,321	----- 8,355,966
Non-interest income		
Service charges on deposit accounts	1,545,582	1,413,925
Fees and commissions	398,583	113,500
Trust department	130,500	145,861
Net security gains(losses)	(97,258)	(22,771)
Other	1,587,357	725,567
Total non-interest income	----- 3,564,764	----- 2,376,082
Non-interest expenses		
Salaries and employee benefits	4,728,227	4,180,550
Net occupancy	522,460	538,549
Equipment	312,909	278,207
Other	2,853,956	2,937,598
Total non-interest expenses	----- 8,417,552	----- 7,934,904
Income before income taxes	3,808,533	2,797,144
Income taxes	1,171,772	840,662
Net income	----- \$ 2,636,761	----- \$ 1,956,482
	=====	=====

[CAPTION]

	1995	1994
	----	----
[S]	[C]	[C]
Earnings per share:		
Weighted average shares outstanding	2,604,760	2,604,760
	=====	=====
Net income	\$ 2,636,761	\$ 1,956,482
	=====	=====
Earnings per share amount	\$ 1.01	\$.75
	=====	=====
Cash dividends per share	\$.26	\$.24
	=====	=====

See Notes to Consolidated Financial Statements.

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

[CAPTION]

NINE MONTHS ENDED SEPTEMBER 30

	1995 ----	1994 ----
	(Unaudited)	
[S]	[C]	[C]
Operating Activities		
Net Income	\$ 7,065,007	\$ 6,084,837
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,122,306	1,500,762
Provision for depreciation and amortization	1,398,537	1,321,441
Net amortization of securities premiums/discounts	1,579,392	1,264,604
Loss(gain) on sales/calls of securities	511,221	(2,791)
Increase in other liabilities	1,823,888	20,657
Deferred income tax	(331,727)	(682,633)
Loss (gain) on sales of premises and equipment	13,917	(1,264)
Gain on sale of loans	(585,304)	
Increase in other assets	(1,952,719)	(1,799,297)
	-----	-----
Net Cash Provided by Operating Activities	11,644,518	7,706,316
Investing Activities		
Net increase in balances with other banks	(489,778)	(189,907)
Proceeds from maturities/calls of securities held-to-maturity	1,349,041	3,068,639
Proceeds from maturities/calls of securities available-for-sale	52,003,805	54,695,444
Proceeds from sales of securities available-for-sale	26,511,221	7,501,564
Purchases of securities held-to-maturity	(4,726,114)	(3,025,000)
Purchases of securities available-for-sale	(82,796,018)	(65,878,296)
Net increase in loans	(36,526,651)	(44,857,381)
Proceeds from sale of loans	12,690,078	
Proceeds from sale of premises and equipment	167,504	2,505
Purchases of premises and equipment	(2,903,074)	(2,058,663)
	-----	-----
Net Cash Used in Investing Activities	(34,719,986)	(50,741,095)

[CAPTION]

	1995 ----	1994 ----
[S]	[C]	[C]
Financing Activities		
Net increase (decrease) in demand and savings deposits	(11,770,277)	4,523,044
Net increase in time deposits	43,505,636	25,912,960
Net increase (decrease) in short-term borrowed funds	(8,702)	11,124,543
Increase (decrease) in long-term debt	(246,950)	4,601,130
Cash dividends paid	(1,992,646)	(1,780,206)
	-----	-----
Net Cash Provided by Financing Activities	29,487,061	44,381,471
	-----	-----
Increase in Cash and Cash Equivalents	6,411,593	1,346,692
Cash and Cash Equivalents at beginning of period	45,273,177	44,258,382
	-----	-----
Cash and Cash Equivalents at		

end of period	\$ 51,684,770	\$ 45,605,074
	=====	=====
Non-cash transactions:		
Transfer of loans to other real estate	\$ 1,912,124	\$ 557,501
	=====	=====

See Notes to Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEPTEMBER 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 consolidated 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]

	September 30, 1995		December 31, 1994	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
[S]	[C]	[C]	[C]	[C]
Available-for-sale	\$170,963,453	\$171,507,946	\$172,586,341	\$167,238,212
Held-to-maturity	52,946,373	53,619,562	45,756,198	44,931,275

Note 4 Income Taxes

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

[S]	[C]
Current	\$ 395,980
Deferred	(2,575,015)

	\$ (2,179,035)
	=====

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

[S]	[C]
Current	\$ 3,321,554
Deferred	(331,727)

	\$ 2,989,827
	=====

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	\$ 3,418,644
Add (deduct) effect of:	
Tax-exempt interest income	(963,757)
State of Mississippi, net of federal tax benefit	331,810
Amortization of intangible assets	54,411
Dividends received deduction	(40,941)
Other items-net	189,660

	\$ 2,989,827
	=====

Deferred tax assets and liabilities result largely from temporary differences arising from the loan loss provision and the 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 \$829,358,691 on September 30, 1995, or 5.37% for the nine month period. Loans, less unearned income, increased \$20,697,245 or 4.15%. Securities increased from \$212,994,410 on December 31, 1994, to \$224,454,319 on September 30, 1995.

Total deposits for the first nine months of 1995 grew from \$696,279,709 on December 31, 1994 to \$728,015,068 on September 30, 1995, or an increase of 4.56%, with the majority of growth in time deposits.

The equity capital to total assets ratio was 9.97% and 9.37% for September 30, 1995 and December 31, 1994, respectively.

Results of Operations

The Company's net income for the nine months ending September 30, 1995 was \$7,065,007 compared to \$6,084,837 for the same period in 1994. The increase in net income for 1995 compared to 1994 is 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 future, the reversal of an accrual regarding litigation previously expensed by the Company in 1991 and a gain recognized on the sale of loans. The Company received a refund of approximately \$322,000 in the third quarter from the Federal Deposit Insurance Corporation (FDIC) for the insurance premium. The Company's net income for the quarter ending September 30, 1995 and 1994 was \$2,636,761 and \$1,956,482, respectively. The annualized return on average assets for the nine month period ending September 30, 1995 and 1994 was 1.16% and 1.06%, respectively. The annualized return on average assets for the quarter ending September 30, 1995 and 1994 was 1.27% and 1.00%, 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. 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 \$28,116,688 and \$25,035,925 for the nine months ending September 30, 1995 and 1994, respectively. Net interest income was \$9,583,627 for the three months ended September 30, 1995, compared to \$8,856,271 for the same period in 1994. Earning assets averaged \$752.2 million in the third quarter of 1995 and \$740.7 million for the first nine months of 1995, compared to \$723.8 million and \$712.8 for the same periods in 1994. The net interest margin was 5.32% and 5.23% for the nine months and quarter ending September 30, 1995, compared to 4.90% and 4.65% 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 \$2,122,306 and \$1,500,762 for the nine months ending September 30, 1995 and 1994, respectively. The allowance for loan losses as a percent of net loans outstanding was 1.63% and 1.64% at September 30, 1995 and 1994, respectively. Net charge-offs to average loans was 0.35% and 0.05% as of September 30, 1995 and 1994, respectively.

Non-interest income, excluding security gains and losses was \$8,499,283 for nine months ended September 30, 1995 compared to \$7,209,578 for same period in 1994, or an increase of \$1,289,705. Service charges were up \$324,557, fees and commissions were down \$87,096, and other income was up \$1,035,445. The increase in other income is due to approximately \$585,000 gain on sale of loans and a reversal of a lawsuit decision which was recorded by the

bank in 1991 at the FDIC's direction equalling approximately \$575,000. 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 September 30, 1995 and 1994 was \$3,564,764 and \$2,376,082, respectively. The change in the accounts for the quarter, correspond to the same percentage change in the nine months ending for 1995 and 1994.

Non-interest expenses were \$23,927,610 for nine months ended September 30, 1995 compared to \$22,950,887 for 1994, or an increase of 4.3%. The non-interest expenses for the three months ended September 30, 1995 and 1994 were \$8,417,552 and \$7,934,904, respectively. The components of non-interest 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 \$2,989,827 for nine months ended September 30, 1995 compared to \$1,801,849 for the 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 90% 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. The Company maintains a federal funds position that provides day-to-day funds to meet liquidity needs; in addition, repayments and maturities of loans provide a substantial source of liquidity.

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 September 30, 1995, and December 31, 1994. The table below shows the capital ratios of the Company at the dates indicated:

[CAPTION]

	September 30 1995	December 31 1994	Well- Capitalized
[S]	[C]	[C]	[C]
Tier 1 Risk-Based Capital	14.56%	14.86%	6% or above
Total Risk-Based Capital	15.80%	16.12%	10% or above
Leverage Ratio	9.40%	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 9.97% as of September 30, 1995, compared to 9.37% as of December 31, 1994. Total shareholders' equity of the Company was \$82,722,489 and \$73,733,881 for September 30, 1995 and December 31, 1994, respectively. This represented an increase of \$8,988,608 or 12.19%.

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 \$31.76 and \$28.31 at September 30, 1995 and December 31, 1994, respectively. Cash dividends paid during the quarter were \$.2625 per share compared to \$.24 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 September 30 1995, against the registrant or its subsidiary.

Item 6(b) Reports on Form 8-K

There were was not a Form 8-K filed in the third 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: November 8, 1995

/s/ John W. Smith

John W. Smith
President & Chief Executive Officer

9-MOS
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SEP-30-1995
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