UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For fiscal year ended December 31, 2000
Commission file number 1-13253

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: (662) 680-1001

Securities registered pursuant to
Section 12(b) of the Act:

(Title of Class)	Name of each exchange on which registered
Common Stock, $5.00 Par Value	American Stock Exchange

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_____

Disclosure of delinquent filings pursuant to Item 405 of Regulation S-K will be contained in the registrant's proxy statement for its 2000 annual meeting of shareholders, which statement is incorporated by reference in Part III of this Form 10-K. YES_____NO__X___

The aggregate market value of the voting stock held by non-affiliates of the registrant as of February 27, 2001, was $115,788,560, based on 6,046,400 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of annual Proxy Statement dated March 19, 2001, relating to the annual meeting of shareholders of The Peoples Holding Company, are incorporated by reference into Part III.

THE PEOPLES HOLDING COMPANY

Form 10-K

For the year ended December 31, 2000

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PART I

This Annual Report (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 business activities are conducted through the Bank and the Bank's wholly-owned subsidiaries, Peoples Insurance Agency, Dominion Life and Health P.A., Alliance Finance Company and Dominion Company (Dominion companies). The Bank accounts for substantially all of the assets and revenues of the Registrant. On December 31, 2000, the Registrant had 41 banking offices in Tupelo, Aberdeen, Amory, Batesville, Belden, Booneville, Calhoun City, Coffeeville, Corinth, Grenada, Guntown, Hernando, Iuka, Louisville, New Albany, Okolona, Olive Branch, Pontotoc, Saltillo, Sardis, Shannon, Smithville, Southaven, Verona, Water Valley, West Point, and Winona, Mississippi. The Registrant also had three insurance offices located at Corinth, Louisville and Tupelo.

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 subsidiaries 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 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 and financial services is 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. Automated teller machines located throughout our market area and our PC Banking product provide 24-hour banking services. Accounts receivable factoring is also available to qualified businesses. 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. In addition to offering annuities and mutual funds, the acquisition of the insurance agencies has expanded the Registrant's product and delivery network to include personal and business insurance coverages. Neither the Registrant nor the Bank has any foreign activities.

Competition

Vigorous competition exists in all major areas where the Registrant Company conducts 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, finance companies, mortgage companies, insurance companies, brokerage firms, and investment companies for available loans and depository accounts. All of these institutions compete in the delivery of services and products through availability, quality, and pricing. Within the Registrant's market area, none of the competitors are dominant.

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 transactions 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 Holding Company Act of 1956 was recently amended to permit "financial bank holding companies" to engage in a broad range of financial activities. The new legislation, the Gramm-Leach-Bliley Act, was enacted on November 12, 1999, and became effective on March 11, 2000. The Act sets forth requirements to be met in order to engage in financial activities and defines those financial activities. Presently, the Company is considering the implications of the Act, but has no current plans to form a financial holding company.

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. Section 102 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 removed territorial restrictions for interstate bank mergers, effective May 1, 1997. Out-of-state bank holding companies may establish a bank in Mississippi only by acquiring a Mississippi bank or Mississippi bank holding company.

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 earned surplus in excess of three times the Bank's capital stock.

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, 2000, the maximum amount available for transfer from the Bank to the Company in the form of cash dividends and loans was 17.06% of the Bank's 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 investment brokers. It would earn a market rate of interest with limited third-party withdrawals and a minimum balance requirement.

Sources 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, 2000, the Registrant and its subsidiary employed 581 people on a full-time equivalent 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.

Segment Reporting

The information under the caption "Note L - Segment Reporting" on pages 48 through 50 of the Registrant's 2000 Form 10-K is incorporated herein by reference.

Acquisition of Certain Assets and Liabilities

The information under the caption "Note B - Business Combinations" on pages 38 through 39 of the Registrant's 2000 Form 10-K is incorporated herein by reference.

Executive Officers of the Registrant

The principal executive officer of the Company and its subsidiary as of December 31, 2000, is as follows:

Name	Age
E. Robinson McGraw	54

Position and Office:
Director, President, and Chief Executive Officer of the Company since November 2000.

Executive Vice President of the Bank from September 1993 until October 2000; Director, President and Chief Executive Officer of the Bank since November 2000.

All of the Registrant's officers are appointed annually by the appropriate Board of Directors to serve at the discretion of the Board.

Table 1 - Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential (In Thousands)

	2000		
	Tax Equivalent Income or Expense	Average Balance Sheet Amount	Yields/ Rates
Earning Assets			
Loans, net of unearned income			
Commercial	$ 38,014	$ 418,969	9.07%
Consumer	19,196	209,969	9.14%
Other loans	16,314	187,650	8.69%
Total Loans, Net	73,524	816,588	9.00%
Other	459	7,546	6.08%
Taxable securities			
U. S. Government securities	2,832	49,530	5.72%
U. S. Government agencies	3,046	48,817	6.24%
Mortgage-backed securities	5,693	89,987	6.33%
Other securities	700	7,935	8.82%
Total Taxable Securities	12,271	196,269	6.25%
Tax-exempt securities			
Obligations of states and political subdivisions	6,633	84,146	7.88%
Total Securities	18,904	280,415	6.74%
Total Earning Assets	92,887	1,104,549	8.41%
Cash and due from banks		39,299	
Other assets, less allowance for loan losses		53,409	
Total Assets		$ 1,197,257	
Interest-Bearing Liabilities			
Interest-bearing demand deposit accounts	2,475	$ 71,373	3.47%
Savings and money market accounts	9,078	273,217	3.32%
Time deposits	30,616	545,583	5.61%
Total Interest-Bearing Deposits	42,169	890,173	4.74%
Total Other Interest-Bearing Liabilities	1,963	43,396	4.52%
Total Interest-Bearing Liabilities	44,132	933,569	4.73%
Noninterest-bearing sources			
Noninterest-bearing deposits		141,094	
Other liabilities		4,690	
Shareholders' equity		117,904	
Total Liabilities and Shareholders' Equity		$ 1,197,257	
Net interest income/net interest margin	$ 48,755		4.41%

The average balances of non-accruing loans are included in this table. Weighted average yields on tax-exempt loans and securities have been computed on a fully tax-equivalent basis assuming a federal tax rate of 35% and a Mississippi state tax rate of 3.3%, which is net of federal tax benefit.

Table 1 - Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential (continued)

	1999		
	Tax Equivalent Income or Expense	Average Balance Sheet Amount	Yields/ Rates
Earning Assets			
Loans, net of unearned income			
Commercial	$ 32,541	$ 382,089	8.52%
Consumer	18,940	210,706	8.99%
Other loans	15,727	172,404	9.12%
Total Loans, Net	67,208	765,199	8.78%
Other	401	8,328	4.82%
Taxable securities			
U. S. Government securities	3,128	52,200	5.99%
U. S. Government agencies	3,040	48,772	6.23%
Mortgage-backed securities	6,008	98,525	6.10%
Other securities	266	3,671	7.25%
Total Taxable Securities	12,442	203,168	6.12%
Tax-exempt securities			
Obligations of states and political subdivisions	6,612	82,901	7.98%
Total Securities	19,054	286,069	6.66%
Total Earning Assets	86,663	1,059,596	8.18%
Cash and due from banks		38,659	
Other assets, less allowance for loan losses		48,356	
Total Assets		$ 1,146,611	
Interest-Bearing Liabilities			
Interest-bearing demand deposit accounts	1,856	$ 56,752	3.27%
Savings and money market accounts	8,584	283,647	3.03%
Time deposits	25,037	503,348	4.97%
Total Interest-Bearing Deposits	35,477	843,747	4.20%
Total Other Interest-Bearing Liabilities	1,865	32,029	5.82%
Total Interest-Bearing Liabilities	37,342	875,776	4.26%
Noninterest-bearing sources			
Noninterest-bearing deposits		144,451	
Other liabilities		14,340	
Shareholders' equity		112,044	
Total Liabilities and Shareholders' Equity		$ 1,146,611	
Net interest income/net interest margin	$ 49,321		4.65%

The average balances of non-accruing loans are included in this table. Weighted average yields on tax-exempt loans and securities have been computed on a fully tax-equivalent basis assuming a federal tax rate of 35% and a Mississippi state tax rate of 3.3%, which is net of federal tax benefit.

Table 1 - Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential (continued)

	1998		
	Tax Equivalent Income or Expense	Average Balance Sheet Amount	Yields/ Rates
Earning Assets			
Loans, net of unearned income			
Commercial	$ 28,749	$ 315,445	9.11%
Consumer	18,524	197,272	9.39%
Other loans	16,255	168,846	9.63%
Total Loans, Net	63,528	681,563	9.32%
Other	968	18,486	5.24%
Taxable securities			
U. S. Government securities	3,892	62,367	6.24%
U. S. Government agencies	3,174	51,162	6.20%
Mortgage-backed securities	6,418	101,892	6.30%
Other securities	262	3,274	8.00%
Total Taxable Securities	13,746	218,695	6.29%
Tax-exempt securities			
Obligations of states and political subdivisions	5,730	70,396	8.14%
Total Securities	19,476	289,091	6.74%
Total Earning Assets	83,972	989,140	8.49%
Cash and due from banks		34,612	
Other assets, less allowance for loan losses		44,788	
Total Assets		$ 1,068,540	
Interest-Bearing Liabilities			
Interest-bearing demand deposit accounts	2,031	$ 59,834	3.39%
Savings and money market accounts	7,235	235,831	3.07%
Time deposits	26,677	496,358	5.37%
Total Interest-Bearing Deposits	35,943	792,023	4.54%
Total Other Interest-Bearing Liabilities	1,491	24,820	6.01%
Total Interest-Bearing Liabilities	37,434	816,843	4.58%
Noninterest-bearing sources			
Noninterest-bearing deposits		130,769	
Other liabilities		13,286	
Shareholders' equity		107,642	
Total Liabilities and Shareholders' Equity		$ 1,068,540	
Net interest income/net interest margin	$ 46,538		4.70%

The average balances of non-accruing loans are included in this table. Weighted average yields on tax-exempt loans and securities have been computed on a fully tax-equivalent basis assuming a federal tax rate of 35% and a Mississippi state tax rate of 3.3%, which is net of federal tax benefit.

Table 2 - Volume/Rate Analysis
(In Thousands)

The following table sets forth for The Peoples Holding Company, for the years ended December 31 as indicated, a summary of the changes in interest earned and interest paid resulting from changes in volume and rates.

	2000 Compared To 1999		
	Increase (Decrease) Due To		
	Volume	Rate	Net (1)
Interest income:			
Loans, net of unearned income	$ 4,422	$ 1,767	$ 6,189
Securities			
U. S. Government and agency securities	(149)	(131)	(280)
Obligations of states and political subdivisions	62	(54)	8
Mortgage-backed securities	(521)	206	(315)
Other securities	286	(7)	279
Other	(38)	91	53
Total interest-earning assets	4,062	1,872	5,934
Interest expense:			
Interest-bearing demand deposit accounts	478	141	619
Savings accounts	(316)	810	494
Time deposits	2,101	3,478	5,579
Other	662	(564)	98
Total interest-bearing liabilities	2,925	3,865	6,790
Change in net interest income	$ 1,137	$ (1,993)	$ (856)

(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.

Table 2 - Volume/Rate Analysis (continued)

	1999 Compared To 1998		
	Increase (Decrease) Due To		
	Volume	Rate	Net (1)
Interest income:			
Loans, net of unearned income	$ 7,748	$ (4,158)	$ 3,590
Securities			
U. S. Government and agency securities	(753)	(128)	(881)
Obligations of states and political subdivisions	648	(156)	492
Mortgage-backed securities	(209)	(196)	(405)
Other securities	30	(28)	2
Other	(542)	(36)	(578)
Total interest-earning assets	6,922	(4,702)	2,220
Interest expense:			
Interest-bearing demand deposit accounts	(105)	(70)	(175)
Savings accounts	1,467	(118)	1,349
Time deposits	376	(2,016)	(1,640)
Other	433	(59)	374
Total interest-bearing liabilities	2,171	(2,263)	(92)
Change in net interest income	$ 4,751	$ (2,439)	$ 2,312

(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.

Table 3 - Investment Portfolio
(In Thousands)

The following tables set forth the amortized cost of securities at December 31:

	2000	1999	1998
Held to maturity:			
U. S. Government and agency securities	$	$	$ 2,234
Obligations of state and political subdivisions ..	85,658	85,611	76,893
Other securities			49
	$ 85,658	$ 85,611	$ 79,176

	2000	1999	1998
Available for sale:			
U. S. Government and agency securities	$ 98,998	$ 92,858	$ 104,997
Other securities	94,023	93,508	108,141
	$ 193,021	$ 186,366	$ 213,138

The following table sets forth the maturity distribution in thousands and weighted average yield by maturity of securities at December 31, 2000:

	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
Held to Maturity:								
Obligations of state and political subdivisions	$ 3,045	8.78%	$ 21,128	7.68%	$ 46,468	7.34%	$ 15,017	7.31%
Available for Sale:								
U. S. Government and agency securities	$ 34,629	5.72%	$ 64,369	6.08%	$			
Other securities	10,681	6.55%	53,316	6.76%	30,026	6.70%		
Total	$ 45,310		$117,685		$ 30,026			

The maturity of mortgage-backed securities, included as other securities, reflects scheduled repayments based upon the anticipated average life of the securities.

Weighted average yields on tax-exempt obligations have been computed on a fully tax-equivalent basis assuming a federal tax rate of 35% and a Mississippi state tax rate of 3.3%, which is net of federal tax benefit.

Yields on available for sale securities are based on amortized cost.

Table 4 - Loan Portfolio
(In Thousands)

The following table sets forth loans, net of unearned income, outstanding as of December 31, 2000, which, based on remaining scheduled repayments of principal, are due in the periods indicated. Real estate mortgage loans and consumer loans are excluded, while net receivables on leased equipment are included in commercial, financial and agricultural loans in the consolidated financial statements. Also, amounts due after one year are classified according to their sensitivity to changing interest rates.

	Loan Maturities			
	Within One Year	After One But Within Five Years	After Five Years	Total
Commercial, financial and agricultural	$ 94,931	$ 53,931	$ 13,799	$ 162,661
Real estate - construction	23,998	1,708		25,706
	$ 118,929	$ 55,639	$ 13,799	$ 188,367

	Interest Sensitivity	
	Fixed Rate	Variable Rate
Due after 1 but within 5 years	$ 53,791	$ 1,848
Due after 5 years	13,752	47
	$ 67,543	$ 1,895

Table 5 - Time Deposits
(In Thousands)

The following table shows the maturity of time deposits over $100 at December 31, 2000:

Less than 3 Months	$ 49,765
3 Months- 6 Months	53,788
6 Months-12 Months	68,468
Over 12 Months	21,756
	$ 193,777

Short-term Borrowings
(In Thousands)

The bank borrowed $20,000 in short-term borrowings from the Federal Home Loan Bank (FHLB) on October 20, 1999, in anticipation of potential Y2K cash needs at a rate of 5.85%. The $20,000 was outstanding on December 31, 1999. The Federal Home Loan Bank note matured and was repaid on January 21, 2000. The average balances of other short-term borrowings for 2000 and 1999 were $11,259 and $3,243 at weighted average rates of 6.15% and 5.00%, respectively.

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, also located in Tupelo, Mississippi, houses the electronic data processing, proof, and statement rendering. In addition, the Bank operated thirty-two (32) full-service branches, and nine (9) limited-service branches. The Bank has two (2) full-service branches in West Point; 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, Louisville, Pontotoc, and Southaven; one (1) full-service branch each at Aberdeen, Batesville, Calhoun City, Coffeeville, Grenada, Guntown, Hernando, Iuka, New Albany, Okolona, Olive Branch, Saltillo, Sardis, Shannon, Verona, Water Valley, and Winona, Mississippi; one (1) limited service branch at Smithville, Mississippi; and seven (7) full-service branches and one (1) limited-service branch in Tupelo, Mississippi. The Insurance divisions have one office each in Corinth, Louisville and Tupelo.

The Registrant leases three branch locations for use in conducting banking activities and one location for Dominion Insurance. The aggregate annual rental for all leased premises during the year ending December 31, 2000, did not exceed five percent of the Bank's operating expenses.

It is anticipated that in the next several years, branch renovations and construction will be completed at Corinth and Pontotoc, 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, 2000, which in the opinion of the Company could have a material adverse effect upon the Company's operations or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None during the fourth quarter of 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The public market for The Peoples Holding Company common stock is limited. The stock trades on the American Stock Exchange under the ticker symbol PHC. At February 16, 2001, there were approximately 2,745 shareholders of record based on the number of record holders.

	Dividends Per Share	Prices Low	Prices High
2000			
1st Quarter	$ .220	$ 23.75	$ 28.50
2nd Quarter	.220	18.88	25.25
3rd Quarter	.220	19.00	21.25
4th Quarter	.220	17.81	21.00
1999			
1st Quarter	$ .210	$ 30.50	$ 36.75
2nd Quarter	.210	29.63	36.00
3rd Quarter	.210	27.00	34.00
4th Quarter	.210	28.38	34.25

ITEM 6. SELECTED FINANCIAL DATA

(Not covered by Report of Independent Auditors)
(In Thousands, Except Share Data)

	2000	1999	1998	1997	1996
Year ended December 31:					
Interest Income	$ 89,434	$ 83,500	$ 81,280	$ 75,321	$ 69,221
Interest Expense	44,132	37,342	37,434	33,428	29,710
Provision for Loan Losses	6,373	3,192	2,591	2,304	2,837
Noninterest Income	18,529	19,476	14,461	12,181	11,182
Noninterest Expense	42,474	41,480	39,338	36,051	33,987
Income Before Income Taxes	14,984	20,962	16,378	15,719	13,869
Income Taxes	3,800	6,182	4,697	4,716	4,151
Net Income	$ 11,184	$ 14,780	$ 11,681	$ 11,003	$ 9,718
Per Common Share:					
Net Income	$ 1.83	$ 2.38	$ 1.88	$ 1.77	$ 1.57
Book Value at December 31	20.09	18.71	17.80	16.61	15.35
Market Value at December 31	18.00	28.88	32.31	35.67	24.50
Cash Dividends Declared and Paid-PHC	.88	.84	.72	.57	.50
Cash Dividends Declared and Paid-Inter-City			.36	.27	1.48
At December 31:					
Loans, Net of Unearned Income	$ 815,854	$ 799,085	$ 729,156	$ 661,572	$ 593,381
Securities	278,574	266,744	293,639	250,923	246,924
Assets	1,211,940	1,162,959	1,107,795	1,011,942	927,451
Deposits	1,046,605	978,958	960,295	870,082	801,545
Borrowings	24,549	51,269	22,476	18,959	11,729
Shareholders' Equity	121,661	116,089	110,209	103,113	95,253
Selected Ratios					
Return on Average:					
Total Assets	.93%	1.29%	1.09%	1.13%	1.08%
Shareholders' Equity	9.49%	13.19%	10.85%	11.07%	10.53%
Average Shareholders' Equity to Average Assets	9.85%	9.77%	10.07%	10.25%	10.22%
At December 31:					
Shareholders' Equity To Assets	10.04%	9.98%	9.95%	10.19%	10.27%
Allowance for Loan Losses To Total Loans	1.29%	1.26%	1.34%	1.39%	1.59%
Allowance for Loan Losses To Nonperforming Loans	147.89%	126.47%	261.95%	191.39%	206.29%
Nonperforming Loans to Total Loans	.87%	1.00%	.51%	.73%	.77%
Dividend Payout	47.76%	35.24%	36.89%	31.38%	33.52%

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(In Thousands, Except Share Data)

Overview

Year 2000, much like 1999, was a year of challenge for the banking industry. The year began with rising interest rates, the moving toward an inflation bias by the Federal Reserve (the Fed), and robust competition among financial institutions. Specials, particularly in certificates of deposit, became a weekly norm. As the year progressed, the stock market began to falter somewhat, especially in high-tech stocks.

Economic reports in early 2000 indicated strong growth. Consumer spending either met or exceeded expectations during the 1999 holiday season. Growth continued during the first quarter as indicated by the strong industrial activity, consumer spending, and commercial and residential construction. Even though the labor market was tight, wages showed only moderate increases. Loan demand, while still strong, was beginning to soften as interest rates continued to rise.

By mid year, reports indicated that the economy was still growing, but at a more moderate rate. Consumer spending, manufacturing, and construction were softening. Energy prices were increasing as demand outpaced supply. Retail sales were flat to low and loan demand at banks was weaker. Credit quality concerns began to surface at banks across the country. And while the Fed did not change interest rates during this time, an inflationary bias was maintained.

By year end, the labor market, while still tight, was showing further signs of easing. In particular, the softening of automobile sales had led to the scaling back of production. While residential and commercial real estate remained strong, signs of slowing had begun. Loan demand was weaker as lenders tightened credit standards and banks found themselves with smaller margins as competition for deposits drove prices for certificates of deposit well over Treasury rates.

While the Fed voiced concerns over inflation, rumblings among economists were beginning to spell the need to cut rates. News of the slowing economy had hit the airways, but the Fed continued to keep the federal funds rate at 6.50%, up from 5.50% from the previous year. Then, at its December meeting, the Fed moved from an inflation bias to a weakness bias. This ultimately preceded the rate cuts in federal funds in early January 2001 by 50 basis points and again in early February by an additional 50 basis points.

The Company's performance for 2000 was down due to two primary reasons: the decline in the net interest margin and credit deterioration. Interest rate pressures resulted in higher funds cost due to both higher rates and a dis-intermediation of deposit accounts. In following a national trend, loan losses accelerated during 2000. Losses were prevalent in most loan categories. Noninterest income, excluding the gain from the credit card sale during 1999, was up 17.58%. Noninterest expense was up a moderate 2.40%, of which 41.85% was due to depreciation on new technological systems.

Net income was $11,184, down 24.33% from 1999. Net income for 1999 and 1998 was $14,780 and $11,681, respectively. Earnings per share were $1.83, $2.38, and $1.88 for 2000, 1999, and 1998, respectively.

Two primary measures of performance that are used by the Company are return on average assets (ROA) and return average equity (ROE).

Return on Average Assets

2000	1999	1998	1997	1996
.93%	1.29%	1.09%	1.13%	1.08%

Return on Average Equity

2000	1999	1998	1997	1996
9.49%	13.19%	10.85%	11.07%	10.53%

The Company ended the year with total assets of $1,211,940, up 4.21% over 1999. Growth was 4.98% in 1999 with total assets at December 31, 1999, of $1,162,959.

On May 1, the Company acquired, through its bank subsidiary, Reed Johnson Insurance Agency, the Southern Insurance Group. The Company issued 70,500 shares of stock for the agency. In conjunction with the acquisition, the two agencies were renamed The Peoples Insurance Agency, Incorporated. On September 1, the Company's bank subsidiary purchased, in a cash transaction, the Dominion Insurance Agency. Both acquisitions were accounted for under the purchase method of accounting.

Effective November 1, E. Robinson McGraw became the eighth president of the Company, replacing John W. Smith who retired after 29 years of service.

Results of Operations

Net interest income on a tax equivalent basis declined $566, or 1.15%, from $49,321 in 1999 to $48,755 in 2000. Of the tax equivalent change, $1,232 was due to the favorable growth in earning assets with a decrease of $1,798 due to rate. While the tax equivalent yield on earnings assets was up 23 basis points, the cost of interest-bearing liabilities rose 47 basis points. This increase in the costing liabilities resulted from competitive pressure for deposits to fund loan growth. The most significant growth in deposits was from certificates of deposits.

Net interest income on a tax equivalent basis rose 5.98% from $46,538 in 1998 to $49,321 in 1999. This growth resulted primarily from an increase in the volume of earning assets over the decrease in the yield on those assets. While rates began to rise during 1999, both yields on earning assets and rates paid on liabilities were lower than those from 1998. Specifically, net interest income on a tax equivalent basis increased approximately $3,809 due to an increase in the volume of earning assets and costing liabilities and decreased approximately $1,026 due to changes in rates. The Company experienced the most significant volume increase in loans, interest bearing transaction accounts, and certificates of deposit.

Average Earning Assets to Total Average Assets

2000	1999	1998	1997	1996
92.26%	92.41%	92.57%	92.54%	91.90%

Tax equivalent net interest income for 1998 was up 5.59% from $44,075 in 1997. This change in net interest income was primarily due to the growth of both earning assets and deposits. As in 1999, yields in 1998 were down from the previous year. However, in contrast with 1999, the cost of deposits and borrowed funds in 1998 was up slightly over 1997. Net interest income on a tax equivalent basis increased approximately $4,504 due to increases in the volume of earning assets and costing liabilities and decreased approximately $2,041 due to changes in rates. The Company's growth came from loans, savings and money market accounts.

Net interest margin, the tax equivalent net yield on earning assets, was down 24 basis points for 2000. In past periods, the Company's net interest margin had generally been above peer banks; however, during the year as deposit costs rose, the margin declined to peer average. The trend of a falling margin is due to interest rate changes and intense competition from other banks and non-banks.

Net Interest Margin - Tax Equivalent

2000	1999	1998	1997	1996
4.41%	4.65%	4.70%	4.91%	5.00%

Net interest margin was down for 1999. While the Company's trend followed the national trend, its net interest margin was higher than most peer banks.

Loan interest income is the largest component of interest income. Loans are the most significant earning asset of the Company and comprised 67.32% and 68.71% of the assets at December 31, 2000 and 1999, respectively. During 2000, the Company sold approximately $7,951 in student loans and curtailed its sales finance division (indirect lending) which reduced the loan growth to 2.10%. The major growth came from mortgage loans, up 8.93% over 1999. Loan growth was much higher in 1999 despite rate increases during the year and the sale of approximately $18,000 in credit card loans. Overall loan growth in 1999 was 9.59%, with the most significant percentage growth in real estate construction and mortgages.

The table below sets forth loans outstanding, according to loan type, net of unearned income, at December 31:

Loan Portfolio

	2000	1999	1998	1997	1996
Commercial, financial, agricultural ...	$162,661	$155,785	$136,249	$119,509	$112,092
Real estate-construction	25,706	37,437	26,410	24,930	21,022
Real estate-mortgage	501,454	460,348	405,352	368,688	323,283
Consumer	126,033	145,515	161,145	148,445	136,984
Total loans net of discount	$815,854	$799,085	$729,156	$661,572	$593,381

The tax equivalent loan interest income was $73,524, $67,208, and $63,528 for the years ended December 31, 2000, 1999, and 1998, respectively. The increase for 2000 was attributable to an increase in loan volume that accounted for $4,466 in income, and an increase in pricing which accounted for $1,850. The increase in 1999 was due to an increase in the average volume over 1998 of $83,636, up 12.27%. The tax equivalent yield on those loans was down 54 basis points to 8.78%. Although the tax equivalent yield on loans for 1998 was down 14 basis points, loan interest income grew from an increase of 9.63% in average loan volume.

Investment income is the second largest component of interest income. 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. Interest income on a tax equivalent basis from the portfolio decreased $150 or .79% for 2000. Even though the Company ended the year with an increase in the portfolio of $11,830, the average balance on securities decreased $5,654. By third quarter the loan market had softened leaving excess deposits dollars to be invested in securities. The portfolio yield on a tax equivalent basis increased from 6.66% in 1999 to 6.74%, or 8 basis points, in 2000.

Securities by Sector Allocation

Sector	2000	1999
U. S. Treasury securities	18%	17%
U. S. Government agencies	18%	17%
Mortgage-backed securities	30%	33%
Obligations of states and political subdivisions	31%	32%
FHLB stock	3%	1%
	100%	100%

For 1999 the portfolio decreased $26,895, or 9.16%, from the previous year. This reduction was the result of allocating additional resources to the growth in higher yielding loans. The majority of the Company's investments were in the mortgage-backed and municipal sectors. Investment income on a tax equivalent basis was down from $19,476 in 1998 to $19,054 in 1999. This decrease in interest was the result of a drop in the average volume of securities from $289,091 to $286,069 and a decrease in the tax equivalent yield of 8 basis points. The tax equivalent yield of the portfolio was 6.66% and 6.74% for 1999 and 1998, respectively. The investment income for 1998 was up slightly due to an increase in volume. The average portfolio was up $25,777. The tax equivalent yield on the portfolio was down 9 basis points from 1997.

The tax equivalent yields on earning assets were 8.41%, 8.18%, and 8.49%, for 2000, 1999, and 1998, respectively. The Company relies on deposits as its major source of funds. Deposits represented 86.36% and 84.18% of total assets at December 31, 2000 and 1999, respectively. Non interest-bearing deposits were $131,718 and $140,015 at December 31, 2000 and 1999, respectively. This represented 10.87% and 12.04% of total assets at those dates. The balance in this account may fluctuate significantly from day to day. The average balance for 2000 was down $3,357 primarily due to consumers continuing to move their deposits to interest-bearing accounts. During 1999, the Company experienced an average growth in non-interest bearing accounts of $13,682 over 1998.

Interest-bearing deposits at December 31, 2000 and 1999 were $914,887 and $838,943, respectively. These deposits grew 9.05% during 2000, principally from certificates of deposit. The market place remained very competitive during the year as banks became creative in developing products that would attract new customers. The high loan demand early in the year fueled the need for banks to raise deposits to support the growth in loans.

During 1999 these deposits grew 3.86%. On an average basis, these accounts were up from $792,023 in 1998 to $843,747 in 1999 representing a 6.53% growth. During 1999 new products were introduced for the interest-bearing transaction and money market accounts. These accounts were well received and resulted in the majority of the growth experienced during that year.

Interest-Bearing Deposits to Total Deposits

2000	1999	1998	1997	1996
86.32%	85.38%	85.83%	85.42%	85.06%

Interest expense for deposits was $42,169, $35,477, and $35,943 for 2000, 1999, and 1998, respectively. The cost of interest-bearing deposits was 4.74%, 4.20%, and 4.54% for the same periods.

Less reliance was placed on borrowed funds toward the end of 2000. The balance in borrowed funds, including the treasury tax and loan account and loans from the Federal Home Loan Bank, was down $26,720, or 52.12%. The average balances of borrowed funds were $43,396 and $32,029 for 2000 and 1999, respectively. Interest expense was up from $1,865 in 1999 to $1,963. The cost of those funds was 4.52%, down from 5.82% in 1999.

Interest expense for borrowed funds increased from $1,491 in 1998 to $1,865 in 1999. These funds were necessary to fund the loan growth for 1999, particularly to fund longer-term loans. In addition, the bank borrowed 90-day funds from the Federal Home Loan Bank to meet its Y2K needs. In 1998, the Company also used Federal Home Loan Bank money to fund longer-term loans. Interest rates were low and customers were taking advantage of the environment by locking in rates for longer terms. In order to minimize interest rate risk, the Company match-funded these loans with funds from the Federal Home Loan Bank.

The provision for loan losses was $6,373, $3,192, and $2,591 for 2000, 1999, and 1998, respectively. The Company experienced deterioration in credit for both commercial and mortgage loans.

Provision for Loan Losses to Average Loans

2000	1999	1998	1997	1996
.78%	.42%	.38%	.37%	.50%

Total noninterest income includes service charges on deposit accounts, fees and commissions, trust revenue, security gains, and other non-interest income accounts. Noninterest income for 2000 increased 17.58% over the core noninterest income for 1999. During the second quarter of 1999, the company sold its credit card portfolio and reported a gain of $3,717. Noninterest income was up 8.98%, excluding the credit card gain, over 1998. The Company experienced 18.72% growth in 1998.

Noninterest Income (Less Securities Gains/Losses) to Average Assets

2000	1999	1998	1997	1996
1.55%	1.37%*	1.35%	1.26%	1.23%

* Ratio does not include the gain on the sale of the credit card portfolio.

Service charges on deposit accounts comprised 9.00% of gross revenue for 2000. These fees were up 17.01% over the prior year with a total of $9,722. The Company continued to implement recommendations from the Sheshunoff Management engagement through establishing a new fee structure primarily for servicing of deposit accounts.

Service charges on deposit accounts in 1999 were $8,309, up 13.62% over 1998. The Company implemented a number of service charge changes that had been recommended during 1998 and 1999 by the Alex Sheshunoff Management Services, Inc. These changes involved restructuring the charges related to overdrafts and other products. Service charges for 1998 were up 6.08% over 1997. This increase was due to charges related to the growth in transaction accounts.

Fees and commissions of $5,209, representing 4.82% of gross revenue, were up 57.75% for 2000 over 1999. While the Company is cognizant of the significance of fees as a source of revenue, the largest contributor to this increase came from the sale of insurance products. The Company expanded its commitment to enhancing products and their related fees by acquiring Southern Insurance and the Dominion companies during 2000. Integration of insurance products into the bank will continue during 2001.

Fees and commissions for 1999 were $3,302, up 22.12% over 1998. The increase was due to commissions from the sale of annuities and mutual funds, loan document preparation fees, and other loan fees. The Company experienced a decrease in mortgage and underwriting fees due to a slowdown in the demand for mortgage products. For 1998, fees and commissions were $2,704, up 55.40% over 1997. The growth for 1998 was attributable to commissions on annuity and mutual fund sales and sales of mortgage loans.

While the growth in trust revenue had slowed during 2000, its fees increased 8.82% from 1999 to $1,024. This increase is due to both the offering of cash management products as well as increased volume of business. Trust revenue for 1999 was up 11.23% from $846 due to increased volume. In 1998, trust revenue was up 17.66% over 1997.

During 1999, the Company sold its credit card portfolio. Approximately $18,000 in loans were sold resulting in a gain of $3,717.

Other noninterest income was $2,574, down from $3,122, or 17.55%, for 2000. This decrease was the result of a loss in fees from the sale of the credit card portfolio in mid 1999 and the continued decline in the sale of credit life insurance.

Other noninterest income for 1999 was $3,122, down 11.73% from 1998. Despite the loan growth experienced during 1999, credit life income was down 19.81%, an impairment charge related to the mortgage servicing value was recorded for approximately $100, and due to the sale of the credit card portfolio, credit card interchange fees were down 40.49%. For 1998, other noninterest income was up 23.28%. The primary growth came from credit card income and the sale of mortgage loans.

Total noninterest expense includes salaries and employee benefits, data processing, net occupancy, equipment, and other noninterest expense. Noninterest expense was $42,474, $41,480, $39,338 for 2000, 1999 and 1998, respectively. Noninterest expense grew 2.40%, 5.45%, and 9.12% for 2000, 1999, 1998, respectively. The increase is attributable to the purchase of new computers and software during 1999 and 2000. The expenditures were made in order to provide better customer service, enhance productivity, and establish better risk measurements.

Noninterest Expense to Average Assets

2000	1999	1998	1997	1996
3.55%	3.62%	3.68%	3.72%	3.76%

Salaries and benefits were up a modest 1.21%, or $270 for 2000. This slow growth resulted from the increase in staff efficiencies, the changing of health and life insurance carriers, the reduction of employee overtime, and the absence of nonrecurring personnel costs from 1999. Overall, staffing increased from the addition of two insurance agencies in 2000. In addition, the Company did not pay an incentive bonus or make an ESOP contribution for 2000.

Salaries and employee benefits were $22,398 for 1999, up $1,033 or 4.84% over 1998. While regular payroll was down approximately 2% from the prior year, overtime pay jumped $192 or 36.57%. On January 2, 1999, the Company began implementing changes aimed at streamlining its operation. Namely, the support functions for loans as well as other back-office functions were consolidated. Due to the installation of new computer systems, employees spent overtime in getting those systems operational. Health insurance, pension, and ESOP costs were down 6.95%, 4.44%, and 46.67%, respectively. The Company expensed $1,564 in employee incentive pay for 1999 compared to $332 for 1998. In addition, the Company did incur a substantial cost related to employment contracts in the merger with Inter-City Federal Bank for Savings. This resulted in an increase in other benefits of 12.32%. Salaries and employee benefits were up 6.48% over 1997. This increase was the result of increases in regular payroll, overtime and incentives, health insurance, and other employee benefits.

Data processing expenses were down 20.61% from $4,007 in 1999 to $3,181 in 2000. The decrease in this account was due to the reduction in data processing related to the sale of the credit card portfolio in 1999, the reduction in computer costs related to running dual systems during the computer conversion for the Trust profit center during 1999, and the renegotiation of the contract with Metavante, the company's primary service provider.

Net occupancy expense was up 8.96% for 2000. The $256 change was attributable the addition of new facilities during the year. A new branch was completed in the fourth quarter that replaced a facility that was being leased.

In 1999, net occupancy expense was $2,858, up 4.69% over 1998. During 1999, the Company capitalized two new facilities and renovated one other facility. These facilities are located in the growing markets of the Company. They were designed to enhance the Company's service quality by providing more convenient locations. In addition, a building that had been acquired in a prior acquisition was sold at a loss. For 1998, net occupancy expense was $2,730, up 3.29% over 1997. The increase for 1998 compared to 1997 was also attributable primarily to additional locations.

Equipment expense for 2000 increased $765, or 36.12% over 1999 as the result of increased depreciation costs of $525. During late 1999 and early 2000, the Company installed a number of computer systems. Due to the specifications of the software, major purchases were made for microcomputers.

Equipment expense for 1999 was $2,118, or 7.19% over 1998. During 1999, the Company installed new computer and software systems, resulting in increased depreciation charges of 11.87%. In addition, the Company purchased other non-capitalized equipment that resulted in a 77.73% increase over the prior year. These expenses were somewhat offset by a gain on the sale of the residual value on leased equipment. For 1998, equipment expense was $1,976, up 7.04% over 1997 due to depreciation charges and repairs and maintenance increases.

Other noninterest expense increased 5.24%, or $529, for 2000 and were more routine when compared to 1999. This increase primarily came from marketing, correspondent bank fees, credit bureau fees, intangible amortization, telephone expense, and stationery and supplies. Reductions in this account were from customer relations expenses, remuneration and temp service fees, fees paid for professional services, and expenses related to other real estate.

For 1999, other noninterest expense was $10,099. With the changes resulting from the Sheshunoff recommendations, both work processes and computer systems changed. Incorporated into these changes was a move toward a more sales-oriented environment with consolidation of the support areas. This led to additional training and travel costs. Travel expenses were up $70, or 21.04% over 1998. In addition, the Company was a sponsor of the LPGA U.S. Open Golf Tournament that was held at Old Waverly. This cost resulted in an increase in public relations expenses of approximately 58.54%. The Company also incurred expenses related to conversions in outsourcing the servicing of its mortgage loan portfolio and in the merger with Inter-City Federal Bank for Savings. Other costs contributing to the increase were temporary employment expenses, marketing, and data processing. Telephone expense was up 17.00% due to the installation of a new phone system. The Call Center was put in place to handle 24-hour service to customers. This system will substantially reduce the calls being handled by the retail divisions. Other expenses for 1998 were $9,866, up 13.82% over 1997. The increase in 1998 compared to 1997 was due to education, special community functions sponsored by the Company, correspondent bank fees, and fees paid to Alex Sheshunoff Management Services, Inc. (consultant).

Efficiency Ratio

2000	1999	1998	1997	1996
63.13%	63.82%	64.56%	64.04%	64.66%

Income tax expense for 2000, 1999, and 1998 was $3,800, $6,182, and $4,697, respectively. The effective tax rates for those years were 25.36%, 29.49%, and 28.68%. During the last three years, the Company has increased its holdings in tax exempt securities, tax-free leases and loans. Note H of the Notes to Consolidated Financial Statements provides further details of the income tax expense.

Risk Management

The management of risk is an on-going process. Primary 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 counter-party 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 probable credit losses inherent 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 SFAS No. 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 provision for loan losses.

The allowance for loan losses was $10,536 and $10,058 at December 31, 2000 and 1999, respectively. The Company performed a loan loss adequacy evaluation at the end of the year and has accrued its provision for loan losses based on that calculation.

Allowance for Loan Losses to Loans

2000	1999	1998	1997	1996
1.29%	1.26%	1.34%	1.39%	1.59%

The Company's net charge-offs for 2000 and 1999 were $5,895 and $2,876, respectively. Below is a chart showing net charge-offs as a percent of total charge-offs by each sector.

	2000	1999	1998	1997	1996
Commercial, financial, agricultural ...	36.25%	25.17%	14.06%	7.02%	9.40%
Real estate-construction	0.56	1.18	1.11	6.42	
Real estate-mortgage	27.92	6.36	8.65	18.86	8.50
Consumer	35.27	67.29	76.18	67.70	82.10
Total Charge-offs	100.00%	100.00%	100.00%	100.00%	100.00%

During 2000, the Company experienced losses on a limited number of larger dollar loans within its accounts receivable financing portfolio and also within the loan portfolio at two branch locations. These events comprise 62% of the total increase in charge-offs, and are reflected in the commercial and mortgage charge-off totals herein. Management has taken actions to correct the cause of the losses, and does not believe these losses are indicative of losses inherent in the December 31, 2000 portfolio.

The remaining charge-offs from commercial, financial, and agricultural loans came from certain specialized farming and timber operations, inventory and accounts receivable financing, trucking operations, and commercial real estate. In a number of cases, the remaining increase in net charge-offs for real estate mortgages resulted from primary residences being pledged as collateral for commercial business purposes.

During 2000, net charge-offs for consumer loans resulted primarily from losses on automobiles. During 1999, automobile and credit card losses comprised the majority of consumer charge-offs. Management continues to monitor loans and utilize diligent collection efforts.

Net Charge-Offs to Average Loans

2000	1999	1998	1997	1996
.72%	.38%	.30%	.40%	.41%

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.

During 2000, the Company continued to refine the credit scoring process that was implemented in August 1999. The scoring is used as a tool for evaluating credit risk and is proving itself as an effective tool in evaluating credit. Approximately 85% of the losses sustained by the Company during 2000 were loans outstanding before the credit scoring system was implemented.

The loan grading system is also used to assist the Company in evaluating the adequacy of the allowance for loan losses. Loans are segregated according to a grade. Loan grades range between 1 and 7. Grade 1 loans would require only a small allowance while grade 7 loans would be classified as loss, with a 100% reserve.

Non-Accrual, Past Due and Restructured Loans to Loans

2000	1999	1998	1997	1996
.87%	1.01%	.53%	.76%	.81%

Summary of Loan Loss Experience

The table below reflects the activity in the allowance for loan losses for the years ended December 31:

	2000	1999	1998	1997	1996
Balance at beginning of year	$ 10,058	$ 9,742	$ 9,221	$ 9,409	$ 8,902
Provision for loan losses	6,373	3,192	2,591	2,304	2,837
Charge-Offs					
Commercial, financial, agricultural	2,237	882	433	248	273
Real estate-construction	37	41	34	228	
Real estate-mortgage	1,746	223	267	667	247
Consumer	2,338	2,288	1,803	1,909	2,085
Total Charge-Offs	6,358	3,434	2,537	3,052	2,605
Recoveries					
Commercial, financial, agricultural	100	158	142	73	54
Real estate-construction	4	7	11	68	
Real estate-mortgage	100	40	88	197	49
Consumer	259	353	226	222	172
Total Recoveries	463	558	467	560	275
Net Charge-offs	5,895	2,876	2,070	2,492	2,330
Balance at end of year	$ 10,536	$ 10,058	$ 9,742	$ 9,221	$ 9,409

The following table presents the allocation of the allowance for loan losses by loan category at December 31 for each of the years presented:

	2000	1999	1998	1997	1996
Commercial, financial, agricultural ...	$ 6,841	$ 7,519	$ 7,099	$ 6,570	$ 6,479
Real estate - construction					
Real estate - mortgage	1,246	195	283	305	202
Consumer	2,238	1,982	1,933	1,892	1,813
Unallocated	211	362	427	454	915
Total	$10,536	$10,058	$ 9,742	$ 9,221	$ 9,409

Loans by Category to Total Loans

The following table presents the percentage of loans, by category, to total loans at December 31 for each of the years presented:

	2000	1999	1998	1997	1996
Commercial, financial, agricultural ...	19.94%	19.50%	18.69%	18.06%	18.89%
Real estate - construction	3.15	4.68	3.62	3.77	3.54
Real estate - mortgage	61.46	57.61	55.59	55.73	54.48
Consumer	15.45	18.21	22.10	22.44	23.09
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Loan Loss Analysis

	2000	1999	1998	1997	1996
Loans-average	$ 816,588	$ 765,199	$ 681,563	$ 621,716	$ 563,155
Loans-year end	815,854	799,085	729,156	661,572	593,381
Net charge-offs	5,895	2,876	2,070	2,492	2,330
Allowance for loan losses	10,536	10,058	9,742	9,221	9,409

Loan Ratios

	2000	1999	1998	1997	1996
Net Charge-offs to:					
Loans-average	.72%	.38%	.30%	.40%	.41%
Allowance for loan losses	55.95%	28.59%	21.25%	27.03%	24.76%
Allowance for loan losses to:					
Loans-year end	1.29%	1.26%	1.34%	1.39%	1.59%
Non-performing loans	147.89%	126.47%	261.95%	191.39%	206.29%
Non-performing loans to:					
Loans-year end	.87%	1.00%	.51%	.73%	.77%
Loans-average	.87%	1.04%	.55%	.77%	.81%

The following table shows the principal amounts of non-accrual and restructured loans at December 31:

	2000	1999	1998	1997	1996
Non-performing loans					
Non-accruing	$ 1,209	$ 136	$ 204	$ 1,070	$ 1,655
Accruing loans past due 90 days or more	5,915	7,817	3,515	3,748	2,906
Total non-performing loans	7,124	7,953	3,719	4,818	4,561
Restructured loans		146	178	203	224
Total	$ 7,124	$ 8,099	$ 3,897	$ 5,021	$ 4,785

Management and the Loss Management Committee closely monitor loans that are considered to be nonperforming. The Company's loan review staff also monitors the performance of these loans. The interest income forgone and recognized on restructured and nonaccruing loans during 2000 was not significant.

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.

Real estate acquired through the satisfaction of loan indebtedness (OREO) is recorded at the lower of cost or fair market value based on appraised value, less estimated selling costs. 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. OREO grew to $2,276 at December 31, 2000, up $1,670 from December 31, 1999, due to the acquisition of the commercial and residential real estate through foreclosure.

Interest Rate Risk

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 Company's rate sensitivity.

The Company has an Asset/Liability Committee (ALCO), 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 ALCO'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.

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises primarily from interest rate risk inherent in its lending and deposit-taking activities. To that end, management actively monitors and manages its interest rate risk exposure.

The Company's profitability is affected by fluctuations in interest rates. A sudden and substantial change in interest rates may adversely impact the Company's earnings to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent, or on the same basis. The Company monitors the impact of changes in interest rates on its net interest income using several tools. One measure of the Company's exposure to differential changes in interest rates between assets and liabilities is shown in the Company's Maturity and Rate Sensitivity Analysis (GAP Analysis). Another test measures the impact on net interest income and net portfolio value (NPV) of an immediate change in interest rates in 100 basis point increments. NPV is defined as the net present value of assets, liabilities, and off-balance sheet contracts. Following is the estimated impact of immediate changes in interest rates at the specified levels at December 31:

Change in Interest Rates (In Basis Points)	Percentage Change In: Net Interest Income (1) 2000	1999	Net Portfolio Value(2) 2000	1999
+400	9.5%	18.7%	(16.1%)	(14.1%)
+300	7.2%	14.2%	(11.9%)	(10.2%)
+200	4.9%	9.8%	(7.8%)	(6.5%)
+100	2.5%	6.2%	(3.7%)	(3.1%)
-100	(3.0%)	(2.6%)	3.4%	2.6%
-200	(7.0%)	(7.7%)	4.2%	2.3%
-300	(11.1%)	(11.1%)	5.8%	5.9%
-400	(15.5%)	(15.4%)	6.5%	6.1%

(1)The percentage change in this column represents net interest income for 12 months in a stable interest rate environment versus the net interest income in the various rate scenarios. (2) The percentage change in this column represents NPV of the Company in a stable interest rate environment versus the NPV in the various rate scenarios.

The Company's primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on the Company's net interest income and capital, while structuring the Company's asset-liability structure to obtain the maximum yield-cost spread on that structure. The Company relies primarily on its asset-liability structure to control interest rate risk. The results of the interest rate shock are within the limits set by the Board of Directors.

The Company continually evaluates interest rate risk management opportunities, including the possible use of derivative financial instruments. Management believes that hedging instruments currently available are not cost-effective, and therefore, has focused its efforts on increasing the Company's yield-cost spread through retail growth opportunities.

Computation of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments, and deposits decay, and should not be relied upon as indicative of actual results. Further, the computations do not contemplate any actions the ALCO could undertake in response to changes in interest rates.

Certain shortcomings are inherent in the method of analysis presented in the computation of net interest income and NPV. Actual values may differ from those projections presented in cases where market conditions vary from assumptions used in the calculation of net interest income and the NPV.

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 67% of the Company's time deposits is composed of accounts with balances less than $100. 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 substantial sources of liquidity. The Company has approximately 40.58% of loans maturing within the next twelve months.

Average Loan to Deposit Ratio

2000	1999	1998	1997	1996
79.18%	77.43%	73.86%	74.33%	71.36%

Capital Resources

Total shareholders' equity of the Company was $121,661 and $116,089 at December 31, 2000 and 1999, respectively. Shareholders' equity grew 4.80% during 2000, and 5.34% during 1999. The growth in capital for both years was attributable to earnings less dividends declared. During 2000, the Company purchased 218,385 shares of its stock and issued 70,500 shares in an acquisition. During 1999, the Company purchased 27,600 shares of stock, retiring 20,100. In addition, the change in the net unrealized gain (loss) on securities available for sale decreased capital in 2000 by $66 and $3,281 in 1999. Shareholders' equity as a percentage of assets was 10.04% and 9.98% at December 31, 2000 and 1999, respectively.

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 classifications:

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		

Tier 1 Leverage ratios were 9.48 % and 9.95% at December 31, 2000 and 1999, respectively, meeting the guidelines for a well capitalized company. At December 31, 2000, the total Tier 1 and total risk-based capital were $112,711 and $122,855, respectively. Tier 1 and total risk-based capital at December 31, 1999, were $113,423 and $123,339, respectively. See Note K of the Consolidated Financial Statements for capital ratios.

Cash dividends have increased each consecutive year since 1987 (see selected financial data on page 14 for the previous five years). Book value per share was $20.09 and $18.71 at December 31, 2000 and 1999, respectively. The increase in capital for both years, excluding the effect of the net unrealized gain on securities available for sale, was internally generated due to a retention of earnings of 52.25% and 64.76% during 2000 and 1999, respectively.

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: Stuart Johnson, Executive Vice President, The Peoples Bank & Trust Company, P. O. Box 709, Tupelo, MS 38802-0709.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information under the caption "Interest Rate Risk" on pages 28 through 29 of the Registrant's 2000 Form 10-K is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. 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 auditing standards generally accepted in the United States. 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, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Memphis, Tennessee
January 31, 2001

The Peoples Holding Company
Consolidated Balance Sheets

(In Thousands, Except Share Data)

	December 31 2000	December 31 1999
Assets		
Cash and due from banks	$ 27,676	$ 42,956
Interest-bearing balances with banks	29,141	915
Cash and Cash Equivalents	56,817	43,871
Time deposits with banks		152
Securities available for sale	192,916	181,133
Securities held to maturity (fair value - $85,981 and $83,373 at December 31, 2000, and 1999, respectively)	85,658	85,611
Loans	815,854	799,085
Allowance for loan losses	(10,536)	(10,058)
Net Loans	805,318	789,027
Premises and equipment, net	30,105	27,730
Other assets	41,126	35,435
Total Assets	$ 1,211,940	$ 1,162,959
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	$ 131,718	$ 140,015
Interest-bearing	914,887	838,943
Total Deposits	1,046,605	978,958
Treasury tax and loan note account	4,603	12,000
Advances from the Federal Home Loan Bank	19,946	39,269
Other liabilities	19,125	16,643
Total Liabilities	1,090,279	1,046,870
Shareholders' Equity		
Common stock, $5 par value - 15,000,000 shares authorized, 6,212,284 issued; 6,056,899 and 6,204,784 outstanding at December 31, 2000 and 1999, respectively	31,061	31,061
Treasury stock, at cost	(3,688)	(230)
Additional paid-in capital	39,931	39,959
Retained earnings	54,423	48,580
Accumulated other comprehensive loss	(66)	(3,281)
Total Shareholders' Equity	121,661	116,089
Total Liabilities and Shareholders' Equity	$ 1,211,940	$ 1,162,959

See notes to consolidated financial statements.

The Peoples Holding Company
Consolidated Statements of Income

(In Thousands, Except Share Data)

	Year ended December 31		
	2000	1999	1998
Interest Income			
Loans	$ 72,919	$ 66,730	$ 63,140
Securities			
Taxable	11,934	12,222	13,506
Tax-exempt	4,122	4,142	3,650
Other	459	406	984
Total Interest Income	89,434	83,500	81,280
Interest Expense			
Deposits	42,169	35,477	35,943
Borrowings	1,963	1,865	1,491
Total Interest Expense	44,132	37,342	37,434
Net Interest Income	45,302	46,158	43,846
Provision for loan losses	6,373	3,192	2,591
Net Interest Income After Provision for Loan Losses	38,929	42,966	41,255
Noninterest Income			
Service charges on deposit accounts	9,722	8,309	7,313
Fees and commissions	5,209	3,302	2,704
Trust revenue	1,024	941	846
Securities gains		85	61
Gain on sale of credit card portfolio		3,717	
Other	2,574	3,122	3,537
Total Noninterest Income	18,529	19,476	14,461
Noninterest Expense			
Salaries and employee benefits	22,668	22,398	21,365
Data processing	3,181	4,007	3,401
Net occupancy	3,114	2,858	2,730
Equipment	2,883	2,118	1,976
Other	10,628	10,099	9,866
Total Noninterest Expense	42,474	41,480	39,338
Income before income taxes	14,984	20,962	16,378
Income taxes	3,800	6,182	4,697
Net Income	$ 11,184	$ 14,780	$ 11,681
Basic and diluted earnings per share	$ 1.83	$ 2.38	$ 1.88
Weighted average shares outstanding	6,108,196	6,205,752	6,201,061

See notes to consolidated financial statements.

The Peoples Holding Company
Consolidated Statements of Shareholders' Equity

(In Thousands, Except Share Data)

	Common Stock Shares	Common Stock Amount	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 1997	6,206,854	$ 31,034	$	$ 39,876	$ 31,637	$ 566	$ 103,113
Comprehensive income:							
Net income					11,681		11,681
Other comprehensive income:							
Unrealized holding gains on securities available for sale (net of tax of $159)						302	302
Less reclassification adjustment for gains realized in net income (net of tax of $23)						(38)	(38)
Comprehensive income					11,681	264	11,945
Cash dividends - PHC ($.72 per share)					(4,184)		(4,184)
Cash dividends - Inter-City ($.36 per share)					(125)		(125)
Treasury stock purchased and retired	(15,000)	(75)		(465)			(540)
Balance at December 31, 1998	6,191,854	$ 30,959	$	$ 39,411	$ 39,009	$ 830	$ 110,209
Comprehensive income:							
Net income					14,780		14,780
Other comprehensive income:							
Unrealized holding losses on securities available for sale (net of tax of ($2,447))						(4,058)	(4,058)
Less reclassification adjustment for gains realized in net income (net of tax of ($32))						(53)	(53)
Comprehensive income					14,780	(4,111)	10,669
Cash dividends ($.84 per share)					(5,209)		(5,209)
Common stock issued for acquisition	40,530	203		1,078			1,281
Treasury stock purchased	(7,500)		(230)				(230)
Treasury stock purchased and retired	(20,100)	(101)		(530)			(631)
Balance at December 31, 1999	6,204,784	$ 31,061	$ (230)	$ 39,959	$ 48,580	$ (3,281)	$ 116,089
Comprehensive income:							
Net income					11,184		11,184
Other comprehensive income:							
Unrealized holding gains on securities available for sale (net of tax of $1,985)						3,215	3,215
Comprehensive income					11,184	3,215	14,399
Cash dividends ($.88 per share)					(5,341)		(5,341)
Common stock issued for acquisition	70,500		1,720	(28)			1,692
Treasury stock purchased	(218,385)		(5,178)				(5,178)
Balance at December 31, 2000	6,056,899	$ 31,061	$(3,688)	$ 39,931	$ 54,423	$ (66)	$ 121,661

See notes to consolidated financial statements.

The Peoples Holding Company
Consolidated Statements of Cash Flows

(In Thousands)

	Year ended December 31 2000	1999	1998
Operating Activities			
Net income	$ 11,184	$ 14,780	$ 11,681
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	6,373	3,192	2,591
Net amortization of securities	258	386	765
Depreciation and amortization	3,773	3,067	2,656
Deferred income taxes	(64)	(862)	(429)
Gain on sales of interest-bearing assets	(246)	(4,253)	(736)
(Gain) loss on sales of premises and equipment	(93)	(53)	157
Increase in other assets	(971)	(2,137)	(2,598)
Increase (decrease) in other liabilities	(1,250)	1,881	1,405
Net Cash Provided by Operating Activities	18,964	16,001	15,492
Investing Activities			
Purchases of securities available for sale	(30,792)	(95,808)	(105,184)
Proceeds from sales of securities available for sale		12,410	16,242
Proceeds from call/maturities of securities available for sale	23,826	110,074	63,692
Purchases of securities held to maturity	(3,160)	(11,899)	(23,928)
Proceeds from calls/maturities of securities held to maturity	3,317	5,483	6,735
Net increase in loans	(62,182)	(131,594)	(151,720)
Proceeds from sales of loans	37,029	62,397	81,333
Proceeds from sales of premises and equipment	225	369	272
Purchases of premises and equipment	(4,171)	(3,506)	(5,362)
Net cash paid in business combinations	(518)		
Net Cash Used in Investing Activities	(36,426)	(52,074)	(117,920)
Financing Activities			
Net increase (decrease) in noninterest bearing deposits	(8,297)	(12,481)	28,293
Net increase in interest-bearing deposits	75,944	31,144	61,920
Net increase (decrease) in short-term borrowings	(7,397)	7,045	(1,146)
Proceeds from other borrowings	2,554	24,250	1,000
Repayment of other borrowings	(21,877)	(2,502)	(2,439)
Acquisition of treasury stock	(5,178)	(861)	(540)
Cash dividends paid	(5,341)	(5,209)	(4,309)
Net Cash Provided by Financing Activities	30,408	41,386	82,779
Net Increase (Decrease) in Cash and Cash Equivalents	12,946	5,313	(19,649)
Cash and Cash Equivalents at Beginning of Year	43,871	38,558	58,207
Cash and Cash Equivalents at End of Year	$ 56,817	$ 43,871	$ 38,558
Supplemental Disclosures:			
Cash paid for:			
Interest	$ 41,356	$ 36,823	$ 37,528
Income taxes	5,291	7,209	5,404
Transfers of loans to other real estate	$ 2,735	$ 560	$ 1,531

See notes to consolidated financial statements.

The Peoples Holding Company
Notes to Consolidated Financial Statements
December 31, 2000
(In Thousands, Except Share Data)

Note A - Significant Accounting Policies

Nature of Operations: The Peoples Holding Company (the Company) is a one-bank holding company, offering a diversified range of financial services to retail and commercial customers, primarily in North Mississippi, through The Peoples Bank & Trust Company (the Bank), Peoples Insurance Agency and the Dominion companies.

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.

Business Combinations: All prior period amounts have been restated to reflect business combinations accounted for as poolings-of-interests and, accordingly, the financial position, results of operations and cash flows are presented as though the companies were combined for all historical periods. Business combinations accounted for using the purchase method of accounting reflect the net assets of the companies recorded at their fair value at the date of acquisition. Goodwill is amortized on a straight-line basis over 15 years, the estimated period benefited. The results of operations of the purchased companies are included since the date of acquisition.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Cash and Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Securities: Securities are classified as held to maturity when purchased if management has the 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 and accretion is included in interest income from securities. Dividend income is 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.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination and commitment fees are recognized in the period the loan or commitments are granted to reflect reimbursement of the related costs associated with originating those loans and commitments.

Note A - Significant Accounting Policies (continued)

Generally, the accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in the process of collection. Consumer and other retail loans are typically charged off no later than 120 days past due. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued for the current year, but not collected for loans that are placed on nonaccrual or charged off, is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses: The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable losses inherent in the loan portfolio. The allowance for loan losses is evaluated based on a continuing assessment of problem loans, historical loss experience, new lending products, emerging credit trends, changes in the size and character of loan categories, and other factors including its risk rating system, regulatory guidance and economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. When the ultimate collectibility of an impaired loan's principal is in doubt, wholly or partially, all cash receipts are applied to principal. Once the recorded balance has been reduced to zero, future cash receipts are applied to interest income, to the extent any interest has been foregone, and then they are recorded as recoveries of any amounts previously charged off. Large groups of smaller balance homogeneous loans are evaluated collectively for impairment.

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 $2,276 and $606 at December 31, 2000 and 1999, 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. Losses arising from the acquisition of properties are charged against the allowance for loan losses.

Note A - Significant Accounting Policies (continued)

Mortgage Servicing Rights: The Company capitalizes purchased and 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.

Income Taxes: Income taxes are accounted for under the liability method. 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.

Impact of Recently Issued Accounting Standards: In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by FASB No. 137 and FASB No. 138, which is required to be adopted in years beginning after June 15, 2000. Because the Company does not currently use derivatives or intend to use derivatives, the adoption of this Statement will not have an impact on earnings or the financial position of the Company.

Note B - Business Combinations

Southern Insurance Group, Incorporated, Southern Insurance of Corinth, Inc., and Southern Financial Services, P.A. (collectively, Southern) were acquired on May 1, 2000, by the Company by issuing 70,500 shares of its stock for a total price of $1,692. The acquired companies were merged into the Bank's insurance subsidiary. The transaction was accounted for as a purchase. Southern offers both property and casualty insurance products, life and health insurance, and annuity and mutual funds.

The Bank acquired Dominion Company (Dominion), Dominion Health and Life P.A. (Dominion) and Alliance Finance Company (Alliance) (collectively, Dominion companies) on September 1, 2000. Dominion offers products similar to Southern and used Alliance to finance insurance premiums. The Bank paid $450 in a cash transaction for the companies. The transaction was accounted for as a purchase.

On June 24, 1999, the Company purchased Reed-Johnson Insurance Agency, Inc.(Reed-Johnson) with the issuance of 40,530 shares of the Company's common stock. Located in Tupelo, Mississippi, Reed-Johnson, is an independent insurance agency representing property and casualty companies and providing personal and business coverage. Reed-Johnson retained its name and staff and operates as a wholly-owned subsidiary of The Peoples Bank and Trust Company. Subsequently, in May 2001, Reed-Johnson and Southern were renamed The Peoples Insurance Agency. The transaction was accounted for as a purchase.

Note B - Business Combinations (continued)

The results of operations of all purchase business combinations have been included in the financial statements of the Company since their acquisition dates. All intangibles resulting from these transactions are being amortized over a 15 year life. The proforma results, giving effect to these transactions as though they occurred as of the beginning of the reporting periods, do not vary significantly from actual results.

On March 26, 1999, the Company merged with Inter-City Federal Bank for Savings (Inter-City). At the merger date, total assets, loans, and deposits for Inter-City totaled $43,482, $33,812, and $37,751, respectively. The merger was accounted for using the pooling of interests method of accounting. The Company exchanged 347,382 shares of its common stock for all the outstanding common stock of Inter-City.

The following table presents selected financial information, split between the Company and Inter-City.

	Year ended December 31	
	1999	1998
Interest Income		
The Peoples Holding Company	$82,720	$77,913
Inter-City Federal Bank for Savings (1)	780	3,367
Total	$83,500	$81,280
Interest Expense		
The Peoples Holding Company	$36,916	$35,643
Inter-City Federal Bank for Savings (1)	426	1,791
Total	$37,342	$37,434
Net Income		
The Peoples Holding Company	$14,910	$11,368
Inter-City Federal Bank for Savings (1)	(130)	313
Total	$14,780	$11,681

(1) The results of operations from March 27, 1999, through December 31, 1999, are included in The Peoples Holding Company amounts.

Note C - Securities

The amortized cost and fair value of securities available for sale and held to maturity at December 31, 2000, are as follows:

	Securities Available For Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U. S. Treasury securities	$ 49,698	$ 169	$ (20)	$ 49,847
Obligations of other U. S. Government agencies and corporations ...	49,300	109	(300)	49,109
Mortgage-backed securities	84,976	356	(444)	84,888
FHLB stock	9,047	25		9,072
	$ 193,021	$ 659	$ (764)	$ 192,916

	Securities Held to Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 85,658	$ 799	$ (476)	$ 85,981

The amortized cost and fair value of securities available for sale and held to maturity at December 31, 1999, are as follows:

	Securities Available For Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U. S. Treasury securities	$ 45,564	$	$ (494)	$ 45,070
Obligations of other U. S. Government agencies and corporations ...	47,294		(1,885)	45,409
Mortgage-backed securities	89,828	13	(2,867)	86,974
FHLB stock	3,680			3,680
	$ 186,366	$ 13	$ (5,246)	$ 181,133

	Securities Held to Maturity			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 85,611	$ 357	$ (2,595)	$ 83,373

Note C - Securities (continued)

The amortized cost and fair value of securities available for sale and held to maturity at December 31, 2000, 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 Available for Sale	Amortized Cost	Fair Value
Due in one year or less	$	$
Due after one year through five years	34,629	34,665
Due after five years through ten years	64,369	64,291
	98,998	98,956
Mortgage-backed securities	84,976	84,888
FHLB stock	9,047	9,072
	$ 193,021	$ 192,916

Securities Held to Maturity	Amortized Cost	Fair Value
Due in one year or less	$ 3,045	$ 3,056
Due after one year through five years	21,128	21,369
Due after five years through ten years	46,468	46,795
Due after ten years	15,017	14,761
	$ 85,658	$ 85,981

At December 31, 2000 and 1999, securities with an amortized cost of approximately $197,434 and $196,349, respectively, were pledged to secure government, public, and trust deposits.

Note D - Loans and Allowance for Loan Losses

Loans are summarized as follows:

	December 31	
	2000	1999
Commercial, financial, and agricultural	$ 165,370	$ 158,107
Real estate - construction	25,706	37,437
Real estate - mortgage	501,454	460,349
Consumer	129,898	150,831
	822,428	806,724
Unearned income	(6,574)	(7,639)
Allowance for loan losses	(10,536)	(10,058)
	$ 805,318	$ 789,027

Changes in the allowance for loan losses were as follows:

	Year ended December 31		
	2000	1999	1998
Balance at beginning of year	$ 10,058	$ 9,742	$ 9,221
Provision for loan losses	6,373	3,192	2,591
Loans charged-off	(6,358)	(3,434)	(2,537)
Recoveries of loans previously charged-off	463	558	467
Balance at end of year	$ 10,536	$ 10,058	$ 9,742

Note D - Loans and Allowance for Loan Losses (continued)

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

	December 31	
	2000	1999
Impaired loans with a related allowance for loan losses	$ 1,802	$ 1,741
Impaired loans without a specific allowance for loan losses	2,364	2,370
Total impaired loans	$ 4,166	$ 4,111

	Year ended December 31		
	2000	1999	1998
Average recorded investment in impaired loans	$ 4,138	$ 4,192	$ 3,841
Interest income recognized using the accrual basis of income recognition	$ 345	$ 436	$ 340
Interest income recognized using the cash-basis of income recognition	$ 191	$ 4	$ 13

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 $11,882 and $11,341 at December 31, 2000 and 1999, respectively. During 2000, $1,283 of new loans were made and payments received totaled $742.

Note E - Deposits

At December 31, 2000, the approximate scheduled maturities of time deposits are as follows:

2001	$ 478,561
2002	86,455
2003	12,511
2004	5,654
2005	2,373
Thereafter	1,157
Total	$ 586,711

The aggregate amount of time deposits in denominations of $100 or more at December 31, 2000 and 1999 was $193,777 and $141,778, respectively.

Certain executive officers and directors had amounts on deposit with the Bank of approximately $2,955 at December 31, 2000.

Note F - Advances from the Federal Home Loan Bank

The Company had outstanding advances from the FHLB of $19,946 and $39,269 at December 31, 2000 and 1999, respectively. The interest rates on these advances are all at fixed rates which range from 5.29% to 7.93% at December 31, 2000. The Company had availability on unused lines of credit with the FHLB of $218,096 at December 31, 2000.

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, 2000:

2001	$ 4,859
2002	4,017
2003	1,054
2004	1,078
2005	1,435
Thereafter	7,503
Total	$ 19,946

Note G - Commitments, Contingent Liabilities and Financial Instruments with Off-Balance Sheet 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, 2000, were approximately $90,850 and $7,523, respectively, compared to December 31, 1999, which were approximately $145,758 and $6,598, respectively.

Various claims and lawsuits, incidental to the ordinary course of business, are pending against the Company and the Bank. 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.

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 H - 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 recognized as 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, 2000 and 1999, are as follows:

Note H - Income Taxes (continued)

	December 31	
	2000	1999
Deferred tax assets		
Allowance for loan losses	$ 3,760	$ 3,745
Net unrealized losses on securities available for sale	40	1,952
Deferred compensation	1,777	1,572
Other	947	1,016
Total deferred tax assets	6,524	8,285
Deferred tax liabilities		
Depreciation	1,256	1,425
Other	990	734
Total deferred tax liabilities	2,246	2,159
Net deferred tax assets	$ 4,278	$ 6,126

Significant components of the provision for income taxes (benefits) are as follows:

	Year ended December 31		
	2000	1999	1998
Current			
Federal	$ 3,555	$ 6,307	$ 4,654
State	309	737	472
	3,864	7,044	5,126
Deferred			
Federal	(55)	(735)	(373)
State	(9)	(127)	(56)
	(64)	(862)	(429)
	$ 3,800	$ 6,182	$ 4,697

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

	Year ended December 31		
	2000	1999	1998
Tax at U.S. statutory rate	$ 5,244	$ 7,337	$ 5,732
Tax-exempt interest income	(1,784)	(1,709)	(1,498)
State income tax, net of federal benefit	195	401	271
Amortization of intangible assets	62	27	27
Dividends received deduction	(58)	(9)	(12)
Other items-net	141	135	177
	$ 3,800	$ 6,182	$ 4,697

Note I - Restrictions on Cash, Bank Dividends, Loans, or Advances

The Bank is required to maintain average balances with the Federal Reserve Bank. The average amount of those balances for the year ended December 31, 2000, was approximately $16,973.

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, 2000, the unrestricted surplus was approximately $105,581.

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, 2000, the maximum amount available for transfer from the Bank to the Company in the form of cash dividends and loans was 17.06% of the Bank's consolidated net assets. There were no loans outstanding from the Bank to the Company at December 31, 2000.

Note J - Employee Benefit and Deferred Compensation Plans

The Company sponsored a defined benefit noncontributory pension plan which was curtailed as of December 31, 1996. Accordingly, participant accruals were frozen as of that date. 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. The Company did not make a contribution to the Plan for the years 2000, 1999, or 1998.

The Company also provides certain health care and/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 life insurance coverage paid entirely by the Company. The Company has accounted for its obligation related to these plans in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

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. Increasing or decreasing the assumed health care cost trend rates by one percentage point in each year would not materially increase or decrease the accumulated postretirement benefit obligation nor the service and interest cost components of net periodic postretirement benefit costs as of December 31, 2000, and for the year then ended.

Note J - Employee Benefit and Deferred Compensation Plans (continued)

Pension Benefits represent the defined benefit pension plan previously offered by the Company and Other Benefits represent the postretirement health and life plans. There is no additional minimum pension liability required to be recognized. The following table sets forth the required disclosures as of December 31:

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Change in benefit obligation				
Benefit obligation at beginning of year	$ 11,409	$ 12,417	$ 480	$ 455
Service cost			38	33
Interest cost	881	867	53	38
Plan participants' contributions			39	44
Actuarial gain (loss)	645	(1,336)	329	56
Benefits paid	(487)	(539)	(212)	(185)
Plan amendment				39
Benefit obligation at end of year	$ 12,448	$ 11,409	$ 727	$ 480
Change in plan assets				
Fair value of plan assets at beginning of year	$ 13,330	$ 13,015		
Actual return on plan assets	(14)	854		
Benefits paid	(487)	(539)		
Fair value of plan assets at end of year	$ 12,829	$ 13,330		
Prepaid (accrued) benefits cost				
Funded status	$ 381	$ 1,921	$ (727)	$ (480)
Unrecognized net actuarial (gain) loss	1,107	(600)	416	90
Unamortized prior service cost	259	290	29	34
Prepaid (accrued) benefit cost	$ 1,747	$ 1,611	$ (282)	$ (356)
Weighted-average assumptions as of December 31				
Discount rate	7.5%	8.0%	7.5%	8.0%
Expected return on plan assets	8.0%	8.0%	N/A	N/A

Note J - Employee Benefit and Deferred Compensation Plans (continued)

	Pension Benefits, Year ended December 31			Other Benefits, Year ended December 31		
	2000	1999	1998	2000	1999	1998
Components of net periodic benefit cost(income)						
Service cost	$	$	$	$ 38	$ 33	$ 27
Interest cost	881	867	820	53	38	31
Expected return on plan assets .	(1,047)	(1,022)	(950)			
Prior service cost recognized ..	30	30	30	8	5	
Net periodic benefit cost(income).	$ (136)	$ (125)	$ (100)	$ 99	$ 76	$ 58

Effective January 1, 1997, the Company adopted two defined contribution plans: a money purchase pension plan and a 401(k) plan. The money purchase pension plan is a noncontributory pension plan. The Company contributes 5% of compensation for each participant annually into this plan. The Company accrued $730, $674 and $738 to the money purchase pension plan in 2000, 1999 and 1998, respectively. The 401(k) plan is a contributory plan. Employees may contribute up to 10% of pre-tax earnings into this plan. In addition, the Company provides for a matching contribution up to 3% of compensation for each employee who has attained age 21, completed a year of service and is employed on the last day of the plan year. The Company's costs related to the 401(k) plan in 2000, 1999 and 1998 were $408, $371 and $381, respectively.

The Company and its subsidiary also sponsor an employee stock ownership plan covering substantially 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 $0, $160, and $300 in 2000, 1999, and 1998, respectively.

The Company adopted the existing Incentive Compensation Plan effective January 1, 1997. Incentive benefits are paid to eligible officers and employees after the end of each calendar year and are determined based on established criteria relating to growth, profitability, asset quality and productivity. Management sets key performance indicators for all applicable profit centers to reward employees on improved economic benefit derived from the profit center. The expense associated with the Plan for 2000, 1999 and 1998 was $0, $1,564 and $332, respectively.

The Company's Deferred Compensation Plan is available to eligible directors and officers. Directors may defer up to 100% of their fees and retainers. Employees may defer up to 10% of their salaries. Opportunities to increase deferrals, or for new participants to enter the Plan, are offered periodically. The interest amount accrued on deferrals is tied to Moody's Average Corporate Bond Rate for the previous year. The Plans are unfunded, and it is anticipated that they will result in no cost of the Company over the term of the Plans because life insurance policies on the lives of the Participants have been purchased in amounts estimated to be sufficient to pay benefits under the Plans. The Company is both the owner and beneficiary of the life insurance policies. The expense recorded in 2000, 1999 and 1998 for the Employee Deferred Compensation Plans, inclusive of the salary deferrals, was $381, $341 and $281, respectively. The expense recorded in 2000, 1999 and 1998 for the Directors Deferred Compensation Plans, inclusive of fee deferrals, was $128, $136 and $125, respectively. There were no retainer deferrals for 2000, 1999 or 1998.

Note K - 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, 2000, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2000, 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.

	December 31			
	2000		1999	
	Amount	Ratio	Amount	Ratio
The Company				
Total Capital	$122,855	15.15%	$123,339	15.55%
Tier I Capital	112,711	13.90%	113,423	14.30%
Tier I Leverage ...	112,711	9.48%	113,423	9.95%
The Bank				
Total Capital	$122,165	15.06%	$123,208	15.54%
Tier I Capital	112,022	13.81%	113,294	14.29%
Tier I Leverage ...	112,022	9.42%	113,294	9.94%

Note L - Segment Reporting

The Company has defined two reportable segments: branches and specialized products. Branches offer commercial, consumer, and mortgage loans as well as full range of deposit services. Specialized products include leasing, student loans, credit cards, accounts receivable factoring, trust services, financial investment alternatives and insurance products.

The Company evaluates performance based on profit or loss from operations. The reportable segments do not receive any allocations for income taxes or gains and losses from security sales. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Intersegment transfers are recorded at cost; there is no intercompany profit or loss on these transfers. There are no intercompany receivables.

Note L - Segment Reporting (continued)

Branches are defined as a reportable segment because, while they offer a variety of products, they offer the same set of products, use the same delivery system, and are evaluated by the same set of standards. Specialized products are grouped together, not because of similarities in the products, but because of the delivery system, which is largely marketed through branch referrals and the immateriality of the revenue generated by each division separately. The similarity in these is that they are all specialized financial services products, which must be supported by experts.

Year ended December 31, 2000

	Branches	Specialized Products	All Other	Total
Net interest income	$ 42,994	$ 2,267	$ 41	$ 45,302
Provision for loan losses	4,788	1,388	197	6,373
Net interest income after provision for loan losses	38,206	879	(156)	38,929
Noninterest income	12,877	5,018	634	18,529
Noninteret expense	23,986	5,705	12,783	42,474
Income before income taxes	27,097	192	(12,305)	14,984
Income taxes			3,800	3,800
Net income	$ 27,097	$ 192	$ (16,105)	$ 11,184
Intersegment revenue (expense)	$ 482	$ (482)		
Segment assets	$ 1,085,758	$ 70,053	$ 56,129	$ 1,211,940

Year ended December 31, 1999

	Branches	Specialized Products	All Other	Total
Net interest income	$ 42,369	$ 3,752	$ 37	$ 46,158
Provision for loan losses	1,780	1,209	203	3,192
Net interest income after provision for loan losses	40,589	2,543	(166)	42,966
Noninterest income	11,310	7,510	656	19,476
Noninteret expense	24,061	4,595	12,824	41,480
Income before income taxes	27,838	5,458	(12,334)	20,962
Income taxes			6,182	6,182
Net income	$ 27,838	$ 5,458	$ (18,516)	$ 14,780
Intersegment revenue (expense)	$ 551	$ (551)		
Segment assets	$ 1,044,751	$ 68,857	$ 49,351	$ 1,162,959

Note L - Segment Reporting (continued)

Year ended December 31, 1998	Branches	Specialized Products	All Other	Total
Net interest income	$ 40,276	$ 3,519	$ 51	$ 43,846
Provision for loan losses	1,707	714	170	2,591
Net interest income after provision for loan losses	38,569	2,805	(119)	41,255
Noninterest income	9,964	4,233	264	14,461
Noninteret expense	24,830	5,275	9,233	39,338
Income before income taxes	23,703	1,763	(9,088)	16,378
Income taxes			4,697	4,697
Net income	$ 23,703	$ 1,763	$ (13,785)	$ 11,681
Intersegment revenue (expense)	$ 517	$ (517)		
Segment assets	$ 984,273	$ 91,385	$ 32,137	$ 1,107,795

Note M - 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.

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.

Deposits: The fair values disclosed for demand deposits, both interest-bearing and non interest-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: Off-balance-sheet items are primarily short-term commitments, often at variable rates which are tied to prime, accordingly, the commitment amounts approximate fair value.

Note M - Disclosures About Fair Value of Financial Instruments (continued)

	2000		1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and due from banks	$ 27,676	$ 27,676	$ 42,956	$ 42,956
Interest-bearing balances with banks	29,141	29,141	1,067	1,067
Securities	278,574	278,897	266,744	264,506
Loans, net	805,318	800,962	789,027	782,928
Financial liabilities:				
Deposits	1,046,605	953,544	978,958	978,295
Treasury tax and loan note account	4,603	4,603	12,000	12,000
FHLB Borrowings	19,946	20,547	39,269	38,704

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

	December 31	
Balance Sheets	2000	1999
Assets		
Cash*	$ 557	$ 209
Stock	75	75
Investment in bank subsidiary*	120,971	115,959
Dividends receivable*	1,367	1,305
Other assets	95	
Total Assets	$ 123,065	$ 117,548
Liabilities and Shareholders' Equity		
Dividends payable*	$ 1,367	$ 1,305
Accrued interest payable and other liabilities	37	154
Shareholders' equity	121,661	116,089
Total Liabilities and Shareholders' Equity	$ 123,065	$ 117,548

*Eliminates in consolidation

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

Statements of Income	Year ended December 31 2000	1999	1998
Income			
Dividends from bank subsidiary*	$ 11,067	$ 6,389	$ 4,988
Other dividends	41	37	51
	11,108	6,426	5,039
Expenses			
Other	40	245	256
Income before income tax credits and equity in undistributed net income of bank subsidiary	11,068	6,181	4,783
Income tax credits	(12)	(94)	(84)
	11,080	6,275	4,867
Equity in undistributed net income of bank subsidiary*	104	8,505	6,814
Net Income	$ 11,184	$ 14,780	$ 11,681

*Eliminates in consolidation

Statements of Cash Flows	Year ended December 31 2000	1999	1998
Operating Activities			
Net Income	$ 11,184	$ 14,780	$ 11,681
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of bank subsidiary	(104)	(8,505)	(6,814)
Increase in dividends receivable and other assets	(157)	(195)	(251)
Increase (decrease) in other liabilities	(56)	233	216
Net Cash Provided by Operating Activities	10,867	6,313	4,832
Net Cash Used in Investing Activities		(76)	
Financing Activities			
Cash dividends	(5,341)	(5,209)	(4,309)
Purchase of treasury stock	(5,178)	(861)	(540)
Net Cash Used in Financing Activities	(10,519)	(6,070)	(4,849)
Increase (Decrease) In Cash	348	167	(17)
Cash at Beginning of Year	209	42	59
Cash at End of Year	$ 557	$ 209	$ 42

Note O - Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations:

	Three Months Ended			
	Mar 31	June 30	Sept 30	Dec 31
Year ended December 31, 2000				
Interest income	$ 21,604	$ 22,115	$ 22,743	$ 22,972
Interest expense	10,039	10,804	11,445	11,844
Net interest income	11,565	11,311	11,298	11,128
Provision for loan losses	989	1,690	1,389	2,305
Noninterest income	4,383	4,522	4,892	4,732
Noninterest expense	10,418	10,412	10,774	10,870
Income before income taxes	4,541	3,731	4,027	2,685
Income taxes	1,273	1,015	1,113	399
Net income	$ 3,268	$ 2,716	$ 2,914	$ 2,286
Basic and diluted earnings per share	$ 0.53	$ 0.44	$ 0.48	$ 0.38
Year ended December 31, 1999				
Interest income	$ 20,538	$ 21,002	$ 20,889	$ 21,071
Interest expense	9,136	9,267	9,291	9,648
Net interest income	11,402	11,735	11,598	11,423
Provision for loan losses	746	1,275	530	641
Noninterest income	3,988	7,548	3,909	4,031
Noninterest expense	10,327	10,323	10,337	10,493
Income before income taxes	4,317	7,685	4,640	4,320
Income taxes	1,102	2,528	1,448	1,104
Net income	$ 3,215	$ 5,157	$ 3,192	$ 3,216
Basic and diluted earnings per share	$ 0.52	$ 0.83	$ 0.51	$ 0.52

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 19, 2001, which is incorporated herein by reference.

Information concerning executive officers of the Registrant and its subsidiary appears on page 6 under the caption "Executive Officers" of the Company's definitive Proxy Statement, dated March 19, 2001, which is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information appearing under "Summary Compensation Table-Annual Compensation" on pages 6 through 10 of the Company's definitive Proxy Statement, dated March 19, 2001, 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 19, 2001, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information appearing under "Transactions with Management" on page 10 of the Company's definitive Proxy Statement, dated March 19, 2001, 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.

(23) Consent of Independent Auditors

(27) Financial Data Schedule

(b) Reports on Form 8-K

A report on Form 8-K was filed October 2, 2000, to report Item 5: Other Events. At a special called meeting Friday, September 22, 2000, the Board of Directors of The Peoples Holding Company elected E. Robinson McGraw President and Chief Executive Officer of The Company and its subsidiary, The Peoples Bank and Trust Company. Mr. McGraw succeeded John W. Smith, 65, who retired October 31, 2000, after 29 years of service with the Bank, the last seven as President and Chief Executive Officer. Mr. Smith remains on the Board of Directors of both the Company and the Bank. Mr. McGraw has been with the Bank since 1974, serving as Executive Vice President since 1993. The transition started immediately and Mr. McGraw assumed the responsibilities of the office November 1, 2000.

(c) 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 19, 2001 By /s/ E. Robinson McGraw

E. Robinson McGraw, 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.

E. Robinson McGraw,
President and Director
(Chief Executive Officer) ..../s/ E. Robinson McGraw

Robert C. Leake,
Chairman of the Board and
Director ..../s/ Robert C. Leake

John W. Smith,
Vice Chairman of the
Board and Director ..../s/ John W. Smith

William M. Beasley, Director ..../s/ William M. Beasley

George H. Booth, II, Director ..../s/ George H. Booth, II

Frank B. Brooks, Director ..../s/ Frank B. Brooks

John M. Creekmore, Director ..../s/ John M. Creekmore

Marshall H. Dickerson, Director ..../s/ Marshall H. Dickerson

Eugene B. Gifford, Jr., Director ..../s/ Eugene B. Gifford, Jr.

J. Niles McNeel, Director ..../s/ J. Niles McNeel

C. Larry Michael, Director ..../s/ C. Larry Michael

H. Joe Trulove, Director ..../s/ H. Joe Trulove

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 are included in this Form 10-K (Item 8) of the registrant for the year ended December 31, 2000.

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 23

The Peoples Holding Company

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 33-20108) of The Peoples Holding Company and in the related Prospectus of our report dated January 31, 2001, with respect to the consolidated financial statements of The Peoples Holding Company included in this Annual Report (Form 10-K) for the year ended December 31, 2000.

/s/ Ernst & Young LLP

Memphis, Tennessee
March 14, 2001

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YEAR
DEC-31-2000
DEC-31-2000
27,676
29,141
0
0
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85,658
85,981
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1.83
4.41
1,209
5,915
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0
10,058
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463
10,536
10,536
0
211