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, 1997
Commission File Number 1-13253

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

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

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

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

Common stock, $5 Par Value, 3,906,675 shares outstanding
as of November 12, 1997

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THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30 1997 (Unaudited)	DECEMBER 31 1996 (Note 1)
Assets		
Cash and due from banks	$ 37,750,511	$ 38,374,641
Federal Fund Sold		8,500,000
	37,750,511	46,874,641
Interest bearing balances with banks	195,638	1,824,031
Securities held-to-maturity (market value-$55,597,670 and $52,334,931 at September 30, 1997 and December 31, 1996, respectively)	54,916,391	52,051,251
Securities available-for-sale (amortized cost-$206,058,086 and $193,696,615 at September 30, 1997 and December 31, 1996, respectively)	206,718,210	194,058,997
Loans	610,453,313	562,752,505
Allowance for loan losses	(9,509,604)	(9,309,354)
Net Loans	600,943,709	553,443,151
Premises and equipment	22,307,934	21,559,955
Other assets	23,654,105	23,277,326
Total Assets	$ 946,486,498	$ 893,089,352
Liabilities		
Deposits:		
Noninterest-bearing	$ 115,110,442	$ 118,638,526
Certificates of deposit exceeding $100,000	91,048,221	89,435,562
Interest bearing	586,007,708	564,767,920
Total Deposits	792,166,371	772,842,008
Treasury tax and loan note account	9,843,339	6,354,142
Borrowings	35,408,161	11,174,638
Other liabilities	13,042,564	12,157,744
Total Liabilities	850,460,435	802,528,532
Shareholders' Equity		
Common Stock, $5 par value-7,500,000 authorized, 3,906,675 shares issued and outstanding at September 30, 1997 and December 31, 1996, respectively	19,533,375	19,533,375
Additional paid-in capital	39,875,796	39,875,796
Unrealized gains on securities available-for-sale, net of tax	413,898	227,214
Retained earnings	36,202,994	30,924,435
Total Shareholders' Equity	96,026,063	90,560,820
Total Liabilities and Shareholders' Equity	$ 946,486,498	$ 893,089,352

See Notes to Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	NINE MONTHS ENDED SEPTEMBER 30 1997	1996	THREE MONTHS ENDED SEPTEMBER 30 1997	1996
	(Unaudited)		(Unaudited)	
Interest Income				
Loans	$ 40,994,008	$ 37,534,320	$ 14,230,002	$ 12,764,539
Securities:				
Taxable	9,943,123	9,152,374	3,331,861	3,068,053
Tax-exempt	2,169,936	2,116,570	738,664	768,450
Other	429,910	671,362	69,914	126,852
Total interest income	53,536,977	49,474,626	18,370,441	16,727,894
Interest Expense				
Time deposits exceeding $100,000	3,734,644	2,857,708	1,324,979	1,014,664
Other deposits	18,770,200	17,730,990	6,505,095	5,842,221
Borrowings	952,403	300,842	325,709	157,168
Total interest expense	23,457,247	20,889,540	8,155,783	7,014,053
Net interest income	30,079,730	28,585,086	10,214,658	9,713,841
Provision for loan losses	1,709,999	1,894,808	569,999	634,358
Net interest income after provision for loan losses	28,369,731	26,690,278	9,644,659	9,079,483
Noninterest income:				
Service charges on deposit accounts	4,991,342	4,888,371	1,703,669	1,676,670
Fees and commissions	1,589,998	1,299,305	598,878	462,852
Trust revenue	449,100	405,000	149,700	135,000
Security gains	155,256	191,723	77,545	30,300
Other	1,582,188	1,176,964	529,613	380,427
Total noninterest income	8,767,884	7,961,363	3,059,405	2,685,249
Noninterest expenses:				
Salaries and employee benefits	14,587,616	13,984,828	5,141,501	4,727,575
Net occupancy	1,865,637	1,649,284	618,275	530,204
Equipment	1,328,908	1,146,504	470,791	399,860
Other	8,295,430	8,075,320	2,868,765	2,843,150
Total noninterest expenses	26,077,591	24,855,936	9,099,332	8,500,789
Income before income taxes	11,060,024	9,795,705	3,604,732	3,263,943
Income taxes	3,281,193	2,946,622	1,057,456	985,198
Net income	$ 7,778,831	$ 6,849,083	$ 2,547,276	$ 2,278,745
Earnings per share	$ 1.99	$ 1.75	$ .65	$ .58
Weighted average shares outstanding	3,906,675	3,906,675	3,906,675	3,906,675

See Notes to Consolidated Financial Statements

THE PEOPLES HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED SEPTEMBER 30 1997	1996
	(Unaudited)	
Operating Activities		
Net Income	$ 7,778,831	$ 6,849,083
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,709,999	1,894,808
Provision for depreciation and amortization	1,727,168	1,604,176
Net amortization of securities premiums/discounts	689,489	84,331
Losses (gains) on sales/calls of securities	40,990	(191,723)
Increase in other liabilities	884,820	1,205,183
Deferred income taxes (credits)	(57,495)	180,740
Losses (gains) on sales of premises and equipment	154,812	(78,651)
Increase in other assets	(17,970)	(1,087,010)
Net Cash Provided by Operating Activities	12,910,644	10,460,937
Investing Activities		
Net decrease in balances with other banks	1,628,393	8,706,776
Proceeds from maturities/calls of securities held-to-maturity	3,169,191	2,361,056
Proceeds from maturities/calls of securities available-for-sale	47,238,184	42,748,943
Proceeds from sales of securities available-for-sale	48,987,655	23,691,723
Purchases of securities held-to-maturity	(6,512,000)	(7,367,988)
Purchases of securities available-for-sale	(108,840,120)	(95,791,972)
Net increase in loans	(50,038,207)	(28,253,132)
Proceeds from sales of premises and equipment	120,458	84,636
Purchases of premises and equipment	(2,335,139)	(1,546,377)
Net Cash Used in Investing Activities	(66,581,585)	(55,366,335)
Financing Activities		
Net increase (decrease) in noninterest-bearing deposits	(3,528,084)	1,745,022
Net increase in certificate of deposits exceeding $100,000	1,612,659	13,179,421
Net increase in other interest-bearing deposits	21,239,788	3,265,982
Net increase in treasury tax and loan note account	3,489,197	7,599,505
Net increase in borrowings	24,233,523	5,721,845
Cash dividends paid	(2,500,272)	(2,192,469)
Net Cash Provided by Financing Activities	44,546,811	29,319,306
Decrease in Cash and Cash Equivalents	(9,124,130)	(15,586,092)
Cash and Cash Equivalents at beginning of period	46,874,641	63,918,819
Cash and Cash Equivalents at end of period	$ 37,750,511	$ 48,332,727
Non-cash transactions:		
Transfer of loans to other real estate	$ 827,650	$ 1,405,909

See Notes to Consolidated Financial Statements

Note 1 Basis of Presentation:

The consolidated balance sheet at December 31, 1996, 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 for a fair statement of the results for the interim periods presented. The statements should be read in conjunction with the notes to consolidated financial statements included in the Registrant's annual report for the year ended December 31, 1996. Certain information and footnote disclosures normally included in consolidated 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 Earnings Per Share

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share". Statement No. 128 simplifies the calculation of earnings per share (EPS) standards, and is effective for both interim and annual periods ending after December 15, 1997. The Company does not believe that the adoption of this statement will have a material effect on its consolidated financial position or results of operations.

Note 3 Other Accounting Pronouncements

In June 1997, the FASB issued SFAS No. 130, "Reporting Comrehensive Income." SFAS No. 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The Statement was developed in response to financial statement users' concerns about the increasing number of items that bypass the income statement, such as changes in value of available-for-sale securities, and the effort required to analyze them. Because this Statement addresses how supplemental financial information is disclosed in annual and interim reports, the adoption will have no material impact on the financial statements. SFAS No. 130 will become effective in 1998.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the reporting of financial information from operating segments, using the management approach, in annual and interim financial statements. This Statement requires that financial information be reported on the basis that it is reported internally for evaluating segment performance and deciding how to allocate resources to segments. Because this Statement addresses how supplemental financial information is disclosed in annual and interim reports, the adoption will have no material impact on the financial statements. SFAS No. 131 will become effective in 1998.

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

This Form 10-Q may contain or incorporate by reference statements which may constitute "forward-looking statements' within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 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.

Financial Condition

Total assets of The Peoples Holding Company grew from $893,089,352 on December 31, 1996, to $946,486,498 on September 30, 1997, or 5.98% for the nine month period. Total securities increased from $246,110,248 on December 31, 1996, to $261,634,601 on September 30, 1997, with the majority of growth in US Government Agencies and Mortgage-backed securities. Loans, net of unearned income, increased $47,700,808 or 8.48%. Approximately $23,580,000 of the increase in loans was in the third quarter of 1997. The increase in loan demand was temporarily funded by short term borrowings from the Federal Home Loan Bank.

Total deposits for the first nine months of 1997 grew from $772,842,008 on December 31, 1996 to $792,166,371 on September 30, 1997, or an increase of 2.50%, with the majority of growth in time deposits. Borrowings increased $24,233,523 at September 30, 1997 compared to December 31, 1996, due to loan demand in the third quarter of 1997. The short term borrowings from the Federal Home Loan Bank have been repaid subsequent to September 30, 1997.

The equity capital to total assets ratio was 10.15% and 10.14% for September 30, 1997 and December 31, 1996, respectively. Capital grew 6.03% from December 31, 1996 to September 30, 1997 due to record earnings. In addition, the Company continued paying higher dividends in 1997 compared to 1996.

In the third quarter of 1997, the Company's shares began trading on the American Stock Exchange (AMEX), under the symbol PHC.

Results of Operations-September 30, 1997 compared to September 30, 1996

The Company's net income for the nine month period ending September 30, 1997, was $7,778,831 representing an increase of $929,748 or 13.57% over net income for the nine month period ending September 30, 1996 which totaled $6,849,083. The majority of the increase in net income for the nine month period in 1997 compared to 1996 came from usual and customary deposit gathering and lending operations. Effective September 30, 1996, the Company was assessed a one-time charge of approximately $240,000 ($150,000 net of tax) by the Federal Deposit Insurance Corporation (FDIC) to re-capitalize the Savings Association Insurance Fund (SAIF). All Oakar financial institutions, those banks holding deposits that are insured by the SAIF, were assessed based on their deposit base at March 31, 1995. The annualized returns on average assets for the nine month periods ending September 30, 1997 and 1996 were 1.13% and 1.06%, respectively.

Net income was $2,547,276 and $2,278,745 for the three months ending September 30, 1997 and 1996, respectively. The increase in net income is due to normal lending and deposit operations, combined with the SAIF assessment at September 30, 1996, previously mentioned.

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 for the nine month periods ending September 30, 1997 and 1996 was $30,079,730 and $28,585,086, respectively. Net interest income was $10,214,658 and $9,713,841 for the three month periods ending September 30, 1997 and 1996, respectively. Earning assets averaged $853.1 million for the nine month period ending September 30, 1997, compared to $786.6 million for the same period in 1996. Net interest margin was 4.91% and 5.08% for the nine month periods ending September 30, 1997 and 1996, respectively. The decrease in net interest margin is due to the increase in the volume and rate of costing liabilities in 1997 and an increase in short-term borrowings in the third quarter of 1997 to fund loan growth.

The provision for loan losses charged to operating expense is an amount which, in the judgement of management, is necessary to maintain the allowance for loan losses at a level that is adequate to meet the inherent risks of losses on 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 and regulators. The provision for loan losses totaled $1,709,999 and $1,894,808 for the nine month periods ending September 30, 1997 and 1996, respectively. The allowance for loan losses as a percentage of loans outstanding was 1.56% and 1.65% as of September 30, 1997 and December 31, 1996, respectively. Net charge-offs to average loans was .25% and .32% for the nine month periods ending September 30, 1997 and 1996, respectively.

Noninterest income was $8,767,884 for the nine month period ending September 30, 1997, compared to $7,961,363 for the same period in 1996, or an increase of 10.13%. The increase between 1997 and 1996 is mainly due to fees associated with the increase in loans and deposits. The increase in fees and commissions are a result of increases in document preparation fees and student loan fees, while an increase in merchant processing and credit card revenue increased other income. The increase in deposits at September 30, 1997 compared to the same period in 1996 resulted in an increase in service charges. Noninterest income for the quarter ending September 30, 1997 increased $374,156 or 13.93% compared to the same period in 1996. As previously noted, the increase is mainly due to increased loan demand and deposit growth.

Noninterest expenses were $26,077,591 for the nine month period ending September 30, 1997, compared to $24,855,936 for the same period in 1996, or an increase of 4.91%. Significant increases in noninterest expenses, comparing the nine months ending September 30, 1997 to same period in 1996, include incentive compensation, depreciation of new premises and equipment, credit card costs related to the introduction of a new affinity card, and computer processing costs associated with loan and deposit growth. The remaining components of noninterest expenses reflect normal increases for banking related expenses and general inflation in the cost of services and supplies purchased by the Company. Noninterest expenses for the quarter ending September 30, 1997 increased $598,543 or 7.04% compared to the same period in 1996. The significant increases mirror the same increases for the nine month period in 1997 compared to 1996.

Income tax expense was $3,281,193 for the nine month period ending September 30, 1997, compared to $2,946,622 for the same period in 1996. The increase is due to increased profits for the nine month period ending September 30, 1996 compared to 1996. The Company continues to invest in assets whose earnings are given favorable tax treatment, which lowered the indicated tax rate from 30.08% for the nine months ending September 30, 1996 to 29.67% for the same period in 1997.

Liquidity Risk

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

Core deposits are a major source of funds used to meet cash flow needs. Maintaining the ability to acquire these funds as needed in a variety of money markets is a key to assuring liquidity. Approximately 89% of the Company's deposits are composed of accounts with balances less than $100,000. When evaluating the movement of these funds even during times of large interest rate changes, it is apparent that the Company continues to attract deposits that can be used to meet cash flow needs. Management continues to monitor the liquidity and potentially volatile liabilities ratios to ensure compliance with Asset-Liability Committee targets. These targets are set to ensure that the Company meets the liquidity requirements deemed necessary by management and regulators.

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 may maintain 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 (FHLB) or the treasury tax and loan note account, in order to meet liquidity needs. Historically, the Company has not relied upon these sources to meet long-term liquidity needs. Sources of funds derived from the FHLB are used primarily to match mortgage loan originations in order to minimize interest rate risk, but may be used to provide short-term funding.

Capital Resources

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). As of September 30, 1997, the Bank has met all capital adequacy requirements to which it is subject.

As of September 30, 1997, 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. In the opinion of management, there are no conditions or events since the last notification that have changed the institution's category. The Bank's actual capital amounts and applicable ratios are as follows:

	Actual Amount (000)	Actual Ratio
As of September 30, 1997		
Total Capital .... (to Risk Weighted Assets)	$ 99,060	16.0%
Tier I Capital .... (to Risk Weighted Assets)	$ 91,317	14.8%
Tier I Capital .... (to Adjusted Average Assets)	$ 91,317	9.8%
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 Adjusted Average Assets)	$ 85,618	9.9%

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 $24.58 and $23.18 at September 30, 1997 and December 31, 1996, respectively. Quarterly cash dividends were $.22 per share during the third quarter of 1997, up from $.20 per share during the third quarter of 1996.

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

Effective August 18, 1997, the Company's shares began trading on the American Stock Exchange (AMEX), under the symbol PHC. The first trade on AMEX lowered the spread from $2.25 per share to $.375 per share. This decision was in line with management's strategic initiatives to enhance the value of the Company's shares.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

There were no material proceedings pending at September 30, 1997, against the registrant or its subsidiary.

Item 6(b) Reports on Form 8-K

No reports on Form 8-K were filed in the third quarter ending September 30, 1997.

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 12, 1997

/s/ John W. Smith

John W. Smith
President & Chief Executive Officer

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