

BANCORPSOUTH INC
Form S-4
December 21, 2006

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As filed with the Securities and Exchange Commission on December 21, 2006

Registration No. 333-[]

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM S-4
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933
BANCORPSOUTH, INC.
(Exact name of registrant as specified in its charter)**

Mississippi (State or other jurisdiction of incorporation or organization)	6712 (Primary Standard Industrial Classification Code Number)	64-0659571 (I.R.S. Employer Identification Number)
One Mississippi Plaza 201 South Spring Street Tupelo, Mississippi 38804 (662) 680-2000 (Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)		Aubrey B. Patterson BancorpSouth, Inc. One Mississippi Plaza 201 South Spring Street Tupelo, Mississippi 38804 (662) 680-2000 (Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

**E. Marlee Mitchell, Esq.
Waller Lansden Dortch & Davis, LLP
511 Union Street, Suite 2700
Nashville, Tennessee 37219**

**Kenneth H. Suelthaus, Esq.
Larry K. Harris, Esq.
Polsinelli Shalton Welte Suelthaus PC
7733 Forsyth Boulevard
St. Louis, Missouri 63105**

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and completion of the merger described in the enclosed Proxy Statement/Prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered⁽¹⁾	Proposed maximum offering price per share	Proposed maximum aggregate offering price⁽²⁾	Amount of registration fee
Common stock, par value \$2.50 per share ⁽³⁾	3,824,350	N/A	\$ 101,574,736	\$ 10,868.50

- (1) This number is based on an estimate of the maximum number of shares of the Registrant's common stock expected to be issued in connection with the proposed merger to which this Registration Statement relates as follows:
- (a) 5,130,600 shares of common stock of City Bancorp, \$0.067 par value per share, outstanding as of December 20, 2006, or reserved for issuance under various plans, immediately prior to the merger; and
- (b) a maximum share exchange ratio of 1.4908 shares of common stock of the Registrant, \$2.50 par value per share, issuable in exchange for

each share of City Bancorp common stock, subject to a maximum share exchange limit of 50% of the outstanding shares of City Bancorp common stock and adjusted for the rounding of fractional shares of the Registrant's common stock.

- (2) Calculated in accordance with Rules 457(c) and (f)(1) under the Securities Act of 1933, the proposed maximum offering price equals the product of (i) \$26.56, the average of the high and low prices of the Registrant's common stock as reported on the New York Stock Exchange on December 18, 2006, and (ii) 3,824,350, representing the number of shares of common stock of the Registrant to be issued in connection with the proposed merger based on

an assumed exchange ratio of 1.4908, calculated as set forth in this Registration Statement with respect to such average price of the Registrant's common stock.

- (3) The common stock to be registered includes attached rights to purchase shares of the Registrant's common stock under the Registrant's shareholder rights plan. Prior to the occurrence of certain events, none of which have occurred as of the date of the filing hereof, the rights will not be exercisable or evidenced separately from the Registrant's common stock.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROXY STATEMENT/PROSPECTUS**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

The boards of directors of BancorpSouth, Inc. and City Bancorp have approved a merger agreement to merge our two companies. If City Bancorp shareholders vote to approve the merger agreement and the merger is completed, City Bancorp will merge with and into BancorpSouth, and City Bancorp shareholders, other than City Bancorp shareholders who properly exercise their rights to dissent from the merger, will have the opportunity to elect to receive in exchange for each share of City Bancorp common stock they own (i) a cash payment of \$34.08 or (ii) between 1.2198 and 1.4908 shares of BancorpSouth common stock, depending on the average closing price of BancorpSouth common stock reported on the New York Stock Exchange for the 10 trading days ending on the date on which the last consent of applicable federal and state regulatory authorities is received. Holders of more than one share of City Bancorp common stock may elect a combination of cash and shares of BancorpSouth common stock. In the merger, the percentage of shares of City Bancorp common stock that will be exchangeable into the right to receive shares of BancorpSouth common stock is fixed at 50%. This will result in the issuance of up to 3,644,203 shares of BancorpSouth common stock for outstanding shares of City Bancorp common stock. As a result of the 50% limitation for stock consideration, regardless of your election, you may receive a combination of cash and shares of BancorpSouth common stock that is different than what you may have elected, depending on the elections made by other City Bancorp shareholders. Approximately \$3 million of the merger consideration, half in cash and half in shares of BancorpSouth common stock, will be deposited into an escrow account at the effective time of the merger.

The number of shares of BancorpSouth common stock that City Bancorp shareholders may receive in the merger is not fixed. The dollar value of the stock consideration that City Bancorp shareholders may receive will also change depending on fluctuations in the market price of BancorpSouth common stock and might not be known at the time City Bancorp's shareholders vote on the merger agreement. The following table shows the average closing price of BancorpSouth common stock reported on the New York Stock Exchange for the 10 trading days ending on October 30, 2006, the last full trading day before we announced the merger, and before [], 2007, the last practicable trading day before the distribution of this Proxy Statement/Prospectus. This table also shows the implied value of the stock consideration proposed for each share of City Bancorp common stock, which we calculated by multiplying the appropriate 10-day average closing price of BancorpSouth common stock for those dates by the corresponding exchange ratio. You should obtain current market quotations for BancorpSouth common stock from a newspaper, the Internet or your broker. BancorpSouth common stock is listed on the New York Stock Exchange under the symbol BXS.

	10-day Average Closing Price of BancorpSouth Common Stock	Exchange Ratio	Implied Value per Share of City Bancorp Common Stock
At October 30, 2006	\$ 26.24	1.2988	\$ 34.08
At [], 2007	[]	[]	[]

This Proxy Statement/Prospectus provides you with detailed information about the proposed merger between BancorpSouth and City Bancorp. This document also contains information about BancorpSouth and City Bancorp. We encourage you to carefully read and consider this Proxy Statement/Prospectus in its entirety. You can obtain

additional information about BancorpSouth from documents that it has filed with the Securities and Exchange Commission. For information on how to obtain copies of these documents, you should refer to the section of this document entitled WHERE YOU CAN FIND MORE INFORMATION, which begins on page 106.

You should carefully consider the risk factors described beginning on page 20 of this Proxy Statement/Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the shares of BancorpSouth common stock to be issued under this Proxy Statement/Prospectus or determined if this Proxy Statement/Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Shares of BancorpSouth common stock are not savings or deposit accounts or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of this Proxy Statement/Prospectus is [], 2007,
and it is first being mailed to the shareholders of City Bancorp on or about [], 2007.

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON [], 2007**

TO THE SHAREHOLDERS OF CITY BANCORP:

This serves as notice to you that a special meeting of shareholders of City Bancorp will be held on [], 2007 at 10:00 a.m., Central Time, at 3345 South Campbell Avenue, Springfield, Missouri 65807, for the purpose of considering and voting upon the approval of the Agreement and Plan of Merger, dated as of October 31, 2006, between City Bancorp and BancorpSouth, Inc., which provides for the merger of City Bancorp with and into BancorpSouth as more fully described in the attached Proxy Statement/Prospectus.

Only holders of record of shares of City Bancorp common stock at the close of business on [], 2007 are entitled to notice of and to vote at the special meeting or any adjournments or postponements of the special meeting. Each share of City Bancorp common stock is entitled to one vote. Approval of the merger agreement requires approval by two-thirds of all the votes entitled to be cast by shareholders of City Bancorp.

The Board of Directors of City Bancorp has unanimously approved the merger agreement and recommends that City Bancorp shareholders vote FOR approval of the merger agreement.

City Bancorp shareholders, other than City Bancorp shareholders who properly exercise their rights to dissent from the merger, will have the opportunity to elect to receive in exchange for each share of City Bancorp common stock they own (i) a cash payment of \$34.08 or (ii) between 1.2198 and 1.4908 shares of BancorpSouth common stock as described in the Proxy Statement/Prospectus accompanying this notice. Holders of more than one share of City Bancorp common stock may elect a combination of stock and cash consideration. Cash will be paid in lieu of any remaining fractional share interest. Approximately \$3 million of the merger consideration, half in cash and half in shares of BancorpSouth common stock, will be deposited into escrow with Enterprise Bank & Trust Company at the effective time of the merger.

Notice of Right to Dissent. Dissenting shareholders who comply with the procedural requirements of the General and Business Corporation Law of Missouri will be entitled to receive payment of the fair cash value of their shares, if the merger agreement is approved and the merger is completed. The text of Section 351.455 of the General and Business Corporation Law of Missouri containing the procedural requirements to exercise dissenters' rights is attached as Annex B to the accompanying Proxy Statement/Prospectus. In addition, please see the section entitled **THE MERGER Shareholders Dissenters' Rights** in the accompanying Proxy Statement/Prospectus for a discussion of the procedures to be followed in asserting these dissenters' rights.

Please mark, sign, date and return the enclosed proxy card promptly, whether or not you plan to attend the special meeting. All City Bancorp shareholders are invited to attend the special meeting. To ensure your representation at the special meeting, please complete and promptly mail the enclosed proxy card in the enclosed white postage paid business reply envelope to City Bancorp. This will not prevent you from voting in person, but will help to secure a quorum and avoid added solicitation costs. If you do not vote your proxy, the effect will be the same as a vote against the merger agreement. You may revoke your proxy at any time before it is voted by: (i) sending a written notice to the chief executive officer of City Bancorp in time to be received before the special meeting stating that you would like to revoke your proxy; (ii) completing, signing and dating another proxy and returning it by mail to the chief executive officer of City Bancorp in time to be received before the special meeting, in which case your later-submitted proxy will be recorded and your earlier proxy revoked; or (iii) attending the special meeting and voting in person (attendance at the special meeting by itself will not revoke a previously granted proxy).

Please also fill out the enclosed election form and letter of transmittal according to their instructions and promptly mail, in the enclosed brown postage paid business reply envelope, the election form and the letter of transmittal, along with all of your City Bancorp stock certificates. The election form is the document provided to you to select the amount of stock and/or cash consideration you wish to receive in connection with the proposed merger and to be effective, must be received by Computershare Trust Company, N.A. no later than [], 2007 (10 business days after the date of the special meeting). Please review the Proxy Statement/Prospectus accompanying this notice for more complete information regarding the proposed merger and the special meeting.

BY ORDER OF THE BOARD OF DIRECTORS,

Springfield, Missouri
[], 2007

Chairman and Chief Executive Officer

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ADDITIONAL INFORMATION

This Proxy Statement/Prospectus incorporates important business and financial information about BancorpSouth from documents that are not included in or delivered with this Proxy Statement/Prospectus. See

WHERE YOU CAN FIND MORE INFORMATION beginning on page 106. This information is available to you without charge upon your written or oral request. You can obtain documents incorporated by reference in this Proxy Statement/Prospectus by requesting them in writing or by telephone from BancorpSouth as follows:

BancorpSouth, Inc.
 One Mississippi Plaza
 201 South Spring Street
 Tupelo, Mississippi 38804
 (662) 680-2000

Attention: Cathy S. Freeman, Corporate Secretary

In order to receive timely delivery of requested documents in advance of City Bancorp's special meeting of shareholders, your request should be received no later than [], 2007.

You also may obtain these documents at the Securities and Exchange Commission's Internet world wide web site, <http://www.sec.gov>, and at BancorpSouth's Internet world wide website, <http://www.bancorpsouthonline.com>, by selecting Investor Relations and then selecting SEC Filings. We have included the web site addresses of the Securities and Exchange Commission and BancorpSouth as inactive textual references only. Except as specifically incorporated by reference into this Proxy Statement/Prospectus, information on those web sites is not part of this Proxy Statement/Prospectus.

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**QUESTIONS AND ANSWERS
ABOUT THE MERGER**

Q: What is the proposed transaction?

A: A merger in which City Bancorp will merge with and into BancorpSouth. City Bancorp's subsidiary bank, The Signature Bank, will become a wholly-owned subsidiary of BancorpSouth. After the merger, City Bancorp will cease to exist as a separate corporate entity. You will no longer own shares of City Bancorp common stock and will receive either cash or shares of BancorpSouth common stock, or a combination of both, as your merger consideration.

Q: What do I need to do now?

A: After you carefully read this Proxy Statement/Prospectus, please vote your proxy promptly by indicating on the enclosed proxy card how you want to vote, and by signing and mailing the proxy card in the enclosed white postage paid business reply envelope as soon as possible so that your shares may be represented at the special meeting of shareholders. Also, please fill out your election form and letter of transmittal according to their instructions and mail the election form and the letter of transmittal, along with all of your City Bancorp stock certificates, in the enclosed brown envelope to Computershare Trust Company, N.A. within 10 business days immediately following the special meeting of City Bancorp shareholders so that we may know the amount of each type of consideration you wish to receive. Election forms received after [], 2007 will be disregarded and the merger consideration you receive will be determined as set forth in the merger agreement.

Regardless of whether you plan to attend the special meeting in person, we encourage you to vote your proxy promptly. This will help to ensure that a quorum is present at the special meeting and will help reduce the costs associated with the solicitation of proxies.

The board of directors of City Bancorp unanimously recommends that shareholders vote **FOR** approval of the merger agreement.

Q: Why is my vote important?

A: Under the General and Business Corporation Law of Missouri, the merger agreement must be approved by two-thirds of all the votes entitled to be cast by shareholders of City Bancorp. Accordingly, if you abstain, it will have the same effect as a vote against approval of the merger agreement.

Q: Can I change my vote after I have delivered my proxy card?

A: Yes, you can change your vote at any time before your proxy is voted at the special meeting of shareholders. You can do this in any of the following three ways:

by sending a written notice to the chief executive officer of City Bancorp in time to be received before the special meeting stating that you would like to revoke your proxy;

by completing, signing and dating another proxy and returning it by mail to the chief executive officer of City Bancorp in time to be received before the special meeting, in which case your later-submitted proxy will be recorded and your earlier proxy revoked; or

if you are a holder of record, by attending the special meeting and voting in person (attendance at the special meeting by itself will not revoke a previously granted proxy).

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If your shares are held in an account at a broker or financial institution, you should contact your broker or financial institution to change your vote.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: No, unless you instruct your broker to vote your shares, following the directions your broker provides. Your broker will generally not have the discretion to vote your shares without your instructions.

Q: Will I be able to sell the shares of BancorpSouth common stock I receive in the merger?

A: Yes. The BancorpSouth common stock issued pursuant to the merger will be registered under the Securities Act of 1933 and will be listed on the New York Stock Exchange under the symbol BXS. All shares of BancorpSouth common stock that you receive in the merger will be freely transferable unless you are deemed an affiliate of City Bancorp at the time of the City Bancorp special meeting. Persons who are considered affiliates of City Bancorp (generally directors, officers and holders of 10% or more of City Bancorp common stock) must comply with Rule 145 under the Securities Act of 1933 if they wish to sell or otherwise transfer any of the shares of BancorpSouth common stock they receive in the merger.

Q: What will I receive in connection with the merger?

A: You may elect to receive shares of BancorpSouth common stock, cash or a combination of shares of BancorpSouth common stock and cash by indicating your preference on the enclosed election form. The Proxy Statement/Prospectus explains in more detail what amount of cash and/or BancorpSouth common stock each shareholder of City Bancorp is entitled to receive. The percentage of shares of City Bancorp common stock that will be exchangeable for the right to receive shares of BancorpSouth common stock is fixed at 50%. In the event that holders of more or less than 50% of the outstanding shares of City Bancorp common stock elect to receive common stock consideration, the amount of BancorpSouth common stock that you will have the right to receive upon exchange of your shares of City Bancorp common stock will be adjusted so that, in the aggregate, 50% of the shares of City Bancorp common stock will be exchanged for the right to receive shares of BancorpSouth common stock and the remaining shares of City Bancorp common stock will be exchanged for the right to receive cash. As a result, you may receive a different combination of consideration than you elected, based on the choices made by other City Bancorp shareholders.

Q: What are the U.S. federal income tax consequences of the merger to the shareholders?

A: If you exchange your shares of City Bancorp common stock solely for BancorpSouth common stock, you should not recognize any gain or loss (except with respect to the cash you receive for any fractional share) for U.S. federal income tax purposes. If you exchange your shares of City Bancorp common stock solely for cash, you should recognize gain or loss on the exchange. If you exchange your shares of City Bancorp common stock for a combination of BancorpSouth common stock and cash, you should recognize gain, but not loss, on the exchange to the extent of the lesser of cash received or gain realized in the exchange. If you have an option to purchase shares of City Bancorp common stock, you should not recognize gain or loss for U.S. federal income tax purposes because of the merger. Rather, the tax treatment of such options will remain the same as prior to the merger. For more information regarding tax consequences, see the section entitled THE MERGER Material United States Federal Income Tax Consequences in this Proxy Statement/Prospectus. This tax treatment may not apply to all City Bancorp shareholders. You should consult your own tax advisor for a full understanding of the merger's tax consequences that are particular to you.

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Q: What is the purpose of this Proxy Statement/Prospectus?

A: This document serves as City Bancorp's proxy statement and as BancorpSouth's prospectus. As a proxy statement, this document is being provided to City Bancorp shareholders because City Bancorp's board of directors is soliciting proxies to vote to approve the merger agreement. As a prospectus, this document is being provided to City Bancorp shareholders by BancorpSouth because BancorpSouth is offering shares of BancorpSouth common stock in exchange for City Bancorp shareholders' shares of City Bancorp common stock if the merger is completed.

Q: Is there other information I should consider?

A: Yes. Much of the business and financial information about BancorpSouth that may be important to you is not included directly in this document. Instead, this information is incorporated into this document by reference to documents separately filed by BancorpSouth with the Securities and Exchange Commission. This means that BancorpSouth may satisfy its disclosure obligations by referring you to one or more documents separately filed by it with the Securities and Exchange Commission. See "WHERE YOU CAN FIND MORE INFORMATION" beginning on page 106 for a list of documents that BancorpSouth has incorporated by reference into this Proxy Statement/Prospectus and for instructions on how to obtain copies of these documents. These documents are available to you without charge.

Q: What if I choose not to read the documents incorporated by reference?

A: Information that is incorporated from another document is considered to have been disclosed to you whether or not you choose to read the document. Information contained in a document that is incorporated into this Proxy Statement/Prospectus by reference is part of this Proxy Statement/Prospectus, unless it is superseded by information contained directly in this Proxy Statement/Prospectus or in documents filed by BancorpSouth with the Securities and Exchange Commission after the date of this Proxy Statement/Prospectus.

Q: Why have I been sent an election form?

A: If the merger agreement is approved and the merger is completed, unless you properly exercise your right to dissent from the merger, each share of City Bancorp common stock held by you will be converted into (i) a cash payment of \$34.08 or (ii) between 1.2198 and 1.4908 shares of BancorpSouth common stock, depending on the average closing price of BancorpSouth common stock reported on the New York Stock Exchange for the 10 trading days ending on the date on which the last consent of the applicable federal and state regulatory authorities is received. Holders of more than one share of City Bancorp common stock may elect a combination of cash and shares of BancorpSouth common stock. Cash will be paid for any remaining fractional share interest. The election form is the document provided to you to select the amount of each type of consideration you wish to receive. As discussed above, however, because the percentage of shares of City Bancorp common stock that will be exchangeable for the right to receive shares of BancorpSouth common stock is fixed at 50%, you will not necessarily receive the merger consideration you elect.

Q: What happens if I do not send in my election form?

A: If you do not make an election, you will be deemed to have made an election to receive the merger consideration in such form of cash and/or shares of BancorpSouth common stock as provided for in the merger agreement.

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Q: May I send in my City Bancorp stock certificates now?

A: Yes. After you carefully read this Proxy Statement/Prospectus, please choose which form(s) of consideration you would like to receive if the merger is consummated by indicating your choice on the enclosed election form, signing the enclosed letter of transmittal and mailing both, along with all stock certificates representing shares of City Bancorp common stock that you own, in the enclosed brown envelope to Computershare Trust Company, N.A., the exchange agent. To be properly completed, your election form together with the appropriate stock certificate(s) and letter of transmittal must be received by the transfer agent by [], 2007, 10 business days after the date of the special meeting.

Q: Whom do I contact if I have questions about the merger?

A: If you have more questions about the merger, including procedures for voting your shares, you should contact:
City Bancorp

4039 S. Kansas Expressway

Springfield, Missouri 65807

Attention: David A. Kunze, Chairman and Chief Executive Officer

Phone Number: (417) 889-2600

Q: What is the escrow fund?

A: Approximately \$3 million of the merger consideration, half in cash and half in shares of BancorpSouth common stock, will be deposited into escrow with Enterprise Bank & Trust Company at the effective time. This escrow fund will be used to pay judgments, settlements and related legal fees and costs relating to certain outstanding litigation against City Bancorp or any subsidiary of City Bancorp that is a party to this litigation. The funds shall be held in escrow until the final resolution of such litigation, whether by entry of a final unappealable judgment or by final settlement and release of all City Bancorp entities that are parties to such litigation, but in no event longer than seven years. Upon termination of the escrow arrangement, any cash or shares of BancorpSouth common stock remaining in the escrow fund will be disbursed to the former holders of City Bancorp common stock who did not exercise their right to dissent with respect to the merger.

Q: What are the U.S. federal income tax consequences of the escrow fund to holders of City Bancorp common stock as a result of the merger?

A: For U.S. federal income tax purposes, the non-dissenting City Bancorp shareholders generally should be treated as the owners of the escrowed shares of BancorpSouth common stock and, possibly, the escrowed cash. Amounts earned on the escrow fund, including dividends and interest, should be deemed received by the City Bancorp shareholders for U.S. federal income tax purposes, although such amounts will be retained by the escrow agent and become a part of the escrow fund for distribution. Generally, no gain or loss should be recognized by the City Bancorp shareholders upon the release of the escrowed cash or the escrowed shares of BancorpSouth common stock from the escrow fund to the City Bancorp shareholders. It is unclear whether the installment method of reporting is available to a City Bancorp shareholder for reporting gain attributable to the escrowed cash. If the installment method is applicable, the release of the escrowed cash to the City Bancorp shareholders should cause such City Bancorp shareholders to recognize gain and possibly imputed ordinary interest income with respect to a portion of the escrowed cash distributed. *The taxation of escrow arrangements is complex and uncertain. Each City Bancorp shareholder is urged to consult his or her tax advisor regarding the tax consequences of the escrow fund.*

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SUMMARY

*This summary highlights selected information from this Proxy Statement/Prospectus. It does not contain all of the information that is important to you. You should carefully read this entire Proxy Statement/Prospectus and the documents to which it refers in order to understand fully the merger and to obtain a more complete description of the parties to the merger agreement and the legal terms of the merger. For information on how to obtain copies of documents referred to in this Proxy Statement/Prospectus, you should read the section entitled **WHERE YOU CAN FIND MORE INFORMATION**. Each item in this summary includes a page reference that directs you to a more complete description in this Proxy Statement/Prospectus of the topic discussed.*

The Companies (Page 73, 74)

BANCORPSOUTH, INC.

One Mississippi Plaza

Tupelo, Mississippi 38804

(662) 680-2000

BancorpSouth (NYSE: BXS) is incorporated in Mississippi and is a financial holding company under the Bank Holding Company Act of 1956. It is based in Tupelo, Mississippi and conducts its operations through its bank subsidiary, BancorpSouth Bank, and various banking-related subsidiaries. BancorpSouth Bank conducts commercial banking, trust, insurance and investment services businesses through 282 locations and 264 ATMs in Arkansas, Alabama, Florida, Louisiana, Mississippi, Tennessee and Texas. As of September 30, 2006, BancorpSouth had total assets of approximately \$11.9 billion, deposits of approximately \$9.5 billion and shareholders' equity of approximately \$1.0 billion.

CITY BANCORP

4039 S. Kansas Expressway

Springfield, Missouri 65807

(417) 889-2600

City Bancorp is incorporated in Missouri and is a bank holding company under the Bank Holding Company Act of 1956. It is based in Springfield, Missouri and conducts its banking operations through its subsidiary bank, The Signature Bank. As of September 30, 2006, City Bancorp had total assets of approximately \$851.0 million, deposits of approximately \$600.0 million and shareholders' equity of approximately \$73.0 million.

The Merger (Page 33)

BancorpSouth and City Bancorp entered into a merger agreement, dated as of October 31, 2006, whereby City Bancorp will merge with and into BancorpSouth, subject to shareholder and regulatory approval and other conditions. City Bancorp's subsidiary bank, The Signature Bank, will become a wholly-owned subsidiary of BancorpSouth and City Bancorp's separate corporate existence will cease. The merger agreement is attached to this Proxy Statement/Prospectus as Annex A. You should read it carefully. Subject to shareholder and regulatory approval and satisfaction of the other conditions contained in the merger agreement, BancorpSouth and City Bancorp hope to complete the merger during the first quarter of 2007.

What City Bancorp Shareholders Will Receive in the Merger (Page 33, 60)

If the merger is completed, City Bancorp shareholders, other than City Bancorp shareholders who properly exercise their rights to dissent from the merger, will have the opportunity to elect to receive in exchange for each share of City Bancorp common stock they own:

a cash payment of \$34.08; or

between 1.2198 and 1.4908 shares of BancorpSouth common stock (which is referred to as the exchange ratio), depending on the average closing price of BancorpSouth common stock for the 10 trading days ending on the date on which the last consent of the applicable federal and state regulatory authorities is received.

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If you hold more than one share of City Bancorp common stock, you may elect a combination of stock and cash consideration. Regardless of your election, you may receive a combination of cash and shares of BancorpSouth common stock that is different than what you may have elected, depending on the elections made by other City Bancorp shareholders.

With respect to the stock consideration, for each share of City Bancorp common stock you own, you will receive between 1.2198 shares of BancorpSouth common stock (if the 10-day average closing price is \$27.94 or greater), and 1.4908 shares of BancorpSouth common stock (if the 10-day average closing price is \$22.86 or less). If the 10-day average closing price is between \$22.86 and \$27.94, the exchange ratio will be proportionately adjusted between 1.2198 and 1.4908 based on the 10-day average closing price of BancorpSouth common stock computed as described above.

BancorpSouth will not issue any fractional shares of BancorpSouth common stock. Instead, a City Bancorp shareholder who receives any fractional share of BancorpSouth common stock as consideration in the merger will receive cash equal to the product of (i) the per share closing price on the New York Stock Exchange of BancorpSouth common stock on the closing date, times (ii) the fraction of a share of BancorpSouth common stock to which the shareholder otherwise would be entitled.

At the effective time of the merger, each outstanding option to purchase shares of City Bancorp common stock shall, by virtue of the merger and without further action by the holder of such option, be converted into an option to purchase shares of BancorpSouth common stock. The amount of BancorpSouth common stock subject to each option will be equal to the number of whole shares that the holder of the option would have received if the option were exercised in full immediately prior to the effective time of the merger and the holder had elected to receive merger consideration for such option shares only in the form of BancorpSouth common stock. Any fractional share will be rounded to the nearest whole share. The exercise price for the converted options will be equal to the aggregate exercise price for the shares of City Bancorp common stock otherwise purchasable under the City Bancorp option divided by the number of shares of BancorpSouth common stock issuable under the converted option. This option conversion formula will be adjusted, if necessary, for tax-related adjustments in order to comply with Section 424(a) of the Internal Revenue Code.

At the effective time of the merger, persons who are BancorpSouth shareholders immediately prior to the merger will own more than []% of the outstanding shares of common stock of the combined company and persons who are City Bancorp shareholders immediately prior to the merger will own less than []% of the outstanding shares of common stock of the combined company.

BancorpSouth's Stock Price Will Fluctuate (Page 20, 72)

BancorpSouth expects the market price of its common stock to fluctuate as a result of market factors beyond its control before and after the merger. Because both the market price of BancorpSouth common stock and the exchange ratio may fluctuate, the value of the shares of BancorpSouth common stock that City Bancorp shareholders may receive in the merger might increase or decrease prior to completion of the merger. BancorpSouth cannot assure City Bancorp shareholders that the market price of BancorpSouth common stock will not fluctuate before or after completion of the merger. The following table shows the average closing price of BancorpSouth common stock reported on the New York Stock Exchange for the 10 trading days ending on October 30, 2006, the last full trading day before we announced the merger, and before [], 2007, the last practicable trading day before the distribution of this Proxy Statement/Prospectus. This table also shows the implied value of the stock consideration proposed for each share of City Bancorp common stock, which we calculated by multiplying the appropriate 10-day average closing price of BancorpSouth common stock for those dates by the corresponding exchange ratio. You should obtain current market quotations for BancorpSouth common stock from a newspaper, the Internet or your broker. BancorpSouth common stock is listed on the New York Stock Exchange under the symbol BXS.

	10-day Average Closing Price of BancorpSouth Common Stock	Exchange Ratio	Implied Value per Share of City Bancorp Common Stock
At October 30, 2006	\$ 26.24	1.2988	\$ 34.08

At [], 2007

[]

[]

[]

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Special Meeting (Page 30)

A special meeting of the shareholders of City Bancorp will be held at the following time and place:

[], 2007
10:00 a.m. (Central Time)
City Bancorp
3345 South Campbell Avenue
Springfield, Missouri 65807

At the special meeting, shareholders of City Bancorp will be asked to approve the merger agreement between City Bancorp and BancorpSouth.

The Board of Directors of City Bancorp Recommends that its Shareholders Approve the Merger Agreement (Page 31)

The board of directors of City Bancorp unanimously approved the merger agreement, believes that the merger between City Bancorp and BancorpSouth is in the best interests of City Bancorp shareholders and recommends that City Bancorp shareholders vote FOR the proposal to approve the merger agreement. This belief is based on a number of factors described in this Proxy Statement/Prospectus.

City Bancorp's Financial Advisors Provided Opinions to the City Bancorp Board of Directors as to the Fairness of the Merger Consideration from a Financial Point of View (Page 35)

In deciding to approve the merger agreement, the City Bancorp board of directors considered the opinions of its financial advisors, Stifel, Nicolaus & Company, Incorporated and Mercer Capital Management, Inc., which were given to the City Bancorp board of directors on October 30, 2006, that, as of the date of such opinions and based upon and subject to the assumptions, qualifications and limitations described in each opinion, the merger consideration was fair from a financial point of view to the shareholders of City Bancorp. A copy of the opinion given by Stifel Nicolaus is attached to this document as Annex C. A copy of the opinion given by Mercer Capital is attached to this document as Annex D. City Bancorp shareholders should read the opinions completely and carefully to understand the assumptions made, matters considered and limitations on the reviews undertaken by Stifel Nicolaus and Mercer Capital in providing their opinions.

Vote Required to Complete the Merger (Page 31)

Under Missouri law, the merger agreement must be approved by two-thirds of all the votes entitled to be cast by shareholders of City Bancorp. City Bancorp expects that its executive officers and directors will vote all of their shares of City Bancorp common stock in favor of the merger agreement. At the close of business on City Bancorp's record date, there were [] shares of City Bancorp common stock entitled to vote at the City Bancorp special meeting held by [] holders of record. The executive officers and directors of City Bancorp beneficially owned []% of the outstanding shares of City Bancorp common stock as of that date.

Record Date; Voting Power (Page 31)

You can vote at the special meeting of City Bancorp shareholders if you owned City Bancorp common stock as of the close of business on [], 2007, the record date set by City Bancorp's board of directors. Each share of City Bancorp common stock is entitled to one vote. On [], 2007, there were [] shares of City Bancorp common stock outstanding and entitled to vote on the merger agreement.

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Background and Reasons for the Merger (Page 34)

In the first quarter of 2006, David Kunze, Chairman and Chief Executive Officer of City Bancorp, received an unsolicited expression of interest from a large regional bank holding company regarding a possible transaction between that company and City Bancorp. Discussions with this potential acquiror continued through mid-June 2006, when it became apparent to management of City Bancorp that the potential acquiror was not inclined to offer an amount that either Stifel Nicolaus or management of City Bancorp considered sufficient to accept in the absence of evidence that no greater purchase price would be available from other possible bidders. At the request of management, in consultation with the Strategic Alternatives Committee established by the board of directors of City Bancorp, Stifel Nicolaus initiated a bidding process by contacting potential acquirors (without disclosing the identity of City Bancorp). Eventually, 23 additional potential acquirors were contacted. Of these, 13 signed confidentiality agreements and received a confidential memorandum regarding City Bancorp. This resulted in three written expressions of interest in addition to the non-binding expression of interest initially received.

Two of the three new expressions of interest contained purchase price offers substantially in excess of the initial expression of interest, and Stifel Nicolaus commenced discussions with these two bidders at the direction of the City Bancorp board of directors. One of these two bidders was BancorpSouth. Stifel Nicolaus summarized final bids from BancorpSouth and the other party at a City Bancorp board of directors meeting on September 22, 2006. The board of directors carefully considered each of the two bids, determined that the bid of BancorpSouth represented the most advantageous transaction for the shareholders of City Bancorp, and directed management, with the assistance of the Strategic Alternatives Committee, Stifel Nicolaus, and Polsinelli Shalton Welte Suelthaus PC, to attempt to negotiate a definitive agreement with BancorpSouth. At that same meeting, the board of directors determined to engage Mercer Capital in addition to Stifel Nicolaus to provide an independent review of the fairness to the shareholders of City Bancorp of any resulting proposed transaction with BancorpSouth.

At an October 30, 2006 meeting of the board of directors, the directors unanimously approved the merger agreement and authorized management to execute and deliver the merger agreement. The merger agreement was executed effective as of October 31, 2006, and a public announcement of the transaction was made on that date in Springfield, Missouri.

Why BancorpSouth and City Bancorp are Seeking to Merge (Page 34)

The merger will combine the strengths of BancorpSouth and City Bancorp and their subsidiary banks. By merging with BancorpSouth, City Bancorp will provide its current and potential customers with access to a substantially larger capital base and lending limits, as well as a broader array of financial and technological resources, including an expanded products line. The combined company also expects to reduce costs by eliminating overlap of the companies operations and by applying BancorpSouth's technology to City Bancorp's operations. The merger will expand BancorpSouth's market presence into an eighth state providing additional geographic diversification consistent with BancorpSouth's growth strategy.

Analysis of Financial Advisors to City Bancorp (Page 35)

Stifel, Nicolaus & Company, Incorporated

Stifel Nicolaus acted as City Bancorp's financial advisor in connection with the proposed merger. As part of its investment banking activities, Stifel Nicolaus regularly engages in the independent valuation of businesses and securities in connection with mergers, acquisitions, underwritings, sales and distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Stifel Nicolaus has substantial expertise in transactions similar to the proposed merger and City Bancorp retained Stifel Nicolaus based on its experience as a financial advisor in mergers and acquisitions of financial institutions and its knowledge of the financial services industry.

On October 23, 2006, Stifel Nicolaus rendered its oral opinion, which was subsequently reaffirmed and confirmed in writing on October 30, 2006, to the board of directors of City Bancorp that, as of such date, the per share consideration to be received by the holders of City Bancorp common stock (other than shares of City Bancorp

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common stock as to which dissenters' rights have been properly demanded and shares held directly or indirectly by BancorpSouth or City Bancorp or any of their respective subsidiaries (other than shares held in a trust or managed account or otherwise in a fiduciary capacity or in respect of a previously contracted debt)) from BancorpSouth in the merger pursuant to the merger agreement was fair to such holders, from a financial point of view.

The full text of the opinion of Stifel Nicolaus, dated October 30, 2006, which describes the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached as Annex C to this Proxy Statement/Prospectus. City Bancorp shareholders should read this opinion in its entirety.

Mercer Capital Management, Inc.

Mercer Capital is a business valuation and financial advisory firm located in Memphis, Tennessee. Mercer Capital is regularly engaged to provide valuation and advisory services in connection with mergers and acquisitions, corporate transactions, share repurchases, tax compliance, ESOPs and employee benefit plans, and related purposes. Neither Mercer Capital nor any of its affiliates has a financial interest in City Bancorp or BancorpSouth. Mercer Capital was selected to provide its fairness opinion based on its familiarity with the regional community banking industry and its knowledge of the banking industry as a whole. Mercer Capital will receive a fee for providing its fairness opinion, which fee is not contingent on its opinion. Prior to its engagement to provide this fairness opinion, Mercer Capital provided a fairness opinion on behalf of Signature Bancshares, Inc. in connection with the 2003 merger between City Bancorp and Signature Bancshares.

City Bancorp engaged Mercer Capital to provide an additional fairness opinion in connection with the merger. On October 30, 2006, Mercer Capital rendered its written opinion to the effect that, as of such date and based upon and subject to matters stated in the Mercer Capital opinion, the merger is fair from a financial point of view to City Bancorp's shareholders (other than shares of City Bancorp as to which dissenters' rights have been properly demanded and shares held directly or indirectly by City Bancorp or BancorpSouth (other than shares held in a trust or managed account or otherwise in a fiduciary capacity or in respect of a previously contracted debt)). No limitations were imposed by City Bancorp's board of directors upon Mercer Capital with respect to the investigations made or the procedures followed by Mercer Capital in rendering its opinion.

The full text of the opinion of Mercer Capital, dated October 30, 2006, which describes the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached as Annex D to this Proxy Statement/Prospectus. City Bancorp shareholders should read this opinion in its entirety.

Management and Operations Following the Merger (Page 71)

The officers and directors of each of BancorpSouth and BancorpSouth Bank immediately prior to the effective time of the merger will continue to be the officers and directors of BancorpSouth and BancorpSouth Bank, respectively, following the merger. Certain of the executive officers of City Bancorp will be retained by BancorpSouth and may serve as officers of The Signature Bank or BancorpSouth Bank but will not serve as executive officers of BancorpSouth.

U.S. Federal Income Tax Consequences (Page 51)

Your U.S. federal income tax consequences will depend primarily on whether you exchange your shares of City Bancorp common stock solely for BancorpSouth common stock, solely for cash or for a combination of BancorpSouth common stock and cash. If you exchange your shares of City Bancorp common stock solely for BancorpSouth common stock, you should not recognize any gain or loss (except with respect to the cash you receive for any fractional share) for U.S. federal income tax purposes. If you exchange your shares of City Bancorp common stock solely for cash, you should recognize gain or loss on the exchange. If you exchange your shares of City Bancorp common stock for a combination of BancorpSouth common stock and cash, you should recognize a gain, but not any loss, on the exchange to the extent of the lesser of cash received or gain realized in the exchange. The actual U.S. federal income tax consequences to you will not be ascertainable at the time you make your election because we will not know at that time if, or to what extent, the allocation and proration procedures will apply.

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This tax treatment may not apply to all shareholders of City Bancorp. Determining the actual tax consequences of the merger to you can be complicated. You should consult your own tax advisor for a full understanding of the merger's tax consequences that are particular to you.

BancorpSouth and City Bancorp will not be obligated to complete the merger unless they each receive an opinion from their respective legal counsel, dated the closing date, that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that BancorpSouth and City Bancorp will each be a party to that reorganization. If such opinions are rendered, the U.S. federal income tax treatment of the merger should be as described above. The opinions of the parties' respective counsel, however, do not bind the Internal Revenue Service and do not preclude the IRS or the courts from adopting a contrary position.

Retirement Plans (Page 56)

It is anticipated that the existing City Bancorp retirement plan will be terminated immediately prior to the merger. In addition, City Bancorp is in the process of liquidating a retirement plan that was previously terminated by a predecessor to City Bancorp. This plan currently holds 7,135 shares of City Bancorp common stock.

Equity Incentive Plans (Page 56)

It is anticipated that the two employee stock purchase plans maintained by City Bancorp will be terminated effective January 1, 2007. In addition, all options to purchase City Bancorp common stock under City Bancorp's existing option plans will be converted to options to purchase shares of BancorpSouth common stock. Except for the options granted under the City Bancorp Incentive Stock Option Plan, all options will be equity incentive options as described in Section 422 of the Internal Revenue Code. The options granted under the City Bancorp Incentive Stock Option Plan will be nonqualified options.

Accounting Treatment (Page 51)

BancorpSouth will account for the merger under the purchase method of accounting for business combinations under United States generally accepted accounting principles.

Interests of City Bancorp Executive Officers and Directors in the Merger (Page 58)

Executive officers and directors of City Bancorp will receive shares of BancorpSouth common stock in the merger on the same basis as other City Bancorp shareholders. The following chart shows the number and percentage of shares of BancorpSouth common stock that may be issued to executive officers, directors and holders of more than five percent of City Bancorp common stock in the merger based on ownership as of the record date:

Beneficial ownership ¹ by executive officers, directors and holders of more than five percent of City Bancorp common stock, and their affiliates, as of [], 2007	[]
Percentage of such beneficial ownership with respect to all issued and outstanding shares of City Bancorp common stock	[]
Maximum number of shares of BancorpSouth common stock to be received in the merger ² (based on such beneficial ownership)	[]
Percentage of such maximum number of shares with respect to the maximum number of all shares of BancorpSouth common stock to be received in the merger	[]

¹ Includes all stock options that will become exercisable as a result of the merger.

² Assuming the maximum share exchange ratio of 1.4908 and assuming elections to receive all BancorpSouth common stock as merger consideration.

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Two City Bancorp executive officers will receive cash payments as part of the merger and in consideration for terminating their existing employment agreements with The Signature Bank. One of these officers will also receive a grant of restricted stock units representing approximately 10,000 shares of BancorpSouth stock that will vest over three years. These two officers, along with 10 others, have entered into amended employment agreements with The Signature Bank that become effective upon the consummation of the merger.

City Bancorp Shareholders May Dissent from the Merger (Page 56)

Missouri law permits City Bancorp shareholders to dissent from the merger and to receive the fair value of their shares of City Bancorp common stock in cash in lieu of the merger consideration. To dissent, a City Bancorp shareholder must follow certain procedures, including but not limited to filing an objection and demand with City Bancorp and BancorpSouth, respectively, and not voting his or her shares in favor of the merger agreement. The shares of City Bancorp common stock held by a dissenter will not be exchanged for stock consideration or cash consideration in the merger, and pursuant to Missouri law a dissenter may receive either an agreed upon value of his or her shares of City Bancorp common stock in cash or a judicially appraised value of his or her shares of City Bancorp common stock in cash. The text of the Missouri statute describing these dissenters' rights and the procedures for exercising them is attached as Annex B to this Proxy Statement/Prospectus. City Bancorp shareholders who perfect their dissenters' rights and receive cash in exchange for their shares of City Bancorp common stock may recognize gain or loss for U.S. federal income tax purposes. See THE MERGER Shareholders Dissenters' Rights beginning on page 56 for more information regarding dissenters' rights.

We Must Obtain Regulatory Approvals to Complete the Merger (Page 51)

We cannot complete the merger unless we obtain the approval of the Federal Reserve Board. BancorpSouth filed a Notification to the Board of Governors of the Federal Reserve System on Form FR Y-3N on December 20, 2006. In connection with the Notification, BancorpSouth must publish a public notice of the merger which provides for a 30-day period for public comments. BancorpSouth expects to obtain approval of the merger from the Federal Reserve Board within five business days after the close of the public comment period. Once the Federal Reserve Board has approved the merger, federal law requires that we wait up to 30 calendar days to complete the merger in order to give the U.S. Department of Justice the opportunity to review and object to the merger. BancorpSouth expects the Department of Justice waiting period to expire on or about February 19, 2007.

We also intend to make all required filings with the Securities and Exchange Commission under the Securities Act of 1933 and the Securities Exchange Act of 1934 relating to the merger. While we believe that we will obtain all regulatory approvals in a timely manner, we cannot be certain if or when we will obtain them.

Conditions to Complete the Merger (Page 69)

The completion of the merger depends on a number of conditions being met, including the following:
shareholders of City Bancorp approving the merger agreement;

the New York Stock Exchange authorizing for listing the shares of BancorpSouth common stock to be issued to City Bancorp shareholders;

receipt of all required bank regulatory approvals and the expiration of any regulatory waiting periods;

the holders of no more than seven percent of the total outstanding shares of City Bancorp common stock exercising dissenters' rights with respect to the merger;

receipt of opinions of legal counsel to each party to the merger agreement that the U.S. federal income tax treatment of the merger will generally be as described in this Proxy Statement/Prospectus; and

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BancorpSouth shall have received executed amended employment agreements in form and substance satisfactory to BancorpSouth from Messrs. David A. Kunze, Robert Fulp, Randy Johnson, James Kratzer, Ted Hamilton, Mike Lawson, Dan Derges, Dave Montgomery, Aaron Jernigen, Patrick Bowen and Jon Hustedt and Ms. Nadia Cavner. All of these individuals have executed and delivered the required employment agreements.

In cases where the law permits, a party to the merger agreement could elect to waive a condition that has not been satisfied and complete the merger although the party is entitled not to complete the merger. We cannot be certain whether or when any of these conditions will be satisfied (or waived, where permissible) or that the merger will be completed.

Termination of the Merger Agreement (Page 70)

The merger agreement may be terminated at any time prior to the effective time of the merger, whether before or after approval of the merger agreement by City Bancorp shareholders, as set forth in the merger agreement, including by mutual consent of BancorpSouth and City Bancorp. In addition, the merger agreement may generally be terminated by either party if:

Written notice is provided to the other party 60 days after the date on which a governmental entity has denied, recommended or requested the withdrawal of any application for a required regulatory approval;

the merger is not completed on or before June 1, 2007;

City Bancorp shareholders fail to approve the merger agreement; or

any of the representations or warranties provided by the other party set forth in the merger agreement become materially untrue or incorrect or the other party materially breaches its covenants set forth in the merger agreement, and the representation or material breach is not cured within 30 calendar days following notice.

BancorpSouth may terminate the merger agreement if City Bancorp's board of directors withdraws, modifies or changes, in a manner adverse to BancorpSouth, its approval and recommendation of the merger agreement. If the merger agreement is terminated for certain reasons and City Bancorp receives an unsolicited proposal from a party other than BancorpSouth or BancorpSouth Bank within nine months after such termination, and actions are taken by the board of directors of City Bancorp to pursue further discussions or negotiations regarding such proposal, City Bancorp will be required to pay \$4.5 million in cash to BancorpSouth upon demand.

City Bancorp may terminate the merger agreement if the BancorpSouth stock price falls below a certain value, as provided in the merger agreement, and BancorpSouth does not elect to increase the exchange ratio as provided for in the merger agreement within the prescribed time limit.

Generally, a party can only terminate the merger agreement in one of these situations if that party is not in violation of the merger agreement or if its violations of the merger agreement are not the cause of the event permitting termination.

Comparative Per Share Market Price Information (Page 27)

Shares of BancorpSouth common stock are listed on the New York Stock Exchange under the symbol BXS. On October 30, 2006, the last full trading day prior to the public announcement of the merger, the closing sales price of BancorpSouth common stock was \$25.27 per share. On [], 2007, the last practicable trading day before the distribution of this Proxy Statement/Prospectus, the closing sales price of BancorpSouth common stock was \$[] per share. The market price of BancorpSouth common stock is expected to fluctuate prior to and after

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completion of the merger. You should obtain current market quotations for BancorpSouth common stock from a newspaper, the Internet or your broker.

There is no established public trading market for shares of City Bancorp common stock, which is inactively traded in private transactions. Therefore, reliable information is not available about the prices at which shares of City Bancorp common stock have been bought and sold.

Table of Contents**RISK FACTORS**

The merger involves a number of risks. In addition to the risks described below, the combined companies will continue to be subject to the risks described in the documents that BancorpSouth has filed with the Securities and Exchange Commission that are incorporated by reference into this Proxy Statement/Prospectus, including without limitation, BancorpSouth's Annual Report on Form 10-K for the fiscal year ended December 31, 2005. If any of the risks described below or in the documents incorporated by reference into this Proxy Statement/Prospectus actually occur, the business, financial condition, results of operations or cash flows of the combined companies could be materially adversely affected. The risks below should be considered along with the other information included or incorporated by reference into this Proxy Statement/Prospectus.

You Might Not Receive the Form of Merger Consideration that You Elect.

The merger agreement contains provisions that are designed to ensure that 50% of the outstanding shares of City Bancorp common stock are exchanged for shares of BancorpSouth common stock and the other 50% of the shares of City Bancorp common stock are exchanged for cash consideration. If elections are made by City Bancorp shareholders that would otherwise result in more or less than 50% of such shares being converted into BancorpSouth common stock, the amount of BancorpSouth common stock that City Bancorp shareholders will have elected to receive upon exchange of their shares will be adjusted so that, in the aggregate, 50% of the shares of City Bancorp common stock will be exchanged for the right to receive shares of BancorpSouth common stock and the remaining shares of City Bancorp common stock will be exchanged for the right to receive cash. As a result, there is a risk that you will not receive a portion of the merger consideration in the form that you elect, which could result in, among other things, tax consequences that differ from those that would have resulted had you received the form of consideration you elected (including the recognition of gain for U.S. federal income tax purposes with respect to the cash received). If you do not make an election, you will be deemed to have made an election to receive the merger consideration in such combination of cash and/or shares of BancorpSouth common stock as provided for in the merger agreement.

You Might Not Know the Exchange Ratio When You Send Your Election Form or Proxy

You are required to send to Computershare Trust Company, N.A., the exchange agent, the election form and stock certificates representing shares of City Bancorp common stock that you own so that they are received no later than the 10th business day immediately following the special meeting of the City Bancorp shareholders. Because the exchange ratio will not be determinable until the end of business on the day on which the last consent of the applicable federal and state regulatory authorities is received, you may not know the exchange ratio when you send your election form to the exchange agent. Similarly, if you mail or otherwise submit your proxy prior to the receipt of the last consent of the applicable federal and state regulatory authorities, you may not know the exchange ratio when you vote on the merger agreement. As a result, you may not know the number of shares of BancorpSouth common stock you would receive as stock consideration when you vote on the merger agreement and elect the form of merger consideration you want to receive.

The Market Price of the Shares of BancorpSouth Common Stock You Receive in the Merger Will Fluctuate and the Precise Exchange Ratio Cannot be Presently Determined.

The merger agreement provides for an exchange ratio that is based on the average closing price of BancorpSouth common stock for the 10-trading day period ending on the date on which the last consent of the applicable federal and state regulatory authorities is received. The merger agreement provides for adjustment of the exchange ratio if the 10-day average closing price is between \$22.86 and \$27.94 per share, but it does not provide any adjustment if the 10-day average closing price is below \$22.86 per share or above \$27.94 per share. Consequently, the market price of the stock consideration may be more or less than the cash consideration upon completion of the merger. The merger agreement provides City Bancorp the right to terminate the merger agreement if the 10-day average closing price of BancorpSouth common stock is below \$20.57; however, if City Bancorp elects to terminate the merger agreement, BancorpSouth has the option to increase the exchange ratio to an amount that would cause the dollar value of the stock consideration to be equal to the dollar value of the stock consideration had the 10-day average closing price been equal to \$22.86. If BancorpSouth exercises its option to increase the exchange ratio, then the merger agreement will remain in effect. Because the exchange ratio is based on

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the average closing price of BancorpSouth common stock for a period of time prior to the receipt of all applicable federal and state regulatory approvals, the precise exchange ratio cannot be presently determined. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond our control.

Shareholders of City Bancorp are urged to obtain current market quotations for BancorpSouth common stock from a newspaper, the Internet or their brokers. The historical prices of BancorpSouth common stock included in this Proxy Statement/Prospectus are not necessarily indicative of the prices that will be used to calculate the exchange ratio. The future market price of BancorpSouth common stock cannot be guaranteed or predicted.

We May Fail to Achieve the Anticipated Benefits of the Merger.

BancorpSouth and City Bancorp have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger.

The Market Price of Shares of BancorpSouth Common Stock after the Merger May Be Affected by Factors Different from those Affecting Shares of City Bancorp or BancorpSouth Currently.

The businesses of BancorpSouth and City Bancorp differ in some respects and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent financial condition and results of operations of each of BancorpSouth and City Bancorp. For a discussion of the businesses of BancorpSouth and City Bancorp and of certain factors to consider in connection with those businesses, see INFORMATION ABOUT BANCORPSOUTH on page 73 and INFORMATION ABOUT CITY BANCORP beginning on page 74.

The Merger Agreement Limits the Ability of City Bancorp to Pursue Alternative Transactions to the Merger and Requires City Bancorp to Pay a Termination Fee if it Does.

The merger agreement prohibits City Bancorp and its directors, officers, employees, representatives and agents from soliciting, authorizing the solicitation of or, subject to very narrow exceptions, entering into discussions with any person or entity other than BancorpSouth or BancorpSouth Bank regarding alternative acquisition proposals. The prohibition limits the ability of City Bancorp to pursue offers that may be superior from a financial point of view from other possible acquirors. If the merger agreement is terminated for certain reasons and City Bancorp receives an unsolicited proposal from a party other than BancorpSouth or BancorpSouth Bank within nine months after such termination, and actions are taken by the board of directors of City Bancorp to pursue further discussions or negotiations regarding such proposal, City Bancorp will be required to pay \$4.5 million in cash to BancorpSouth upon demand. This fee makes it less likely that a third party will make an alternative acquisition proposal.

The Executive Officers and Directors of City Bancorp Have Interests Different from Typical City Bancorp Shareholders.

The executive officers and directors of City Bancorp have certain interests in the merger and participate in certain arrangements that are different from, or are in addition to, those of City Bancorp shareholders generally. As a result, these executive officers and directors could be more likely to approve the merger agreement than if they did not have these interests. See THE MERGER Interests of Certain Persons in the Merger.

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Former Shareholders of City Bancorp Will Be Limited in their Ability to Influence BancorpSouth's Actions and Decisions Following the Merger.

Following the merger, former shareholders of City Bancorp will hold less than []% of the outstanding shares of BancorpSouth common stock. As a result, former City Bancorp shareholders will have only a limited ability to influence BancorpSouth's business. Former City Bancorp shareholders will not have separate approval rights with respect to any actions or decisions of BancorpSouth or have separate representation on BancorpSouth's board of directors.

The Merger May Result in a Loss of Current City Bancorp Employees.

Despite BancorpSouth's efforts to retain quality employees, BancorpSouth might lose some of City Bancorp's current employees following the merger. Current City Bancorp employees may not want to work for a larger, publicly traded multi-state company instead of a smaller, privately-held company with operations in a single state, or may not want to assume different duties, positions and compensation that BancorpSouth offers to the City Bancorp employees. Competitors may recruit employees prior to the merger and during the integration process after the merger. As a result, current employees of City Bancorp could leave with little or no prior notice. BancorpSouth cannot assure you that the combined companies will be able to attract, retain and integrate employees following the merger which could adversely affect the operations of the combined companies.

A Portion of the Merger Consideration Will be Deposited Into an Escrow Account and Will not be Distributable for up to Seven Years

Approximately \$3 million of the merger consideration, half in cash and half in shares of BancorpSouth common stock, will be deposited into escrow with Enterprise Bank & Trust Company at the effective time of the merger. This escrow fund will be used to pay judgments, settlements and related legal fees and costs relating to certain outstanding litigation against City Bancorp or any subsidiary of City Bancorp that is a party to this litigation. The funds shall be held in escrow until the final resolution of such litigation, whether by entry of a final unappealable judgment or by final settlement and release of all City Bancorp entities that are parties to such litigation, but in no event longer than seven years. Upon termination of the escrow arrangement, any cash or shares of BancorpSouth common stock remaining in the escrow fund will be disbursed to the former holders of City Bancorp common stock who did not exercise their right to dissent with respect to the merger. The market price of BancorpSouth common stock will fluctuate during the period of time the shares are held in escrow and such shares will not be transferable and the cash will not be available until distributed from the escrow account to the former holders of City Bancorp common stock. For U.S. federal income tax purposes, the non-dissenting City Bancorp shareholders should be treated as the owners of the escrowed shares of BancorpSouth common stock and, possibly, the escrowed cash. In addition, each City Bancorp shareholder should be required to include in gross income for U.S. federal income tax purposes all amounts earned on the escrow fund, as such amounts are earned.

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SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF BANCORPSOUTH

The following table sets forth certain financial information with respect to BancorpSouth, which is derived from the audited and unaudited financial statements of BancorpSouth. The results of operations for the nine months ended September 30, 2006 are not necessarily indicative of the results of operations for the full year or any other interim period. BancorpSouth management prepared the unaudited information on the same basis as it prepared BancorpSouth's audited consolidated financial statements. In the opinion of BancorpSouth management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for the dates presented. You should read this information in conjunction with BancorpSouth's consolidated financial statements and related notes included in BancorpSouth's Annual Report on Form 10-K for the year ended December 31, 2005, and BancorpSouth's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, which are incorporated by reference into this document and from which this information is derived. See **WHERE YOU CAN FIND MORE INFORMATION** beginning on page 106.

Table of Contents**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF BANCORPSOUTH**

	For the Years Ended December 31,					For the Nine Months Ended September 30, (Unaudited)	
	2005	2004	2003	2002	2001	2006	2005
(Dollars in Thousands, Except Per Share Amounts)							
Earnings Summary:							
Interest revenue	\$ 559,936	\$ 497,629	\$ 526,911	\$ 590,418	\$ 660,475	\$ 502,522	\$ 409,939
Interest expense	204,379	163,837	175,805	218,892	331,093	212,974	146,651
Net interest revenue	355,557	333,792	351,106	371,526	329,382	289,548	263,288
Provision for credit losses	24,467	17,485	25,130	29,411	22,259	2,252	22,492
Noninterest revenue	198,812	183,519	190,086	124,826	127,998	155,604	145,105
Noninterest expense	362,102	342,945	322,594	304,985	289,318	293,013	269,777
Income before income tax	167,800	156,881	193,468	161,956	145,803	149,887	116,124
Applicable income taxes	52,601	46,261	62,334	49,938	47,340	46,016	35,730
Net income	\$ 115,199	\$ 110,620	\$ 131,134	\$ 112,018	\$ 98,463	\$ 103,871	\$ 80,394
Per Share Data:							
Basic earnings	\$ 1.47	\$ 1.44	\$ 1.69	\$ 1.40	\$ 1.19	\$ 1.31	\$ 1.03
Diluted earnings	1.47	1.43	1.68	1.39	1.19	1.31	1.02
Cash dividends	0.76	0.73	0.66	0.61	0.57	0.59	0.57
Book value end of period	12.33	11.74	11.15	10.40	9.92	13.03	12.02
Balance Sheet Data (period end):							
Total assets	\$ 11,768,674	\$ 10,848,193	\$ 10,305,035	\$ 10,189,247	\$ 9,395,429	\$ 11,859,942	\$ 11,065,258
Loans, net of unearned income	7,365,555	6,836,698	6,233,067	6,389,385	6,073,200	7,773,682	7,091,063
	101,500	91,673	92,112	87,875	83,150	97,391	101,067

Allowance for credit losses							
Total deposits	9,607,258	9,059,091	8,599,128	8,548,918	7,856,840	9,492,374	9,221,267
Total stockholders equity	\$ 977,166	\$ 916,428	\$ 868,906	\$ 807,823	\$ 805,403	\$ 1,031,359	\$ 940,878

Balance Sheet**Data****(averages):**

Total assets	\$ 10,968,874	\$ 10,555,133	\$ 10,236,904	\$ 9,882,168	\$ 9,261,912	\$ 11,778,913	\$ 10,853,207
Total stockholders equity	\$ 934,563	\$ 873,264	\$ 845,874	\$ 810,893	\$ 796,706	\$ 995,576	\$ 926,098
Average number of diluted shares outstanding (in thousands)	78,597	77,378	78,164	80,481	82,979	79,552	78,560

Selected Ratios**(annualized):**

Return on average assets	1.05%	1.05%	1.28%	1.13%	1.06%	1.18%	0.99%
Return on average stockholders equity	12.33	12.67	15.50	13.81	12.36	13.95	11.61
Net interest margin	3.64	3.52	3.80	4.15	3.94	3.71	3.64
Net charge-offs to average loans	0.23	0.31	0.33	0.41	0.35	0.11	0.25
Tier 1 capital to risk-weighted assets	12.85	12.41	13.24	11.92	10.70	12.38	12.34
Total capital to risk-weighted assets	14.11	13.67	14.51	13.16	11.91	13.58	13.61

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SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF CITY BANCORP

The following table sets forth certain financial information with respect to City Bancorp, which is derived from the audited and unaudited financial statements of City Bancorp. The results of operations for the nine months ended September 30, 2006 are not necessarily indicative of the results of operations for the full year or any other interim period. City Bancorp management prepared the unaudited information on the same basis as it prepared City Bancorp's audited consolidated financial statements. In the opinion of City Bancorp management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for the dates presented.

Table of Contents**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF CITY BANCORP**

	For the Years Ended December 31,					For the Nine Months Ended September 30, (Unaudited)	
	2005	2004¹	2003¹	2002¹	2001¹	2006	2005
	(Dollars in Thousands, Except Per Share Amounts)						
Earnings							
Summary:							
Interest income	\$ 42,020	\$ 27,916	\$ 15,559	\$ 12,853	\$ 12,796	\$ 41,207	\$ 30,351
Interest expense	17,297	10,212	5,638	5,915	7,508	19,347	12,272
Net interest income	24,723	17,704	9,921	6,938	5,288	21,860	18,079
Provision for loan losses	874	684	771	794	643	779	560
Noninterest income	5,075	4,865	681	523	360	3,248	3,564
Noninterest expense	16,772	14,108	5,956	4,576	4,151	13,077	11,825
Income before income taxes	12,152	7,777	3,875	2,091	854	11,252	9,258
Provisions for income taxes	4,618	3,130	1,537	843	377	4,335	3,489
Net income	\$ 7,534	\$ 4,647	\$ 2,338	\$ 1,248	\$ 477	\$ 6,917	\$ 5,769
Per Share Data:							
Basic earnings	\$ 1.57	\$ 0.97	\$ 2.11	\$ 1.35	\$ 0.52	\$ 1.42	\$ 1.20
Diluted earnings	1.53	0.97	2.11	1.35	0.52	1.39	1.19
Cash dividends		0.39	0.65			0.28	
Book value end of period	13.93	12.44	19.35	13.75	12.39	15.04	13.66
Balance Sheet Data (period end):							
Total assets	\$ 791,499	\$ 694,628	\$ 328,741	\$ 275,527	\$ 218,780	\$ 850,763	\$ 749,642
Loans, gross	675,402	600,061	285,660	235,699	168,793	759,701	649,772
Allowance for credit losses	6,746	6,172	2,845	2,301	1,643	7,592	6,533
Securities	26,126	31,436	17,484	15,512	20,618	23,017	25,655
Deposits	584,570	496,239	241,389	202,479	171,964	610,418	555,565
Long-term debt	18,558	24,558	14,248	6,000		18,558	18,558
Total stockholders equity	\$ 67,478	\$ 59,331	\$ 21,452	\$ 12,682	\$ 11,434	\$ 73,465	\$ 65,633

Balance Sheet**Data (averages):**

Total assets	\$ 734,201	\$ 642,168	\$ 296,924	\$ 230,365	\$ 189,829	\$ 800,203	\$ 725,660
Total stockholders equity	\$ 63,311	\$ 55,256	\$ 17,078	\$ 12,070	\$ 9,702	\$ 69,549	\$ 62,183
Average number of diluted shares outstanding (in thousands)	4,916	4,809	1,108	923	923	4,973	4,842

Selected Ratios**(annualized):**

Return on average assets	1.03%	0.73%	0.79%	0.54%	0.25%	1.15%	1.06%
Return on average stockholders equity	11.90	8.41	13.69	10.34	4.92	13.26	12.37
Net interest margin	3.61	3.32	3.53	3.22	3.02	3.89	3.52
Net charge-offs to average loans	0.05	0.08	0.09	0.07	0.16	-0.01	0.04
Tier 1 capital to risk-weighted assets	10.27	10.53	9.82	5.50	6.53	9.90	10.59
Total capital to risk-weighted assets	11.24	12.44	13.14	9.18	9.76	10.87	11.59
Leverage ratio	9.65	9.49	9.08	5.02	5.13	9.55	9.45

¹ In the first quarter of 2004, Signature Bancshares, Inc. merged with and into City Bancorp with City Bancorp surviving as the legal entity; however, Signature Bancshares, Inc., the larger of the two entities, was the surviving entity solely for financial reporting purposes. Therefore, the numbers

presented for the
years ended
December 31,
2003, 2002 and
2001 are those of
Signature
Bancshares, Inc.
For further
discussion of the
2004 merger, see
INFORMATION
ABOUT CITY
BANCORP
Business
beginning on
page 74.

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The following table sets forth for BancorpSouth common stock and City Bancorp common stock certain historical, pro forma and pro forma-equivalent per share financial information. The pro forma and pro forma-equivalent per share information gives effect to the merger as if the merger had been effective on the dates presented, in the case of the book value data, and as if the merger had become effective on January 1, 2005, in the case of the income from continuing operations and cash dividends declared data for the 12 months ended December 31, 2005, and as if the merger had become effective on January 1, 2006, in the case of the income from continuing operations and cash dividends declared data for the nine months ended September 30, 2006. The pro forma data in the tables represents a current estimate based on available information of the combined company's results of operations and is based on an exchange ratio of 1.2988 shares of BancorpSouth common stock for each share of City Bancorp common stock, which would have been the exchange ratio as of October 30, 2006, the last full trading day before we announced the merger, and assuming that 100% of the outstanding common stock of City Bancorp is converted into BancorpSouth common stock with no regard given to the effect of shares of City Bancorp common stock that are exchanged for cash, as if these shares were outstanding for each period presented. The information in the following table is based on, and should be read together with, the historical financial information that BancorpSouth has presented in filings with the Securities and Exchange Commission. See **WHERE YOU CAN FIND MORE INFORMATION** beginning on page 106.

The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of possible revenue enhancements, expense efficiencies, asset dispositions and share repurchases, among other factors, that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during these periods. Upon completion of the merger, the operating results of City Bancorp will be reflected in the consolidated financial statements of BancorpSouth on a prospective basis.

	Comparative Per Share Data			
	BancorpSouth Historical	City Bancorp Historical	Pro Forma Combined	Pro Forma-Equivalent City Bancorp
Income from continuing operations for the 12 months ended December 31, 2005				
Basic	\$ 1.47	\$ 1.57	\$ 1.45	\$ 1.89
Diluted	1.47	1.53	1.44	1.88
Income from continuing operations for the nine months ended September 30, 2006				
Basic	1.31	1.42	1.30	1.68
Diluted	1.31	1.39	1.29	1.67
Cash Dividends Declared				
For the 12 months ended December 31, 2005	0.76		0.76	0.99
For the nine months ended September 30, 2006	0.59	0.28	0.59	0.77
Book Value				
As of December 31, 2005	12.33	13.93	13.35	17.34
As of September 30, 2006	13.03	15.04	14.00	18.19

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Proxy Statement/Prospectus contains or incorporates by reference certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 about the financial condition, results of operations and business of BancorpSouth and City Bancorp and about the combined companies following the merger. These statements include, but are not limited to, statements about the benefits of the merger, including future financial and operating results, tax consequences and accounting treatment of the merger, receipt of regulatory approvals, statements regarding the escrow of a portion of the merger consideration and per share pro forma data for the combined companies. These statements appear in several sections of this Proxy Statement/Prospectus, including SUMMARY, RECENT DEVELOPMENTS, THE MERGER Background and Reasons for the Merger and THE MERGER AGREEMENT Terms of the Merger. The forward-looking statements generally include any of the words believes, expects, anticipates, intends, estimates, should, will or plans or other similar expressions.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. The future results and shareholder values of BancorpSouth and City Bancorp, and of the combined companies, may differ materially from those expressed in these forward-looking statements. Many of the factors that could influence or determine actual results are unpredictable and not within the control of BancorpSouth or City Bancorp. In addition, neither BancorpSouth nor City Bancorp intends to, nor are they obligated to, update these forward-looking statements after this Proxy Statement/Prospectus is distributed, even if new information, future events or other circumstances have made them incorrect or misleading as of any future date.

Factors that may cause actual results to differ materially from those contemplated by forward-looking statements include, among others, those discussed in the section entitled RISK FACTORS beginning on page 20, as well as the following:

- failure to obtain required shareholder or regulatory approvals;
- failure to complete the merger or to complete it within the expected time frame;
- inability to successfully integrate the business of the companies after the merger;
- disruption caused by the merger on City Bancorp's existing customer and employee relations;
- materially adverse changes in either company's financial condition or results of operations following the merger;
- changes in economic conditions and government fiscal and monetary policies;
- fluctuations in prevailing interest rates;
- the ability of BancorpSouth to compete with other participants in the financial services industry;
- changes in BancorpSouth's operating or expansion strategy;
- geographic concentration of BancorpSouth's assets;
- the ability of BancorpSouth to attract, train and retain qualified personnel;
- the ability of BancorpSouth to effectively market its services and products in Missouri and elsewhere;
- BancorpSouth's dependence on existing sources of funding;

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changes in laws and regulations affecting financial institutions in general;

possible adverse rulings, judgments, settlements and other outcomes of pending litigation;

the effects of weather and natural disasters such as hurricanes;

the ability of BancorpSouth to manage its growth and effectively serve an expanding customer and market base; and

other factors generally understood to affect the financial results of financial services companies and other risks detailed from time to time in BancorpSouth's news releases and filings with the Securities and Exchange Commission.

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THE SPECIAL MEETING

General

This Proxy Statement/Prospectus is first being mailed on or about [], 2007, to all persons who were City Bancorp shareholders on [], 2007.

Along with this Proxy Statement/Prospectus, City Bancorp shareholders are being provided with a Notice of Special Meeting, election form, transmittal letter and form of proxy card for use at the special meeting of City Bancorp shareholders and at any adjournments or postponements of that meeting.

At the City Bancorp special meeting, City Bancorp shareholders will consider and vote upon a proposal to approve an Agreement and Plan of Merger, dated as of October 31, 2006, between City Bancorp and BancorpSouth, which provides for the merger of City Bancorp with and into BancorpSouth.

The special meeting of City Bancorp shareholders will be held at the following time and place:

[], 2007
10:00 a.m. (Central Time)
City Bancorp
3345 South Campbell Avenue
Springfield, Missouri 65807

Proxies

City Bancorp encourages its shareholders to promptly vote their proxies by completing, signing, dating and returning the enclosed proxy card solicited by City Bancorp's board of directors whether or not they are able to attend the City Bancorp special meeting in person.

A City Bancorp shareholder may revoke any proxy given in connection with this solicitation by:

delivering to the chief executive officer of City Bancorp a written notice revoking the proxy prior to the taking of the vote at the City Bancorp special meeting;

delivering to the chief executive officer of City Bancorp a duly executed proxy relating to the same shares bearing a later date; or

attending the meeting and voting in person (attendance at the City Bancorp special meeting without voting at the meeting will not in and of itself constitute a revocation of a proxy).

Revocation of proxy by written notice or execution of a new proxy bearing a later date should be submitted to:

City Bancorp
4039 S. Kansas Expressway
Springfield, Missouri 65807
Attention: David A. Kunze, Chairman and Chief Executive Officer

For a notice of revocation or later proxy to be valid, however, City Bancorp must receive it prior to the vote of City Bancorp shareholders at the City Bancorp special meeting. The persons named in the proxies will vote all shares of City Bancorp common stock represented by valid proxies received through this solicitation and not revoked before they are exercised in the manner described above.

City Bancorp is currently unaware of any other matters that may be presented for action at the City Bancorp special meeting. If other matters do properly come before the City Bancorp special meeting, then shares of City Bancorp common stock represented by proxies will be voted (or not voted) by the persons named in the proxies in their discretion.

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Please do not forward your City Bancorp stock certificates, election form and letter of transmittal with your proxy card. Stock certificates, the election form and the letter of transmittal should be returned to Computershare Trust Company, N.A., the exchange agent, in the brown postage paid business reply envelope in accordance with the instructions contained in the election form.

Solicitation of Proxies

City Bancorp will bear the costs of mailing this Proxy Statement/Prospectus and all other costs incidental to the City Bancorp special meeting of shareholders, and BancorpSouth will bear the costs of printing the Proxy Statement/Prospectus and filing BancorpSouth's registration statement on Form S-4 with the Securities and Exchange Commission.

If necessary, City Bancorp may use several of its regular employees, who will not be specially compensated, to solicit proxies from City Bancorp shareholders, either personally or by telephone, facsimile or mail.

Record Date and Voting Rights

City Bancorp's board of directors has fixed [], 2007 as the record date for the determination of City Bancorp shareholders entitled to receive notice of and to vote at City Bancorp's special meeting of shareholders. Accordingly, only City Bancorp shareholders of record at the close of business on [], 2007 will be entitled to notice of and to vote at the City Bancorp special meeting. At the close of business on City Bancorp's record date, there were [] shares of City Bancorp common stock entitled to vote at the City Bancorp special meeting held by [] holders of record. The executive officers and directors of City Bancorp beneficially owned []% of the outstanding shares of City Bancorp common stock as of that date.

The presence, in person or by proxy, of a majority of the votes entitled to be cast by the holders of City Bancorp common stock is necessary to constitute a quorum at the special meeting. Each share of City Bancorp common stock outstanding on City Bancorp's record date entitles its holder to one vote as to the approval of the merger agreement or any other proposal that may properly come before City Bancorp's special meeting.

For purposes of determining the presence or absence of a quorum for the transaction of business, City Bancorp will count shares of City Bancorp common stock present in person at the special meeting but not voting as present. Abstentions and broker non-votes will also be counted as present for purposes of determining whether a quorum exists.

Under the General and Business Corporation Law of Missouri, the merger agreement must be approved by the affirmative vote of at least two-thirds of all the votes entitled to be cast by shareholders of City Bancorp. Because approval of the merger agreement requires approval based on the votes entitled to be cast, an abstention or a broker non-vote will have the same effect as a vote against approval of the merger agreement. Accordingly, City Bancorp's board of directors urges City Bancorp shareholders to complete, date and sign the accompanying proxy card and return it promptly in the enclosed white postage paid business reply envelope.

Recommendation of Board of Directors

City Bancorp's board of directors has unanimously approved the merger agreement. City Bancorp's board of directors believes that the merger is in the best interests of City Bancorp and City Bancorp shareholders and recommends that City Bancorp shareholders vote FOR approval of the merger agreement. The determination of City Bancorp's board of directors with respect to the merger agreement is based on a number of factors, as described in this Proxy Statement/Prospectus. See THE MERGER Background and Reasons for the Merger.

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Shareholders Dissenters Rights

Shareholders of City Bancorp who do not wish to participate in the merger are entitled under the General and Business Corporation Law of Missouri to dissent from the merger and, if the merger is consummated, receive the fair value of their shares. This right to dissent is subject to a number of restrictions and technical requirements. Generally, in order to exercise dissenters rights, you must:

own City Bancorp stock as of the record date for the meeting of shareholders at which the merger agreement is submitted to a vote;

file with City Bancorp before or at such meeting a written objection to the merger agreement;

not vote your shares of City Bancorp common stock in favor of the merger agreement; and

make a written demand on BancorpSouth within 20 days after the merger is effected for payment of the fair value of your shares as of the day before the date on which the vote was taken approving the merger agreement.

Any City Bancorp shareholder who wishes to exercise dissenters rights, or who wishes to preserve his or her right to do so, should carefully review Section 351.455 of the General and Business Corporation Law of Missouri, the text of which is attached as Annex B to this Proxy Statement/Prospectus, and the section entitled THE MERGER Shareholders Dissenters Rights.

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THE MERGER

The discussion in this Proxy Statement/Prospectus of the merger of City Bancorp into BancorpSouth does not purport to be complete and is qualified by reference to the full text of the merger agreement attached hereto as Annex A and the other annexes attached to, and incorporated by reference into, this Proxy Statement/Prospectus.

Description of the Merger

If the merger is completed, City Bancorp will merge with and into BancorpSouth and the separate corporate existence of City Bancorp will cease. City Bancorp's subsidiary bank, The Signature Bank, will become a wholly-owned subsidiary of BancorpSouth. City Bancorp shareholders, other than City Bancorp shareholders who properly exercise their rights to dissent from the merger, will have the opportunity to elect to receive in exchange for each share of City Bancorp common stock they own:

a cash payment of \$34.08; or

between 1.2198 and 1.4908 shares of BancorpSouth common stock, depending on the average closing price of BancorpSouth common stock for the 10 trading days ending on the date on which the last consent of the applicable federal and state regulatory authorities is received.

If you hold more than one share of City Bancorp common stock, you may elect a combination of stock and cash consideration. Because the aggregate merger consideration is fixed, regardless of your election, you may receive a combination of cash and shares of BancorpSouth common stock that is different than what you may have elected, depending on the elections made by other City Bancorp shareholders. See **THE MERGER AGREEMENT – Cash or Stock Election**.

With respect to an election to receive stock consideration, for each share of City Bancorp common stock you own, you will receive between 1.2198 shares of BancorpSouth common stock (if the 10-day average closing price is \$27.94 or greater), and 1.4908 shares of BancorpSouth common stock (if the 10-day average closing price is \$22.86 or less). If the 10-day average closing price is between \$22.86 and \$27.94, the exchange ratio will be proportionately adjusted between 1.2198 and 1.4908 based on the 10-day average closing price of BancorpSouth common stock computed as described above. See **THE MERGER AGREEMENT – Terms of the Merger**.

BancorpSouth will not issue any fractional shares of BancorpSouth common stock. Instead, a City Bancorp shareholder who receives any shares of BancorpSouth common stock as consideration in the merger will receive cash equal to the product of (i) the per share closing price on the New York Stock Exchange of BancorpSouth common stock on the closing date, times (ii) the fraction of a share of BancorpSouth common stock to which the shareholder otherwise would be entitled.

Missouri law permits City Bancorp shareholders to dissent from the merger and to receive the fair value of their shares of City Bancorp common stock in cash if the merger is consummated. To dissent, a City Bancorp shareholder must follow certain procedures, including filing certain notices with City Bancorp and not voting his or her shares in favor of the merger agreement. The shares of City Bancorp common stock held by a dissenter will not be exchanged for stock consideration or cash consideration in the merger and a dissenter's only right will be to receive the appraised fair value of his or her shares of City Bancorp common stock in cash in lieu of the merger consideration. For a discussion of the procedures that dissenting shareholders must follow to properly exercise their rights, see **Annex B** and **THE MERGER – Shareholders Dissenters' Rights**.

Approximately \$3 million of the merger consideration, half in cash and half in shares of BancorpSouth common stock, will be deposited into escrow with Enterprise Bank & Trust Company at the effective time. This escrow fund will be used to pay judgments, settlements and related legal fees and costs relating to certain outstanding litigation against City Bancorp or any subsidiary of City Bancorp that is a party to this litigation. The funds shall be held in escrow until the final resolution of such litigation, whether by entry of a final unappealable judgment or by final settlement and release of all City Bancorp entities that are parties to such litigation, but in no

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event longer than seven years. Upon termination of the escrow arrangement, any cash or shares of BancorpSouth common stock remaining in the escrow fund will be disbursed to the former holders (excluding those holders that properly dissented) of City Bancorp common stock.

Background and Reasons for the Merger

In the first quarter of 2006, David Kunze, Chairman and Chief Executive Officer of City Bancorp, received an unsolicited expression of interest from a large regional bank holding company regarding a possible transaction between that company and City Bancorp. By mid-April, after the course of several meetings, this interest developed into a non-binding expression of interest to purchase all of the shares of City Bancorp, subject to due diligence and other conditions typical for transactions of this type.

Mr. Kunze and other executive officers of City Bancorp discussed this non-binding expression of interest with the Corporate Governance Committee of the board of directors of City Bancorp on several occasions. Mr. Kunze and the Corporate Governance Committee met on a preliminary basis with representatives of Stifel Nicolaus and Polsinelli Shalton Welte Suelthaus PC (PSWS) on April 22, 2006, to consider appropriate responses to the non-binding expression of interest.

On April 26, 2006, the entire board of directors of City Bancorp was informed of the expression of interest to acquire all of the shares of City Bancorp. In response, the board approved the engagement of Stifel Nicolaus as financial advisors as well as PSWS as legal counsel to advise City Bancorp with respect to the expression of interest and to assist the board as it considered other alternatives that might be available to City Bancorp. The board of directors also created the Strategic Alternatives Committee, a committee of the board of directors specifically charged to work with PSWS and Stifel Nicolaus in examining the proposed alternatives. The Strategic Alternatives Committee was composed of three independent directors. The board of directors determined that any formal action would require additional action by the entire board of directors.

Following the April 26, 2006 board of directors meeting, representatives of Stifel Nicolaus held conversations with representatives of the potential acquiror, to explore in more detail the proposed terms of a possible transaction. On May 10, 2006, representatives of Stifel Nicolaus met with the board of directors to apprise the board of its discussions with the potential acquiror, and to review potential alternatives available to City Bancorp, including the possibility of conducting an auction to sell City Bancorp. The board of directors adopted no formal resolutions at this meeting, but directed management of City Bancorp, through Stifel Nicolaus, to continue discussions with the potential acquiror, with the understanding that if the existing offer was not enhanced, Stifel Nicolaus should proceed with an auction process.

Discussions with this potential acquiror continued through mid-June 2006, when it became apparent that the potential acquiror was not inclined to offer an amount that either Stifel Nicolaus or management of City Bancorp considered sufficient to accept in the absence of evidence that no greater purchase price would be available from other possible bidders. At the request of management, in consultation with the Strategic Alternatives Committee, Stifel Nicolaus initiated a bidding process by contacting potential acquirors without disclosing the identity of City Bancorp. Eventually, 23 additional potential acquirors were contacted. Of these, 13 signed confidentiality agreements and received a confidential memorandum regarding City Bancorp. This resulted in three written expressions of interest in addition to the non-binding expression of interest initially received.

Two of the three new expressions of interest contained purchase price offers substantially in excess of the initial expression of interest, and Stifel Nicolaus commenced discussions with these two bidders at the direction of the City Bancorp board of directors. One of these two bidders was BancorpSouth. Mr. Kunze first met with BancorpSouth representatives in Springfield, Missouri, on July 7, 2006 to discuss a possible transaction. Additional meetings in Tupelo, Mississippi and Springfield, Missouri were held on July 20, August 8, and August 22, 2006. During this period, officers of City Bancorp also met with representatives of the second bidder whose offer was in excess of its initial expression of interest.

By late August 2006 revised written non-binding expressions of interest had been received from the two remaining bidders, including BancorpSouth. Management of City Bancorp and the Strategic Alternatives Committee reviewed the offers contained in these two expressions of interest and determined that it would be appropriate to permit the two remaining bidders to conduct due diligence reviews of City Bancorp. These reviews began in mid-August and were

completed by early September.

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On September 18, 2006, Stifel Nicolaus advised the Strategic Alternatives Committee that the highest and best offers had likely been received from the two bidders, and that no other party was likely to make a competitive bid. Stifel Nicolaus met with the board of directors of City Bancorp on September 19, 2006. At that meeting, the board of directors determined that Stifel Nicolaus should continue its discussions with these two bidders.

Stifel Nicolaus summarized final bids from BancorpSouth and the other party at a City Bancorp board of directors meeting on September 22, 2006. The board of directors carefully considered each of the two bids, determined that the bid of BancorpSouth represented the most advantageous transaction for the shareholders of City Bancorp, and directed management, with the assistance of the Strategic Alternatives Committee, Stifel Nicolaus, and PSWS, to attempt to negotiate a definitive agreement with BancorpSouth. At that same meeting, the board of directors determined to engage Mercer Capital in addition to Stifel Nicolaus to provide an independent review of the fairness to the shareholders of City Bancorp of any resulting proposed transaction with BancorpSouth.

Over the course of the next several weeks, BancorpSouth and its advisors and City Bancorp and its advisors negotiated the terms of a definitive merger agreement. At a meeting on October 23, 2006, the board of directors of City Bancorp considered at length a proposed merger agreement in substantially the form ultimately executed by the parties. Stifel Nicolaus and Mercer Capital, the financial advisors to City Bancorp, each independently extensively reviewed the merger agreement, other transactions of comparable financial service companies, and other relevant information. Each financial advisor provided its opinion that, as of the respective dates of such opinions and based upon and subject to the respective assumptions, qualifications and limitations described in each opinion, the merger consideration was fair, from a financial point of view, to the shareholders of City Bancorp.

The City Bancorp board of directors met for a second time on October 30, 2006, to further consider the final form of the definitive merger agreement. At this meeting, the financial advisors each independently confirmed their respective fairness opinions to the board of directors. At the October 30, 2006 meeting the directors unanimously approved the merger and authorized management to execute and deliver the merger agreement. The merger agreement was executed effective as of October 31, 2006, and a public announcement of the transaction was made on that date in Springfield, Missouri.

In determining to approve the merger with BancorpSouth, the board of directors considered a number of factors. No one factor was determinative, nor is the following list of factors all-inclusive or provided in any particular order. The factors considered included the board of directors' determination that such merger transaction would: (i) advance the long-term business strategies, goals, and interests of City Bancorp; (ii) result in the best value reasonably available to the shareholders of City Bancorp, considering both its current operations and its future prospects; (iii) result in a well-capitalized combined entity capable of successfully competing in an increasingly competitive financial services marketplace; (iv) provide the opportunity to the shareholders of City Bancorp to participate on a pro-rata basis in a premium over the current market value of their common shares of City Bancorp; and (v) provide, through the ownership of publicly traded BancorpSouth common stock, for the holders of City Bancorp privately held stock to have greater liquidity in their respective investments and to participate in expanded opportunities for growth and profitability.

The merger will combine the strengths of BancorpSouth and City Bancorp and their subsidiary banks. By merging with BancorpSouth, City Bancorp will provide its current and potential customers with access to a substantially larger capital base and lending limits, as well as a broader array of financial and technological resources, including an expanded products line. The combined company also expects to reduce costs by eliminating overlap of the companies operations and by applying BancorpSouth's technology to City Bancorp's operations. The merger will expand BancorpSouth's market presence into an eighth state providing additional geographic diversification consistent with BancorpSouth's growth strategy.

The board of directors of City Bancorp unanimously approved the merger agreement and recommends that City Bancorp shareholders vote FOR the approval of the merger agreement.

Analysis of Financial Advisors to City Bancorp*Stifel, Nicolaus & Company, Incorporated*

Stifel Nicolaus acted as City Bancorp's financial advisor in connection with the proposed merger. As part of its investment banking activities, Stifel Nicolaus regularly engages in the independent valuation of businesses and

securities in connection with mergers, acquisitions, underwritings, sales and distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Stifel Nicolaus has substantial expertise in transactions similar to the proposed merger and City Bancorp retained Stifel Nicolaus based on its experience as a financial advisor in mergers and acquisitions of financial institutions and its knowledge of the financial services industry.

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On October 23, 2006, Stifel Nicolaus rendered its oral opinion, which was subsequently reaffirmed and confirmed in writing on October 30, 2006, to the board of directors of City Bancorp that, as of such date, the per share consideration to be received by the holders of City Bancorp common stock (other than shares of City Bancorp common stock as to which dissenters' rights have been properly demanded and shares held directly or indirectly by BancorpSouth or City Bancorp or any of their respective subsidiaries (other than shares held in a trust or managed account or otherwise in a fiduciary capacity or in respect of a previously contracted debt)) from BancorpSouth in the merger pursuant to the merger agreement was fair to such holders, from a financial point of view.

The full text of Stifel Nicolaus' written opinion dated October 30, 2006, which sets forth the assumptions made, matters considered and limitations of the review undertaken, is attached as Annex C to this Proxy Statement/Prospectus. Holders of City Bancorp common stock are urged to, and should, read this opinion carefully and in its entirety in connection with this Proxy Statement/Prospectus. The summary of the opinion of Stifel Nicolaus set forth in this Proxy Statement/Prospectus is qualified in its entirety by reference to the full text of such opinion. The opinion of Stifel Nicolaus will not reflect any developments that may occur or may have occurred after the date of its opinion and prior to the completion of the merger. Stifel Nicolaus has no obligation to update, revise or reaffirm its opinion, except in accordance with the terms and conditions of Stifel Nicolaus' engagement letter agreement with City Bancorp, and City Bancorp does not currently expect that it will request an updated opinion from Stifel Nicolaus.

No limitations were imposed by City Bancorp on the scope of Stifel Nicolaus' investigation or the procedures to be followed by Stifel Nicolaus in rendering its opinion. In arriving at its opinion, Stifel Nicolaus did not ascribe a specific range of values to City Bancorp. Its opinion is based on the financial and comparative analyses described below. Stifel Nicolaus' opinion was directed solely to City Bancorp's board of directors for its use in connection with its consideration of the financial terms of the merger. Stifel Nicolaus' opinion addressed only the fairness of the per share consideration to the holders of City Bancorp common stock from a financial point of view and did not address any other aspect of the merger agreement. Stifel Nicolaus' opinion was not intended to be and does not constitute a recommendation to City Bancorp's board of directors or any shareholder of City Bancorp as to how the board or any such shareholder should vote with respect to the merger, or whether or not any City Bancorp shareholder should elect to receive cash or shares of BancorpSouth's common stock (or any combination thereof) as per share consideration in connection with the merger. In addition, Stifel Nicolaus was not requested to opine as to, and its opinion does not compare, the relative merits of the merger with any other alternative transaction or business strategy which may have been available to City Bancorp and does not address the underlying business decision of the board of directors or City Bancorp to proceed with or effect the merger. Stifel Nicolaus' opinion also does not address or opine on: (a) the tax or accounting consequences of the merger to City Bancorp or the holders of shares of common stock; (b) any related merger, acquisition or similar transaction involving The Signature Bank and BancorpSouth Bank; or (c) the fairness of any consideration received by holders of any securities of City Bancorp other than the shares of common stock.

In connection with its opinion, Stifel Nicolaus, among other things:

reviewed and analyzed a draft copy of the merger agreement provided to Stifel Nicolaus on October 19, 2006;

reviewed and analyzed the audited consolidated financial statements of City Bancorp for the two years ended December 31, 2005, the annual valuation for the year ended 2005 for City Bancorp, the audited consolidated financial statements of Signature Bancshares, Inc. for the three years ended December 31, 2003 (Signature Bancshares and City Bancorp merged in 2003, with City Bancorp surviving as the legal entity and Signature Bancshares the survivor for accounting purposes), unaudited financial statements of City Bancorp contained in its quarterly report for the quarter ended June 30, 2006, and consolidated financial statements prepared by City Bancorp for the quarter ended June 30, 2006;

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reviewed and analyzed the audited consolidated financial statements of BancorpSouth included in its Annual Reports on Form 10-K for the five years ended December 31, 2005, its Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, and its quarterly earnings press release on Form 8-K dated October 19, 2006 for the quarter ended September 30, 2006;

reviewed the reported prices and trading activity of the publicly traded common equity securities of BancorpSouth and the historical prices and trading volume of the common stock of City Bancorp;

reviewed and analyzed certain other publicly available information concerning City Bancorp and BancorpSouth;

held discussions with BancorpSouth's senior management, including estimates of certain cost savings, operating synergies, and merger charges;

reviewed certain non-publicly available information concerning City Bancorp, including internal financial analyses and forecasts prepared by its management and held discussions with City Bancorp's senior management regarding the financial forecasts and recent developments;

participated in certain discussions and negotiations between representatives of City Bancorp and BancorpSouth;

reviewed and analyzed certain publicly available information concerning the terms of selected merger and acquisition transactions that Stifel Nicolaus considered relevant to its analysis;

reviewed and analyzed certain publicly available financial and stock market data relating to selected public companies that Stifel Nicolaus deemed relevant to its analysis;

conducted such other financial studies, analyses and investigations and considered such other information as Stifel Nicolaus deemed necessary or appropriate for purposes of its opinion; and

considered Stifel Nicolaus' assessment of general economic, market and financial conditions and its experience in other transactions, as well as its experience in securities valuations and its knowledge of the banking industry generally.

In rendering its opinion, Stifel Nicolaus relied upon and assumed, without independent verification, the accuracy and completeness of all of the financial and other information that was provided to Stifel Nicolaus, by or on behalf of City Bancorp and BancorpSouth, or that was otherwise reviewed by Stifel Nicolaus and did not assume any responsibility for independently verifying any of such information. With respect to the financial forecasts supplied to Stifel Nicolaus by City Bancorp and BancorpSouth (including, without limitation, potential cost savings and operating synergies realized by a potential acquirer), Stifel Nicolaus assumed that they were reasonably prepared on the basis reflecting the best currently available estimates and judgments of the respective managements of City Bancorp and BancorpSouth as to the future operating and financial performance of City Bancorp and BancorpSouth, that cost saving and operating synergies would be realized in the amounts and time periods estimated by City Bancorp and BancorpSouth and that they provided a reasonable basis upon which Stifel Nicolaus could form its opinion. Such forecasts and projections were not prepared with the expectation of public disclosure. All such projected financial information is based on numerous variables and assumptions that are inherently uncertain, including, without limitation, factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in such projected financial information. Stifel Nicolaus has relied on this projected information without independent verification or analyses and does not in any respect assume any responsibility for the accuracy or completeness thereof.

Stifel Nicolaus also assumed that there were no material changes in the assets, liabilities, financial condition, results of operations, business or prospects of either City Bancorp or BancorpSouth since the date of the last financial statements made available to it. Stifel Nicolaus also assumed, without independent verification and

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with City Bancorp's consent, that the aggregate allowances for loan losses set forth in the financial statements of City Bancorp and BancorpSouth are, in the aggregate, adequate to cover all such losses. Stifel Nicolaus was not requested to make, and did not make, review or obtain any independent evaluation, appraisal or physical inspection of City Bancorp's or BancorpSouth's assets or liabilities, the collateral securing any of such assets or liabilities, or the collectibility of any such assets, nor did it review loan or credit files of City Bancorp or BancorpSouth. Estimates of values of companies and assets do not purport to be appraisals or necessarily reflect the prices at which companies or assets may actually be sold. Because such estimates are inherently subject to uncertainty, Stifel Nicolaus assumes no responsibility for their accuracy. Stifel Nicolaus relied on advice of City Bancorp's counsel as to certain legal matters with respect to City Bancorp, the merger agreement and the merger and other transactions and other matters contained or contemplated therein. Stifel Nicolaus has assumed, with City Bancorp's consent, that there are no factors that would delay or subject to any adverse conditions any necessary regulatory or governmental approval and that all conditions to the merger will be satisfied and not waived. In addition, Stifel Nicolaus assumed that the definitive merger agreement would not differ materially from the draft it reviewed. Stifel Nicolaus has also assumed that the merger will be consummated substantially on the terms and conditions described in the merger agreement, without any waiver of material terms or conditions by City Bancorp, and that obtaining any necessary regulatory approvals or satisfying any other conditions for consummation of the merger will not have an adverse effect on City Bancorp or BancorpSouth.

Stifel Nicolaus' opinion is necessarily based on economic, market, financial and other conditions as they existed on, and on the information made available to it as of, the date of its opinion. It is understood that subsequent developments may affect the conclusions reached in Stifel Nicolaus' opinion and that Stifel Nicolaus does not have any obligation to update, revise or reaffirm its opinion except in accordance with the terms and conditions of Stifel Nicolaus' engagement letter agreement with City Bancorp.

In connection with rendering its opinion, Stifel Nicolaus performed a variety of financial analyses that are summarized below. Such summary does not purport to be a complete description of such analyses. Stifel Nicolaus believes that its analyses and the summary set forth herein must be considered as a whole and that selecting portions of such analyses and the factors considered therein, without considering all factors and analyses, could create an incomplete view of the analyses and processes underlying its opinion. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Stifel Nicolaus considered the results of all of its analyses as a whole and did not attribute any particular weight to any analyses or factors considered by it. The range of valuations resulting from any particular analysis described below should not be taken to be Stifel Nicolaus' view of the actual value of City Bancorp. In its analyses, Stifel Nicolaus made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of City Bancorp or BancorpSouth. Any estimates contained in Stifel Nicolaus' analyses are not necessarily indicative of actual future values or results, which may be significantly more or less favorable than suggested by such estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the actual prices at which companies or their securities actually may be sold. No company or transaction utilized in Stifel Nicolaus' analyses was identical to City Bancorp or BancorpSouth or the merger. Accordingly, an analysis of the results described below is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other facts that could affect the public trading value of the companies to which they are being compared. None of the analyses performed by Stifel Nicolaus was assigned a greater significance by Stifel Nicolaus than any other, nor does the order of analyses described represent relative importance or weight given to those analyses by Stifel Nicolaus. The analyses described below do not purport to be indicative of actual future results, or to reflect the prices at which City Bancorp common stock or BancorpSouth common stock may trade in the public markets, which may vary depending upon various factors, including changes in interest rates, dividend rates, market conditions, economic conditions and other factors that influence the price of securities.

In accordance with customary investment banking practice, Stifel Nicolaus employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses that Stifel Nicolaus used in providing its opinion. Some of the summaries of financial analyses are presented in tabular format. In order to understand the financial analyses used by Stifel Nicolaus more fully, you should read the tables together with the text

of each summary. The tables alone do not constitute a complete description of Stifel Nicolaus financial analyses, including the methodologies and assumptions underlying the analyses, and if viewed in isolation could create a misleading or incomplete view of the financial analyses performed by Stifel Nicolaus. The summary

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data set forth below do not represent and should not be viewed by anyone as constituting conclusions reached by Stifel Nicolaus with respect to any of the analyses performed by it in connection with its opinion. Rather, Stifel Nicolaus made its determination as to the fairness to the shareholders of City Bancorp of the per share merger consideration, from a financial point of view, on the basis of its experience and professional judgment after considering the results of all of the analyses performed. Accordingly, the data included in the summary tables and the corresponding imputed ranges of value for City Bancorp should be considered as a whole and in the context of the full narrative description of all of the financial analyses set forth in the following pages, including the assumptions underlying these analyses. Considering the data included in the summary table without considering the full narrative description of all of the financial analyses, including the assumptions underlying these analyses, could create a misleading or incomplete view of the financial analyses performed by Stifel.

In connection with rendering its opinion and based upon the terms of the draft merger agreement reviewed by it, Stifel Nicolaus assumed the aggregate consideration to be \$170.0 million (including the amount held in escrow) and, at the time of the opinion, the per share consideration to be \$34.08.

Pro Forma Effect of the Merger.

Stifel Nicolaus reviewed certain estimated future operating and financial information developed by City Bancorp, publicly available financial estimates of BancorpSouth and certain estimated future operating and financial information for the pro forma combined entity resulting from the merger for the 12-month periods ended December 31, 2006, December 31, 2007 and December 31, 2008. Based on this analysis, Stifel Nicolaus compared certain of City Bancorp's estimated future per share results with such estimated figures for the pro forma combined entity. Based on this analysis on a pro forma basis, the merger is forecast to be accretive to City Bancorp's earnings per share for each of the 12-month periods ended December 31, 2007 and December 31, 2008. Stifel Nicolaus also reviewed certain financial information in order to determine the estimated effect of the merger on City Bancorp's book value, tangible book value and dividend. Based on this analysis on a pro forma basis, the merger is forecasted to be accretive to City Bancorp's book value per share and accretive to City Bancorp's tangible book value per share. Based on historical dividend rates, Stifel Nicolaus believed that City Bancorp's shareholders who receive BancorpSouth shares would likely receive an increase in their dividends.

Analysis of Bank Merger Transactions.

Stifel Nicolaus analyzed certain information relating to recent transactions in the banking industry, consisting of (1) 195 U.S. bank acquisitions announced since October 17, 2005, with publicly disclosed transaction values and excluding merger of equals transactions, referred to below as Group A, (2) 59 selected U.S. bank acquisitions announced since October 17, 2005, involving sellers headquartered in the Central U.S. with total deal values greater than \$10 million and excluding merger of equals transactions, referred to below as Group B, and (3) 10 selected Central bank acquisitions announced since January 1, 2004, involving sellers with assets between \$500 million and \$1.5 billion with headquarters not in major metropolitan markets and excluding merger of equals transactions, referred to below as Group C. Stifel Nicolaus calculated the following ratios with respect to the merger and the selected transactions:

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Ratios	Median Statistics for Selected			
	Bancorp	Transactions		
	South/City Bancorp	Group A	Group B	Group C
Price Per Share/Book Value Per Share	240%	227%	224%	197%
Price Per Share/Tangible Book Value Per Share	300%	242%	237%	246%
Adjusted Deal Price/6.50% Equity	285%	289%	252%	235%
Price Per Share/Last 12 Months Earnings Per Share	20.0x	23.1x	21.4x	18.4x
Price Per Share/Current Earnings Per Share	17.5x	NA	21.0x	18.2x
Price Per Share/Forward Earnings Per Share	15.3x	NA	19.4x	16.9x
Price/Assets	22.7%	22.5%	19.1%	18.5%
Premium over Tangible Book Value/Deposits	19.5%	15.9%	12.5%	12.4%
Price/Deposits	32.4%	27.3%	23.2%	23.9%

This analysis resulted in a range of imputed values for City Bancorp common stock of between \$27.40 and \$39.43 per share based on the median multiples for Group A, between \$23.33 and \$43.15 per share based on the median multiples for Group B, and between \$24.14 and \$37.59 per share based on the median multiples for Group C.

Present Value Analysis.

Applying present value analysis to the theoretical future earnings and dividends of City Bancorp, Stifel Nicolaus compared the per share consideration to the calculated present value of one share of City Bancorp's common stock on a stand-alone basis. The analysis was based upon City Bancorp management's projected earnings growth, a range of assumed price/earnings ratios, and a 14.2%, 17.6% and 18.8% discount rate. Stifel Nicolaus selected the range of terminal price/earnings ratios on the basis of past and current trading multiples for other publicly-traded comparable banks. The stand-alone present value of City Bancorp's common stock calculated on this basis ranged from \$25.09 to \$34.17 per share.

Discounted Cash Flow Analysis.

Using a discounted cash flow analysis, Stifel Nicolaus estimated the net present value of the future streams of after-tax cash flow that City Bancorp could produce for dividends to a potential acquiror, referred to below as dividendable net income. In this analysis, Stifel Nicolaus assumed that City Bancorp would perform in accordance with management's estimates and calculated assumed after-tax distributions to a potential acquiror such that City Bancorp's tangible common equity ratio would be maintained at 6.5% of assets. Stifel Nicolaus calculated the sum of the assumed perpetual dividendable net income streams per share beginning in the year 2006 discounted to present values at assumed discount rates ranging from 12.5% to 17.5%, reflecting the general range for the bank industry based on Stifel Nicolaus' historical experience, and based upon estimated cost savings of 10.0% of City Bancorp's non-interest expense. This discounted cash flow analysis indicated an implied equity value reference range of \$21.93 to \$47.97 per share of City Bancorp's common stock. This analysis did not purport to be indicative of actual future results and did not purport to reflect the prices at which shares of City Bancorp's common stock may trade in the public markets. A discounted cash flow analysis was included because it is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, including estimated cost savings and operating synergies, earnings growth rates, dividend payout rates and discount rates.

Table of Contents**Comparison of Selected Companies.**

Stifel Nicolaus reviewed and compared certain multiples and ratios for the merger with a peer group of 20 selected banks of similar size, profitability, geography and growth characteristics. In order to calculate a range of imputed values for a share of City Bancorp common stock, Stifel Nicolaus compared the resulting theoretical offer price to each of the following categories: book value, tangible book value, adjusted 6.5% equity, latest 12 months earnings, estimated 2006 earnings as provided by First Call consensus, estimated 2007 earnings as provided by First Call consensus, assets, tangible book value to deposits and deposits. Stifel Nicolaus then applied the resulting range of multiples and ratios for the peer group specified above to the appropriate financial results of City Bancorp. This analysis resulted in a range of imputed values for City Bancorp common stock of between \$24.31 and \$30.27 per share based on the median multiples and ratios for the peer group.

Additionally, Stifel Nicolaus calculated the following ratios with respect to the 20 selected comparable companies without application of the control premium:

Ratios	BancorpSouth/ City Bancorp	Trading Multiples for Selected Peer Group Without Control Premium Applied (1)		
		10th Percentile	Median	90th Percentile
Price Per Share/Book Value Per Share	240%	144%	205%	265%
Price Per Share/Tangible Book Value Per Share	300%	179%	223%	370%
Adjusted Price/6.50% Equity	285%	161%	229%	306%
Price Per Share/Latest 12 Months Earnings	20.0x	12.1x	16.7x	23.3x
Price Per Share/Estimated 2006 Earnings Per Share (2)	17.5x	12.0x	15.0x	18.9x
Price Per Share/Estimated 2007 Earnings Per Share (2)	15.3x	11.6x	13.6x	16.4x
Price/Assets	22.7%	13.1%	18.9%	23.2%
Premium over Tangible Book Value/Deposits	19.5%	6.5%	12.2%	19.5%
Price/Deposits	32.4%	18.1%	24.0%	31.8%

(1) Based on prices as of market close on October 17, 2006.

(2) Projected EPS estimates based on First Call consensus.

Also, Stifel Nicolaus reviewed and compared certain multiples and ratios for the merger with the same peer group of 20 selected banks of similar size, profitability, geography and growth characteristics after applying a control premium of 32.5% to the trading prices of the selected group of comparable companies. Stifel Nicolaus then applied the resulting range of multiples and ratios for the peer group specified above to the appropriate financial results of City Bancorp. This analysis resulted in a range of imputed values for City Bancorp common stock of between \$32.36 and \$40.11 per share based on the median multiples and ratios for the peer group. The 32.5% control premium selected by Stifel Nicolaus was based on a 10 year analysis of one month market premiums paid in bank and thrift merger transactions.

Additionally, Stifel Nicolaus calculated the following ratios with respect to the 20 selected comparable companies after application of the 32.5% control premium:

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Ratios	Trading Multiples for Selected Peer Group With			
	BancorpSouth/ City Bancorp	Control Premium Applied (1)		
		10th Percentile	Median	90th Percentile
Price Per Share/Book Value Per Share	240%	191%	272%	352%
Price Per Share/Tangible Book Value Per Share	300%	237%	296%	491%
Adjusted Price/6.50% Equity	285%	219%	313%	421%
Price Per Share/Latest 12 Months Earnings	20.0x	16.0x	22.1x	30.9x
Price Per Share/Estimated 2006 Earnings Per Share (2)	17.5x	15.9x	19.9x	25.0x
Price Per Share/Estimated 2007 Earnings Per Share (2)	15.3x	15.4x	18.0x	21.7x
Price/Assets	22.7%	17.2%	24.4%	30.2%
Premium over Tangible Book Value/Deposits	19.5%	11.6%	20.0%	28.3%
Price/Deposits	32.4%	23.9%	30.9%	40.7%

(1) Based on prices as of market close on October 17, 2006.

(2) Projected EPS estimates based on First Call consensus.

As described above, Stifel Nicolaus' opinion was among the many factors taken into consideration by the City Bancorp board of directors in making its determination to approve the merger.

Stifel Nicolaus has acted as financial advisor to City Bancorp in connection with the merger and will receive a fee for its services, a substantial portion of which is contingent upon the completion of the merger. Stifel Nicolaus has also acted as financial advisor to the City Bancorp board of directors and has received a fee upon the delivery of its opinion that was not contingent upon consummation of the merger, provided that such opinion fee is creditable against any advisory fee. City Bancorp has also agreed to reimburse Stifel Nicolaus for certain out-of-pocket expenses and has agreed to indemnify Stifel Nicolaus, its affiliates and their respective partners, directors, officers, agents, consultants, employees and controlling persons against certain liabilities, including liabilities under the federal securities laws. In the ordinary course of business, Stifel Nicolaus actively trades equity securities of BancorpSouth for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities. In the past, Stifel Nicolaus has provided investment banking to City Bancorp and BancorpSouth from time-to-time for which Stifel Nicolaus received customary fees for its services. Stifel Nicolaus may seek to provide investment banking and other brokerage services to BancorpSouth in the future.

Mercer Capital Management, Inc.

City Bancorp engaged Mercer Capital to provide an additional fairness opinion in connection with the merger. On October 30, 2006, Mercer Capital rendered its written opinion to the effect that, as of such date and based upon and subject to matters stated in the Mercer Capital opinion, the merger is fair from a financial point of view to City Bancorp's shareholders (other than shares of City Bancorp as to which dissenters' rights have been properly demanded and shares held directly or indirectly by City Bancorp or BancorpSouth (other than shares held in a trust or managed account or otherwise in a fiduciary capacity or in respect of a previously contracted debt)). No limitations were

imposed by City Bancorp's board of directors upon Mercer Capital with respect to the investigations made or the procedures followed by Mercer Capital in rendering its opinion.

Mercer Capital is a business valuation and financial advisory firm located in Memphis, Tennessee. Mercer Capital is regularly engaged to provide valuation and advisory services in connection with mergers and acquisitions, corporate transactions, share repurchases, tax compliance, ESOPs and employee benefit plans, and related purposes.

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Neither Mercer Capital nor any of its affiliates has a financial interest in City Bancorp or BancorpSouth. Mercer Capital was selected to provide its fairness opinion based on its familiarity with the regional community banking industry and its knowledge of the banking industry as a whole. Mercer Capital will receive a fee for providing its fairness opinion, which fee is not contingent on its opinion. Prior to its engagement to provide this fairness opinion, Mercer Capital provided a fairness opinion on behalf of Signature Bancshares, Inc. in connection with the 2003 merger between City Bancorp and Signature Bancshares.

Mercer Capital was not authorized to and did not solicit any expressions of interest from any other parties with respect to the sale of all or part of City Bancorp or any alternative transaction. Consequently, Mercer Capital expressed no opinion as to whether any alternative transaction would produce consideration for City Bancorp's shareholders in any amount exceeding that contemplated in the merger. During the course of its work with City Bancorp, however, Mercer Capital did not become aware of any interest by any third party (other than any offer previously considered by City Bancorp's board in its deliberations preceding the execution of the merger agreement with BancorpSouth) in engaging in any alternative transaction with City Bancorp.

The Mercer Capital opinion is annexed hereto as Annex D and incorporated herein by reference. The Mercer Capital opinion is directed to the board of directors of City Bancorp, addresses only the fairness of the consideration to be paid to the City Bancorp shareholders in the merger from a financial point of view, and does not constitute a recommendation as to how any shareholder should vote at City Bancorp's special meeting of shareholders. The summary of the Mercer Capital opinion set forth herein is qualified in its entirety by reference to the full text of such opinion and supporting documentation presented to City Bancorp's board of directors.

In connection with its opinion, Mercer Capital reviewed and analyzed certain publicly available financial information concerning City Bancorp and BancorpSouth and certain internal analyses and other information furnished to Mercer Capital by City Bancorp and BancorpSouth. Mercer Capital also held discussions with members of senior management of City Bancorp and BancorpSouth regarding the business and prospects of City Bancorp and BancorpSouth. On October 23, 2006, Mercer Capital rendered a verbal opinion to City Bancorp's board of directors that BancorpSouth's offer to acquire City Bancorp was fair from a financial point of view, subject to the execution of a final merger agreement on similar terms as presented in certain draft agreements reviewed by Mercer Capital. Mercer Capital confirmed its fairness opinion in writing during a subsequent board of directors meeting on October 30, 2006.

Introduction to the Mercer Capital Opinion.

In arriving at Mercer Capital's opinion, Mercer Capital performed the following activities among others:

Reviewed successive drafts of the merger agreement;

Reviewed the process leading to the proposed transaction with representatives of Stifel Nicolaus and alternative offers received by City Bancorp;

Met with management of City Bancorp and BancorpSouth;

Analyzed City Bancorp's and BancorpSouth's financial position on a stand-alone and pro forma basis;

Compared valuation multiples implied by the BancorpSouth offer to certain other comparable change of control transactions;

Analyzed the value of City Bancorp's equity, if it continues to operate, rather than undertake the merger;

Analyzed the impact of the merger on City Bancorp shareholders' earnings and dividends per share; and

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Reviewed and considered the effects of certain employment agreements containing change of control provisions.

In conducting its review and in arriving at the Mercer Capital opinion, Mercer Capital relied upon and assumed the accuracy and completeness of the financial and other information provided to it or publicly available and did not attempt to verify the same. With respect to the information relating to the future financial prospects of City Bancorp and BancorpSouth, Mercer Capital assumed that such information reflected the best currently available judgments and estimates of management of City Bancorp and BancorpSouth as to the likely future financial performance of City Bancorp and BancorpSouth. Mercer Capital did not make or obtain any evaluations or appraisals of the properties of City Bancorp or BancorpSouth, nor did it examine any individual loan credit files. Mercer Capital assumed that the reserves for loan losses of City Bancorp or BancorpSouth, or any subsidiaries thereof, were adequate as of the date of the Mercer Capital opinion. For purposes of the Mercer Capital opinion, Mercer Capital assumed that the merger would have the tax, accounting, and legal effects described in the merger agreement and assumed that the transaction would be consummated on a timely basis in the manner presented by City Bancorp and BancorpSouth and in compliance with applicable laws and regulations.

As more fully discussed below, Mercer Capital considered such financial and other factors as it deemed appropriate under the circumstances, including, among other things, the following: (i) the historical and current results of operations of City Bancorp and BancorpSouth, including interest income, interest expense, net interest income, net interest margin, provision for loan losses and loan charge-offs, non-interest income, non-interest expense, earnings, dividends, internal capital generation, return on assets, and return on shareholders' equity, all as set forth in the financial statements of City Bancorp and BancorpSouth; and (ii) the assets and liabilities of City Bancorp and BancorpSouth, as set forth in their respective financial statements, including the loan and investment portfolios, the amount and type of non-performing assets, the reserve for loan losses, intangible assets, deposits, other liabilities, historical and current funding sources and costs, liquidity, and capitalization. Mercer Capital also took into account its assessment of general economic and market conditions, its experience in other transactions and securities valuation, and its knowledge of the banking industry generally. The Mercer Capital opinion is necessarily based upon conditions as they existed and can be evaluated on the respective dates thereof and the information made available to Mercer Capital through such dates.

In connection with rendering the Mercer Capital opinion, Mercer Capital performed certain financial analyses, which are summarized below. Mercer Capital believes that its analyses must be considered as a whole and that selecting portions of such analyses and factors considered therein without considering all factors and analyses could create an incomplete view of the analysis and the process underlying the Mercer Capital opinion. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. In its analysis, Mercer Capital made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of City Bancorp and BancorpSouth. Any estimates contained in Mercer Capital's analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates. Estimates of values of companies with no liquid trading markets is inherently imprecise, and such estimates do not purport to be appraisals of such companies or necessarily reflect the prices at which such companies or their securities may actually be sold.

Summary of the Transaction.

Fifty percent of the outstanding shares of City Bancorp will be converted into cash with the remaining 50% exchanged for shares of BancorpSouth common stock. The merger consideration represents the sum of the following: i) \$34.08 per share in cash, multiplied by the number of shares converted into cash; and, ii) shares of BancorpSouth common stock based upon a formula as defined in the merger agreement. This exchange ratio is subject to adjustment and will be finalized as of the determination date, as defined in the merger agreement. Assuming that the average BancorpSouth common stock price remains within a certain range specified in the merger agreement, the transaction consideration will equal \$34.08 per share of City Bancorp common stock, which equates to a total transaction value of \$170 million. The total consideration of \$170 million is divided among City Bancorp's common shareholders and its option holders, as indicated in the following table:

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Consideration per Share ¹	\$ 34.08 ²
x City Bancorp Shares Outstanding	4,885,589.00 ³
= Consideration to Common Shareholders	166,500,873.00
+ Moneyness of City Bancorp Options	3,499,497.00 ⁴
= Total Deal Value	\$ 170,000,371.00

Options

Consideration per Share	\$ 34.08
- Average Strike Price of Options	(19.60) ⁵
= Moneyness of Options	\$ 14.48
x Options Outstanding	241,678 ³
= Aggregate Moneyness of Options	\$ 3,499,497

¹ The merger agreement specifies that the average BancorpSouth stock price can vary within a certain range without affecting the overall deal value (i.e., the exchange ratio changes as BancorpSouth's stock price fluctuates) The consideration per share in the table assumes that BancorpSouth's share price remains within this specified range.

² Prior to funding escrow.

- ³ Per merger agreement.
- ⁴ See calculation below.
- ⁵ Per City Bancorp management.

BancorpSouth and City Bancorp further agreed to establish an escrow account related to certain litigation, which will hold approximately \$3,000,000 of the merger consideration. The following table indicates the computation of the merger price, assuming both (a) a full recovery of the escrowed funds and (b) no recovery of escrow funds.

	100% Escrow Recovery	No Escrow Recovery
Total Deal Value	\$ 170,000,371	\$ 170,000,371
- Moneyless of Options	(3,499,497)	(3,499,497)
= Consideration to Common Shareholders	\$ 166,500,873	\$ 166,500,873
- Escrow Agreement	0	(3,000,000)
= Net Consideration to Common Shareholders	\$ 166,500,873	\$ 163,500,873
- Common Shares Outstanding	4,885,589	4,885,589
= Consideration per Share	\$ 34.08	\$ 33.47

The preceding tables do not consider any dividends that may be paid by City Bancorp prior to closing. According to the merger agreement, City Bancorp is allowed to pay annual cash dividends in accordance with past practice, not to exceed 30% of net income in the most recent calendar year. According to the merger agreement, City Bancorp may also pay pro rata dividends through the closing date. Such dividends, which are estimated to be in the range of \$0.70 per share depending upon City Bancorp's future financial performance, do not result in an adjustment to the purchase price.

Process Leading to the Transaction.

As part of its engagement, Mercer Capital reviewed the process leading to the merger with City Bancorp's management and financial advisor. In mid-2006, City Bancorp received an unsolicited offer (Offer #1) from a third party (Interested Party #1). At this point, City Bancorp retained Stifel Nicolaus to advise City Bancorp as to whether City Bancorp should consider merging with Interested Party #1. Interested Party #1 proposed a maximum price of \$30.00 per share (before considering any adjustments for certain outstanding litigation involving City Bancorp).

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After receiving the offer from Interested Party #1, City Bancorp's board of directors elected to pursue an auction process. Twenty-four potential acquirors (including the party responsible for Offer #1) were identified. A sale book was assembled, and potential acquirors were contacted in early June of 2006. Fourteen confidentiality agreements were distributed, and 13 confidentiality agreements were executed (Interested Party #1 declined). In mid-June, 13 sale books were distributed and Stifel Nicolaus requested bids by July 10. Four non-binding offers were received (including the offer from Interested Party #1), and ultimately City Bancorp's board of directors elected to pursue a transaction with BancorpSouth.

City Bancorp Valuation Analysis.

Mercer Capital compared the value of the City Bancorp transaction to the results indicated by the following two valuation methods:

1. Comparable Transactions Analysis; and
2. Discounted Cash Flow Analysis.

Comparable Transactions Analysis.

Mercer Capital developed five groups of recently acquired financial institutions and compared the pricing multiples indicated in these transactions to those implied by BancorpSouth's offer. The five transaction groups are as follows:

Group 1. Transactions involving target banks of similar asset sizes (\$500 million to \$1.5 billion) located nationwide and acquired between January 1, 2005 and October 18, 2006. This group was further screened to include only those transactions involving banks with returns on equity between 10% and 20%;

Group 2. Transactions involving target banks located in the Midwest (defined to include IA, IL, IN, KS, KY, MI, MN, MO, ND, NE, OH, SD, and WI) with similar asset sizes (\$500 million to \$1.5 billion) acquired between January 1, 2005 and October 18, 2006. This group was further screened to include only those transaction involving banks with returns on equity between 10% and 20%;

Group 3. Target banks of all sizes located in the Mid-South (defined to include AR, AL, LA, KY, MS, MO, and TN) acquired between January 1, 2005 and October 18, 2006. This group was further screened to include only those transactions involving banks with returns on equity between 10% and 20%;

Group 4. Target banks of all sizes located in Missouri acquired between January 1, 2000 and October 18, 2006; and

Group 5. Target banks located in metropolitan areas in Missouri (defined to include the Kansas City MSA and the St. Louis MSA) acquired between January 1, 2000 and October 18, 2006.

The following table shows the valuation multiples implied by the BancorpSouth offer, subject to the BancorpSouth stock price remaining within a certain range. The \$170 million transaction value used in the chart below assumes full recovery of the escrowed funds.

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	City Financial Measure		Deal Value	Multiple		
Price/Book Value (as reported at 6/30/06)		\$ 70,709,000	\$ 170,000,000	240.4%		
Price/Tangible Book Value		\$ 56,597,000	\$ 170,000,000	300.4%		
Price/Assets		\$ 827,343,000	\$ 170,000,000	20.5%		
Premium to Tangible Book Value % Core Deposits			\$ 170,000,000	23.7%		
Price/LTM Earnings (as reported at 6/30/06)		\$ 8,372,000	\$ 170,000,000	20.31		
Price/LTM Earnings (adjusted)		\$ 8,339,000	\$ 170,000,000	20.39		
Price/Budgeted 2006 Earnings		\$ 9,815,400	\$ 170,000,000	17.32		
		<i>Median of Group*</i>				
	City/	Group 1	Group 2	Group 3	Group 4	Group 5
	BancorpSouth	National	Midwest	Mid-South	Missouri	Metro
		Assets	(\$500 MM -	(\$500 MM -	(since	(since
		(\$500	\$1.5 BN)	\$1.5 BN)	1/1/2000)	1/1/2000)
		MM -				
		\$1.5 BN)				
Price/Reported LTM Earnings	20.31	20.26	20.12	18.53	19.54	20.98
Price/Adjusted LTM Earnings	20.39	n/a	n/a	n/a	n/a	n/a
Price/Budgeted 2006 Earnings	17.32	n/a	n/a	n/a	n/a	n/a
Price/Book Value	240.4%	312.9%	295.1%	218.8%	194.9%	242.2%
Price/Tangible Book Value	300.4%	329.8%	321.6%	224.9%	201.9%	285.4%
Price/Assets	20.5%	25.1%	24.3%	21.1%	16.8%	17.1%
Premium over Core Deposits	23.7%	27.8%	21.4%	18.9%	10.7%	19.6%
Median Current Year ROE	12.48%	16.01%	12.55%	12.88%	10.43%	12.90%
Median Current Year ROA	1.10%	1.26%	1.27%	1.34%	0.91%	0.92%

* *Information
Provided by
SNL Financial*

Relative to the acquired banks with total assets between \$500 million and \$1.5 billion:

- (1) The price/book and price/tangible book value multiples are below the medians, reflecting City Bancorp's lower return on equity; and
- (2) The price/earnings multiple implied by the BancorpSouth offer is consistent with the multiples for the acquired banks located in the Midwest and nationwide.

Relative to the acquired banks located in the Mid-South and Missouri:

- (3) The price/book and price/tangible book value multiples exceed the medians; and
- (4) The price/earnings ratio is consistent with the medians.

Relative to the acquired banks located in metro Missouri (Kansas City MSA and St. Louis MSA):

- (5) The price/book value multiple is consistent with the median, and the price/tangible book value multiple exceeds the median; and
- (6) The price/earnings ratio is consistent with the median.

Table of Contents**Discounted Cash Flow Analysis.**

A discounted cash flow analysis provides an indication of value based upon a projection of City Bancorp's future financial performance. Mercer Capital utilized a discounted cash flow methodology to analyze a scenario whereby City Bancorp continues to operate and then sells in 2010. The range of values derived from the discounted cash flow analysis is then compared to the consideration offered in the merger. An indication of value under the discounted future benefits approach requires the following inputs:

Projected net income. Mercer Capital's discounted cash flow analysis utilizes City Bancorp management's projections, which forecast improvement in The Signature Bank's earnings. The Signature Bank's return on assets is forecast to improve from 1.34% in 2007 to 1.48% in 2010, while its return on equity is forecast to improve from 12.99% in 2007 to 14.36% in 2010. The Signature Bank's earnings are projected to increase at a compounded annual rate of 13.0% between 2007 and 2010.

Projected Interim Cash Flows. City Bancorp's shareholder dividends were projected to be 30% of earnings, which is consistent with City Bancorp management's projections.

Terminal Value. Mercer Capital multiplied the projected 2010 net income (net of holding company expenses) by a capitalization factor (or price to earnings multiple). Mercer Capital estimated the terminal value of City Bancorp at the end of the forecast period based upon a range of controlling interest price/earnings multiples of 15.0x to 20.0x.

Discount Rate. Mercer Capital's analysis utilizes a discount rate of 15%, calculated based upon the Capital Asset Pricing Model and reflective of the risk of achieving management's projections.

The range of values provided by Mercer Capital's discounted cash flow analysis is indicated in the following table. At the midpoint price/earnings multiple of 17.0x to 18.0x, the computed values range from \$153 million to \$194 million, as compared to the \$170 million transaction consideration. Obtaining a value in excess of the \$170 million transaction consideration generally requires assuming that (a) management's projections are achieved and (b) the terminal multiple in 2010 exceeds 18.0x earnings.

**Sensitivity Analysis Price to Earnings Multiple vs. 2010 Net Income
Terminal Value Multiple**

<i>Range of Year 2010 Net Income</i>		<i>15.0</i>	<i>16.0</i>	<i>17.0</i>	<i>18.0</i>	<i>19.0</i>	<i>20.0</i>
\$14,767	-10%	\$136,602	\$144,815	\$153,028	\$161,242	\$169,455	\$177,669
\$15,588	-5%	\$143,451	\$152,121	\$160,791	\$169,461	\$178,131	\$186,801
\$16,408		\$150,292	\$159,418	\$168,545	\$177,671	\$186,797	\$195,923
\$17,228	5%	\$157,134	\$166,716	\$176,298	\$185,880	\$195,462	\$205,045
\$18,049	10%	\$163,983	\$174,022	\$184,061	\$194,100	\$204,139	\$214,178

Analysis of BancorpSouth's Common Stock.

City Bancorp's shareholders will receive 50% of the merger consideration in shares of BancorpSouth common stock. The total number of shares of BancorpSouth common stock issued is dependent upon the exchange ratio, which will be determined according to the provisions of the merger agreement. The common stock of BancorpSouth, Inc. is traded on the New York Stock Exchange under the symbol BXS. At September 30, 2006, BancorpSouth had 79,153,000 shares of common stock outstanding. The trading price of \$26.03 per share at the close of trading on October 20, 2006 implied a market capitalization of total equity of \$2.1 billion.

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Stock Price Performance. BancorpSouth reported quarterly earnings after the market closed on October 19, 2006, following which BancorpSouth's closing share price declined from \$27.61 on October 19, 2006 to \$26.03 on October 20, 2006 (a 5.7% decline). Mercer Capital analyzed BancorpSouth's stock performance over the last five years compared to the SNL Bank Index and the S&P 500. From October 19, 2001 to October 20, 2006, BancorpSouth's stock price increased at a compounded annual rate of 11.6% compared to 8.4% for the SNL Bank Index and 5.0% for the S&P 500.

Financial Overview. Mercer Capital reviewed BancorpSouth's financial statements and met with BancorpSouth's management to discuss BancorpSouth's financial performance. Additionally, Mercer Capital reviewed the transcripts of conference calls held by BancorpSouth management to discuss earnings in 2005 and 2006, including BancorpSouth's third quarter 2006 earnings conference call.

The chart below provides comparisons of BancorpSouth's performance with peer group statistics. The peer group consists of 169 bank holding companies with assets greater than \$3 billion at June 30, 2006. BancorpSouth's earnings performance, as measured by its return on assets and return on equity of 1.14% and 13.52%, respectively, in the previous twelve month period is comparable to the peer group.

BancorpSouth Summary**Financial Data as of 6/30/06**

Balance Sheet (\$000)			Income Statement	LTM (\$000s)
Assets	\$ 11,826,411		Net Interest Income	\$ 386,577
Loans	\$ 7,618,417		Non-Interest Income	204,600
Deposits	\$ 9,562,162		Total Revenues	591,177
Total Equity	\$ 1,008,953		Non-Interest Expenses	(371,309)
Book Value Per Share	\$ 12.76		Operating Income	219,868
Tangible Book Value Per Share	\$ 10.63		Loan Loss Provision	(16,426)
			Securities Gains	58
			Intangible Amortization	(4,883)
Ratio Analysis (LTM @ 6/30/06)		Peer		
Return on Average Assets	1.14%	1.20%	Pre-Tax Income	198,617
Return on Average Equity	13.52%	13.54%	Income Taxes	(67,709)
Net Interest Margin	3.69%	2.87%	Net Income	\$ 130,908
Core Fee Income/Average Assets	1.79%	2.80%	Total Dividends	\$ 60,814
Operating Expense/Average Assets	3.29%	3.29%	Payout Ratio	46.5%
Operating Income/Average Assets	1.88%	2.04%		
Efficiency Ratio	63.63%	61.68%		

BancorpSouth Valuation Analysis. The following chart shows valuation metrics implied by BancorpSouth's stock price as of October 20, 2006 in relation to two groups of public companies:

- (7) Mid-South Group. Publicly traded banks located in the Mid-South (defined to include AL, AR, KY, LA, MS, MO, and TN) with total assets exceeding \$500 million; and

- (8) National Group. Publicly traded banks with total assets ranging from \$5 billion to \$15 billion.

Both groups of publicly traded banks were screened to eliminate companies reporting returns on equity below 10% or thin trading volume, as well as those companies that were the target of an announced merger or acquisition.

Table of ContentsBancorpSouth Stock Price as of October 20, 2006 \$26.03

	Multiple	Median	
		Mid-South Group	National (\$5 BN- \$15 BN)
Price/Book Value (as reported at 9/30/06)	199.8%	208.7%	209.0%
Price/Tangible Book Value	238.7%	270.5%	307.5%
Price/LTM Earnings (LTM ending 9/30/06 for BancorpSouth)	14.96	16.24	15.86
Price/Estimated 2006 Earnings	14.96	15.24	15.54
Price/Estimated 2007 Earnings	14.46	14.61	14.47
Dividend Yield	3.07%	2.22%	2.78%

As shown in the chart above, BancorpSouth's price/previous 12 months earnings, price/estimated 2006 earnings, and price/book value multiples as of October 20, 2006 were below the medians of the two public company groups. The price/estimated 2007 earnings multiple was consistent with the two public company groups.

Following BancorpSouth's release of its third quarter earnings after the market closed on October 19, 2006, BancorpSouth's share price declined. Mercer Capital also compared the median comparable company valuation multiples to the multiples implied by BancorpSouth's share price as of October 18, 2006. These comparisons indicate that BancorpSouth's price/earnings multiple was consistent with the medians of the two groups of comparable companies.

Pro Forma Merger Analysis.

Mercer Capital analyzed the pro forma effect of the merger on City Bancorp shareholders' earnings per share and dividends per share. The analysis indicates that, relative to a stand-alone scenario, City Bancorp shareholders' reported earnings per share would increase/(decrease) by 7.0% in 2007, 2.7% in 2008, (1.4%) in 2009, and (7.1%) in 2010 as a result of the merger. City Bancorp shareholders' cash earnings per share (i.e., excluding intangible asset amortization) would increase/(decrease) by 8.6% in 2007, 4.2% in 2008, (0.3%) in 2009, and (5.8%) in 2010 as a result of the merger. City Bancorp shareholders' dividends per share would increase by 66.2% in 2007, 59.7% in 2008, 52.9% in 2009, and 43.6% in 2010 as a result of the merger. These calculations involve the following assumptions:

City Bancorp achieves the earnings per share and dividends per share projections set forth in City Bancorp management's projections; and

BancorpSouth's 2007 earnings per share equals the analysts' estimates for such period. In subsequent years, BancorpSouth's earnings are assumed to increase by 8% per year. BancorpSouth is assumed to pay dividends based on its payout ratio in the previous twelve month period (46.5%); and

Expense savings, financing costs of the cash portion of the merger consideration, and intangible asset amortization expenses occur in the amounts indicated in the projections.

Mercer Capital also created a revised version of the projections, assuming that City Bancorp's earnings per share increase by 8% per year between 2007 and 2010, rather than the 13% to 16% growth projected by management. The revised analysis indicates that, relative to a stand-alone scenario, City Bancorp shareholders' reported earnings per share would increase by 12.0% in 2007, 12.0% in 2008, 12.3% in 2009, and 12.5% in 2010 as a result of the merger. City Bancorp shareholders' cash earnings per share (i.e., excluding intangible asset amortization) would increase by 12.9% in 2007, 12.9% in 2008, 13.1% in 2009, and 13.2% in 2010 as a result of the

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merger. City Bancorp shareholders' dividends per share would increase by 73.8% in 2007, 74.3% in 2008, 73.7% in 2009, and 74.4% in 2010 as a result of the merger.

Summary of the Analysis.

The summary set forth above does not purport to be a complete description of the analyses performed by Mercer Capital. The analyses performed by Mercer Capital are not necessarily indicative of actual values, which may differ significantly from those suggested by such analyses. Throughout the due diligence process, all information provided by City Bancorp, BancorpSouth, and third party sources was relied upon without Mercer Capital's verification.

Accordingly, based on all factors that Mercer Capital deemed relevant and assuming the accuracy and completeness of the information and data provided, Mercer Capital concluded that the merger is fair from a financial point of view to all shareholders of City Bancorp. You are encouraged to read the Mercer Capital opinion in its entirety. The Mercer Capital opinion is annexed as Annex D to this Proxy Statement/Prospectus.

Regulatory Approval

Completion of the merger is conditioned on, among other things, the receipt of approval by the Federal Reserve Board. As part of the Federal Reserve Board's approval process, the Missouri Division of Finance will have the opportunity to review and provide any objections to the transaction before the Federal Reserve Board issues its approval. BancorpSouth filed a Notification to the Board of Governors of the Federal Reserve System on Form FR Y-3N on December 20, 2006. In connection with the Notification, BancorpSouth must publish a public notice of the merger which provides for a 30-day period for public comments. BancorpSouth expects to obtain approval of the merger from the Federal Reserve Board within five business days after the close of the public comment period. Once the Federal Reserve Board has approved the merger, federal law requires a waiting period of up to 30 calendar days to complete the merger in order to give the U.S. Department of Justice the opportunity to review and object to the merger. BancorpSouth expects the Department of Justice waiting period to expire on or about February 19, 2007.

We also intend to make all required filings with the Securities and Exchange Commission under the Securities Act of 1933 and the Securities Exchange Act of 1934 relating to the merger. While we believe that we will obtain all regulatory approvals in a timely manner, we cannot be certain if or when we will obtain them.

Accounting Treatment

The merger will be accounted for as a purchase, as that term is used under GAAP, for accounting and financial reporting purposes. City Bancorp will be treated as the acquired corporation for accounting and financial reporting purposes. City Bancorp's assets, liabilities and other items will be adjusted to their estimated fair value on the closing date of the merger and combined with the historical book values of the assets and liabilities of BancorpSouth. Applicable income tax effects of these adjustments will be included as a component of the combined company's deferred tax asset or liability. The difference between the estimated fair value of the assets (including separately identifiable intangible assets, such as core deposit intangibles), liabilities and other items (adjusted as discussed above) and the purchase price will be recorded as goodwill. Financial statements of BancorpSouth issued after the merger will reflect the values and will not be restated retroactively to reflect the historical financial position or results of operations of City Bancorp.

Material United States Federal Income Tax Consequences

The following discussion summarizes the material anticipated U.S. federal income tax consequences of the merger to City Bancorp shareholders who hold their shares of City Bancorp common stock as capital assets. This discussion does not address the tax consequences of transactions effectuated prior or subsequent to, or concurrently with, the merger (whether or not such transactions are undertaken in connection with the merger). In addition, this discussion does not address all of the U.S. federal income tax consequences that may be important to each taxpayer in light of each taxpayer's particular circumstances, nor does this discussion address the U.S. federal income tax consequences that may be applicable to taxpayers subject to special treatment under the Internal Revenue Code, such as:

tax-exempt organizations;

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financial institutions, insurance companies, mutual funds and broker-dealers or persons who have elected to use the mark-to-market method of accounting with respect to their securities holdings;

shareholders who hold their shares of City Bancorp common stock as part of a hedge, straddle, wash sale, synthetic security, conversion transaction or other integrated investment comprised of shares of City Bancorp common stock and one or more other investments;

persons who acquired their shares of City Bancorp common stock through the exercise of employee stock options, through a benefit plan or otherwise in a compensatory transaction;

shareholders who are not U.S. persons within the meaning of the Internal Revenue Code or that use a functional currency other than the U.S. dollar;

partnerships or other pass-through entities and investors in such entities; or

shareholders who exercise their dissenters' rights.

No information is provided in this document or the tax opinions referred to below with respect to the tax consequences, if any, of the merger under applicable foreign, state, local and other tax laws. This discussion and the tax opinions are based upon the provisions of the Internal Revenue Code, applicable Treasury regulations, administrative rulings and judicial decisions, all as in effect as of the date of this Proxy Statement/Prospectus. There can be no assurance that future legislative, administrative or judicial changes or interpretations, which changes could apply retroactively, will not affect the accuracy of this discussion or the statements or conclusions set forth in the tax opinions referred to below.

In connection with the filing of the registration statement of which this Proxy Statement/Prospectus is a part, BancorpSouth has received an opinion of Waller Lansden Dortch & Davis, LLP and City Bancorp has received an opinion of PSWS that, as of the respective dates of such opinions, if certain factual circumstances exist, the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that BancorpSouth and City Bancorp will each be a party to that reorganization. The parties will not be required to consummate the merger unless they receive additional opinions of their respective counsel, dated the closing date of the merger, confirming that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that BancorpSouth and City Bancorp will each be a party to that reorganization.

The opinions of the parties' respective counsel regarding the merger have relied, and the opinions regarding the merger as of the closing date will each rely, on the following:

representations and covenants made by BancorpSouth and City Bancorp, including those contained in certificates of officers of BancorpSouth and City Bancorp; and

specified assumptions, including an assumption regarding the completion of the merger in the manner contemplated by the merger agreement.

In addition, the opinions of the parties' respective counsel have assumed, and such counsel's ability to provide the opinions at the closing of the merger will depend on, the absence of changes to the anticipated facts or changes in law between the date of this Proxy Statement/Prospectus and the closing date of the merger. If any of those representations, covenants or assumptions is inaccurate, the parties' respective counsel may not be able to provide one or more of the required opinions to be delivered at the closing of the merger and/or the tax consequences of the merger could differ from those described in the opinions that counsel have delivered.

The opinions of the parties' respective counsel do not bind the Internal Revenue Service and do not preclude the IRS or the courts from adopting a contrary position. BancorpSouth and City Bancorp do not intend to obtain a ruling from the IRS on the tax consequences of the merger. If the IRS were to assert successfully that the

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merger is not a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, then the tax consequences of the merger would be materially different from those described below.

Assuming that the merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, neither BancorpSouth nor City Bancorp will recognize any gain or loss as a result of the merger. The U.S. federal income tax consequences of the merger qualifying as a reorganization to a particular City Bancorp shareholder will vary depending primarily on whether the shareholder exchanges his or her City Bancorp common stock solely for BancorpSouth common stock (except for cash received instead of a fractional share of BancorpSouth common stock), solely for cash, or for a combination of BancorpSouth common stock and cash. At the time that a City Bancorp shareholder votes on the merger and at the time such shareholder makes an election as to the form of consideration to be received in the merger, such shareholder will not know the extent to which the shareholder's elected form of merger consideration will be given effect. Regardless of a City Bancorp shareholder's election, the U.S. federal income tax consequences to the shareholder will depend on the actual merger consideration received by the shareholder upon consummation of the merger.

City Bancorp Shareholders Receiving Only BancorpSouth Common Stock

No gain or loss will be recognized by a holder of City Bancorp common stock as a result of the surrender of shares of City Bancorp common stock solely in exchange for shares of BancorpSouth common stock pursuant to the merger (except with respect to cash received instead of a fractional share of BancorpSouth common stock, as discussed below). The aggregate tax basis of the shares of BancorpSouth common stock received in the merger (including any fractional shares of BancorpSouth common stock deemed received) will be the same as the aggregate tax basis of the shares of City Bancorp common stock surrendered in exchange for the BancorpSouth common stock. The holding period of the shares of BancorpSouth common stock received (including any fractional shares of BancorpSouth common stock deemed received) will include the holding period of shares of City Bancorp common stock surrendered in exchange for the BancorpSouth common stock, provided that such shares of City Bancorp common stock were held as capital assets of the shareholder at the effective time of the merger.

City Bancorp Shareholders Receiving Only Cash

A holder of City Bancorp common stock that does not receive any shares of BancorpSouth common stock pursuant to the merger (and is not treated as constructively owning, after the merger, BancorpSouth common stock held by certain family members and entities affiliated with the holder under the Internal Revenue Code) will generally recognize gain or loss equal to the difference between the amount of cash received and the holder's adjusted tax basis in the shares of City Bancorp common stock exchanged in the merger. Such gain or loss will be a capital gain or loss, provided that such shares of City Bancorp common stock were held as capital assets by the shareholder at the effective time of the merger. Such capital gain or loss will be a long-term capital gain or loss to the extent that, at the effective time of the merger, the holder has a holding period in such City Bancorp common stock of more than one year. The Internal Revenue Code contains limitations on the extent to which a taxpayer may deduct capital losses from ordinary income.

City Bancorp Shareholders Receiving Both Cash and BancorpSouth Common Stock

If a holder of City Bancorp common stock receives both BancorpSouth common stock and cash (other than cash in lieu of a fractional share of BancorpSouth common stock) in the merger, that holder will recognize gain (but not loss), if any, equal to the lesser of:

the amount of cash received; or

the amount by which the sum of the amount of cash received and the fair market value, at the effective time of the merger, of the BancorpSouth common stock received exceeds the holder's adjusted tax basis in the shares of City Bancorp common stock exchanged in the merger.

Any recognized gain could be taxed as a capital gain or a dividend. Such gain will generally be capital gain (provided that such shares of City Bancorp common stock were held as capital assets by the shareholder at the

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effective time of the merger), unless the holder's exchange of City Bancorp common stock for cash and BancorpSouth common stock has the effect of the distribution of a dividend after giving effect to the constructive ownership rules of the Internal Revenue Code, in which case such gain might be treated as ordinary income. Any capital gain recognized generally will be long-term capital gain to the extent that, at the effective time of the merger, the holder has a holding period in the City Bancorp common stock exchanged in the merger of more than one year. Because the determination of whether a cash payment will be treated as having the effect of a dividend depends primarily upon the facts and circumstances of each City Bancorp shareholder, City Bancorp shareholders are urged to consult their own tax advisors regarding the tax treatment of any cash received in the merger. A City Bancorp shareholder who receives a combination of BancorpSouth common stock and cash in exchange for his or her City Bancorp common stock will not be permitted to recognize any loss for U.S. federal income tax purposes.

The aggregate tax basis of the shares of BancorpSouth common stock received in the merger (including any fractional share of BancorpSouth common stock deemed received) will be the same as the aggregate tax basis of the shares of City Bancorp common stock surrendered in the merger, increased by the amount of gain recognized in the exchange (whether characterized as capital gain or a dividend, but excluding any gain recognized with respect to any cash received instead of a fractional share of BancorpSouth common stock) and reduced by the amount of cash received in the exchange (excluding any cash received instead of a fractional share of BancorpSouth common stock). The holding period of the shares of BancorpSouth common stock received (including any fractional share of BancorpSouth common stock deemed received) will include the holding period of shares of City Bancorp common stock surrendered in exchange for the BancorpSouth common stock, provided that such shares of City Bancorp common stock were held as capital assets of the shareholder at the effective time of the merger.

A City Bancorp shareholder's U.S. federal income tax consequences will also depend on whether his or her shares of City Bancorp common stock were purchased at different times at different prices. If they were, the City Bancorp shareholder could realize gain with respect to some of the shares of City Bancorp common stock and loss with respect to other shares. Such City Bancorp shareholder would have to recognize such gain to the extent such shareholder receives cash with respect to those shares of City Bancorp common stock in which the shareholder's adjusted tax basis is less than the amount of cash plus the fair market value at the effective time of the merger of the BancorpSouth common stock received, but could not recognize loss with respect to those shares of City Bancorp common stock in which the City Bancorp shareholder's adjusted tax basis is greater than the amount of cash plus the fair market value at the effective time of the merger of the BancorpSouth common stock received. Any disallowed loss would be included in the adjusted basis of the BancorpSouth common stock. Such a City Bancorp shareholder is urged to consult his or her own tax advisor respecting the tax consequences of the merger to that shareholder.

Escrow Fund; Possible Application of Installment Method for Escrowed Cash

Under the merger agreement, certain cash and shares of BancorpSouth common stock will be deposited into an escrow fund to pay judgments, settlements and related legal fees and costs relating to certain outstanding litigation against City Bancorp or any subsidiary of City Bancorp that is a party to this litigation. Under the escrow agreement, amounts earned on the escrow fund, including dividends and interest, should be deemed received by the City Bancorp shareholders for U.S. federal income tax purposes, although such amounts will be retained by the escrow agent and become a part of the escrow fund to be distributed to the City Bancorp shareholders at the termination of the escrow fund if not used to satisfy a claim. Each City Bancorp shareholder should be required to include in gross income all amounts earned on the escrow fund, as such amounts are earned.

For U.S. federal income tax purposes, the City Bancorp shareholders should be treated as the owners of the escrowed shares of BancorpSouth common stock. Because the City Bancorp shareholders should be treated as the owners of the escrowed shares of BancorpSouth common stock, (i) the release of the escrowed shares of BancorpSouth common stock to the City Bancorp shareholders should not be a taxable transfer for U.S. federal income tax purposes and (ii) the return of any escrowed shares of BancorpSouth common stock to BancorpSouth in satisfaction of any claim should be treated for U.S. federal income tax purposes as if the City Bancorp shareholders directly satisfied such claim with the escrowed shares of BancorpSouth common stock. Because the number of escrowed shares of BancorpSouth common stock to be returned to BancorpSouth in satisfaction of any claim is to be based upon the value of the BancorpSouth common stock that was used to calculate the merger consideration, a City

Bancorp shareholder should not recognize any gain or loss upon the return of any escrowed shares of BancorpSouth common stock to BancorpSouth. In the event all or some of a City Bancorp shareholder's escrowed shares of

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BancorpSouth common stock are returned to BancorpSouth in satisfaction of any claim, the tax basis of such City Bancorp shareholder's escrowed shares so returned should be added to and allocated among such shareholder's tax basis in his remaining shares of BancorpSouth common stock.

It is unclear whether the installment method is available to a City Bancorp shareholder for reporting gain attributable to escrowed cash. If the installment method is applicable, (i) the release of the escrowed cash to the City Bancorp shareholders should cause such City Bancorp shareholders to recognize gain and possibly imputed ordinary interest income with respect to a portion of the escrowed cash distributed for U.S. federal income tax purposes and (ii) the return of any escrowed cash to BancorpSouth in satisfaction of any claim should cause such City Bancorp shareholder to reduce the amount of gain related to the transaction that is reported by such shareholder for U.S. federal income tax purposes. In addition, each City Bancorp shareholder could be subject to an annual interest charge on all or a portion of the deferred tax liability attributable to the escrowed cash consideration if such shareholder holds installment receivables, potentially including his share of the escrowed cash consideration, with an aggregate face amount in excess of \$5 million as of the end of the current (and any future) tax year. *Each City Bancorp shareholder is urged to consult his or her tax advisor regarding the potential application of the installment method to his or her personal tax situation.*

If the installment method is not available to a City Bancorp shareholder, or if a City Bancorp shareholder affirmatively elects out of the installment method, the entire amount of escrowed cash should be treated as received by such City Bancorp shareholder at the time of the merger. In the event all or some of a City Bancorp shareholder's escrowed cash is returned to BancorpSouth in satisfaction of any claim, the City Bancorp shareholder may be entitled to add the amount of cash so returned to such shareholder's tax basis in his shares of City Bancorp common stock prior to the merger transaction or, alternatively, such City Bancorp shareholder may be entitled to a capital loss. *The taxation of escrow arrangements is complex and uncertain. Each City Bancorp shareholder is urged to consult his or her tax advisor regarding the tax consequences of the escrow fund.*

Cash Instead of Fractional Shares of BancorpSouth Common Stock

Holders of City Bancorp common stock who receive cash instead of a fractional share of BancorpSouth common stock will be treated as having received the fractional share in the merger and then as having the fractional share redeemed by BancorpSouth in exchange for the cash actually distributed instead of the fractional share, with such redemption qualifying as an exchange under Section 302 of the Internal Revenue Code. Accordingly, such holders will generally recognize gain or loss equal to the difference between the tax basis of the holder's City Bancorp common stock allocable to that fractional share and the amount of cash received. The gain or loss generally will be capital gain or loss, and long-term capital gain or loss if the City Bancorp common stock exchanged has been held for more than one year as a capital asset at the effective time of the merger.

Backup Withholding

A holder of City Bancorp common stock may be subject, under certain circumstances, to backup withholding at a rate of 28% with respect to the amount of cash, if any, received in the merger, including cash received instead of fractional shares of BancorpSouth common stock, unless the holder provides proof of an applicable exemption satisfactory to BancorpSouth and the exchange agent or furnishes its correct taxpayer identification number, and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under the backup withholding rules is not additional tax and may be refunded or credited against the holder's U.S. federal income tax liability, so long as the required information is furnished to the IRS.

Reporting Requirements

A holder who receives BancorpSouth common stock as a result of the merger will be required to retain records pertaining to the merger and will be required to file with its U.S. federal income tax returns for the year in which the merger takes place a statement setting forth certain facts relating to the merger.

The preceding summary does not purport to be a complete analysis or discussion of all potential tax effects relevant to the merger. Accordingly, City Bancorp shareholders are urged to consult their own tax

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advisors as to the specific tax consequences to them of the merger, including tax return reporting requirements, the applicability and effect of federal, state, local, foreign and other tax laws and the effect of any proposed changes in the tax laws.

Retirement Plans

The Signature Bank 401(k) Profit Sharing Plan currently owns 7,135 shares of City Bancorp common stock. This plan has been terminated, and trust assets are being liquidated. City Bancorp will provide separate disclosure to the plan participants describing the tax consequences of plan distributions. Each plan participant has the right to direct the vote on the merger agreement with respect to the plan participant's shares held by the plan.

It is anticipated that City Bancorp will terminate The Signature Bank Employees 401(k) Plan immediately prior to the merger. Upon termination of the plan, the retirement accounts of the plan participants will be, at the direction of each participant, either distributed directly to the participant or rolled over to another retirement plan or an individual retirement account. These distributions upon termination of the plan will have specific tax consequences to the plan participants. Accordingly, City Bancorp will provide separate disclosure to the plan participants describing these tax consequences.

Equity Incentive Plans

It is anticipated that the City Bancorp Stock Purchase Plan and the City Bancorp 2005 Stock Purchase Plan will be terminated, effective January 1, 2007.

Various employees, officers, and directors of City Bancorp and The Signature Bank have been granted options to purchase City Bancorp common stock under the following option plans: the City Bancorp Incentive Stock Option Plan, the City Bancorp 2001 Incentive Stock Option Plan, the City Bancorp 2000 Incentive Stock Option Plan, and the Employee Incentive Stock Option Plan. The options granted under these option plans, except for those granted under the City Bancorp Incentive Stock Option Plan, are incentive stock options as described in Section 422 of the Internal Revenue Code and are fully vested as a result of a prior corporate transaction. The options granted under the City Bancorp Incentive Stock Option Plan do not qualify for tax treatment as incentive stock options under Section 422 of the Internal Revenue Code and will become fully vested as a result of this merger.

At the effective time of the merger, each outstanding option to purchase shares of City Bancorp common stock shall, by virtue of the merger and without further action by the holder of such option, be converted into an option to purchase shares of BancorpSouth common stock. The amount of BancorpSouth common stock subject to each option will be equal to the number of whole shares that the holder of the option would have received if the option were exercised in full immediately prior to the effective time of the merger and the holder had elected to receive merger consideration for such option shares only in the form of BancorpSouth common stock. Any fractional shares will be rounded to the nearest whole share. The exercise price for the converted options will be equal to the aggregate exercise price for the shares of City Bancorp common stock otherwise purchasable under the City Bancorp option divided by the number of shares of BancorpSouth common stock issuable under the converted option. This option conversion formula will be adjusted, if necessary, for tax-related adjustments in order to comply with Section 424(a) of the Internal Revenue Code.

Shareholders Dissenters Rights

City Bancorp is a corporation organized under the laws of the State of Missouri and its principal place of business is in the State of Missouri. Each record holder of City Bancorp common stock will be entitled to pursue dissenters rights as a result of the merger pursuant to Section 351.455 of the General and Business Corporation Law of Missouri. If you have a beneficial interest in shares of City Bancorp common stock that are held of record in the name of another person, such as a broker or nominee, you must submit to City Bancorp the record shareholder's written consent to the dissent not later than the time you assert dissenters' rights.

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The following discussion is not a complete statement of the law pertaining to dissenters' rights under the General and Business Corporation Law of Missouri. If you wish to exercise dissenters' rights, or wish to preserve your right to do so, you should review Section 351.455 of the General and Business Corporation Law of Missouri, the text of which is attached as Annex B to this Proxy Statement/Prospectus, and the following discussion carefully.

The availability of dissenters' rights is conditioned upon full compliance with a complicated procedure set forth in the General and Business Corporation Law of Missouri. Failure to timely and properly comply with the procedures specified will result in the complete loss of dissenters' rights. Accordingly, if you wish to dissent from the merger and demand the fair value of your City Bancorp common stock in cash, you should consult with your own legal counsel.

Procedure for the Exercise of Dissenters' Rights

In order to be eligible to exercise the right to dissent, you must:

own City Bancorp stock as of the record date for the meeting of shareholders at which the merger agreement is submitted to a vote;

file with City Bancorp before or at such meeting a written objection to such merger agreement;

not vote your shares of City Bancorp common stock in favor of the merger agreement; and

make a written demand on BancorpSouth within 20 days after the merger is effected for payment of the fair value of your shares as of the day before the date on which the vote was taken approving the merger agreement.

Any written notice of intent to dissent with respect to the merger should be sent to: City Bancorp, 4039 S. Kansas Expressway, Springfield, Missouri 65807, Attention: David A. Kunze, Chairman and Chief Executive Officer. Any written demand on BancorpSouth should be sent to: BancorpSouth, Inc., One Mississippi Plaza, 201 South Spring Street, Tupelo, Mississippi 38804, Attention: Cathy S. Freeman, Corporate Secretary. A vote against the merger agreement alone will not satisfy the requirements for compliance with Section 351.455 of the General and Business Corporation Law of Missouri. A shareholder of City Bancorp who wishes to dissent from the merger must, as an initial matter, comply with all of the conditions listed above.

Any shareholder who (i) fails to file a written objection with City Bancorp prior to or at the meeting of shareholders; (ii) votes in favor of the merger agreement; or (iii) fails to make a written demand on BancorpSouth within the 20-day period will be conclusively presumed to have consented to the merger agreement and will be bound by the terms of the merger agreement, will not be deemed to be a dissenting shareholder, and will receive the merger consideration provided for in the merger agreement.

Procedure for Payment or Offer of Payment

If, within 30 days after the date on which the merger was effected, the value of such shares is agreed upon between the dissenting shareholder and BancorpSouth, payment for those shares shall be made within 90 days after the date on which the merger was effected, upon the surrender of the dissenting shareholder's certificates representing such shares. Upon payment of the agreed value the dissenting shareholder shall cease to have any interest in such shares or in BancorpSouth.

Judicial Appraisal of Shares

If, within 30 days after the date on which the merger was effected, the dissenting shareholder and BancorpSouth do not agree on the value of the shares, then the dissenting shareholder may, within 60 days after the expiration of the 30-day period, file a petition in any court within the county in which the registered office of BancorpSouth is situated, asking for a finding and determination of the fair value of such shares. The dissenting shareholder shall be entitled to judgment against BancorpSouth for the amount of such fair value as of the day prior

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to the date on which such vote was taken approving the merger agreement, together with interest thereon to the date of such judgment. The judgment shall be payable only upon and simultaneously with the surrender to BancorpSouth of the certificate or certificates representing such shares. Upon the payment of the judgment, the dissenting shareholder shall cease to have any interest in such shares or in BancorpSouth. Such shares may be held and disposed of by BancorpSouth as it sees fit. Unless the dissenting shareholder files a petition within the 60-day period, the dissenting shareholder and all persons claiming under such shareholder shall be conclusively presumed to have approved and ratified the merger agreement and shall be bound by its terms.

Interests of Certain Persons in the Merger

Certain members of management and the board of directors of City Bancorp may be deemed to have interests in the merger that are in addition to their interests as City Bancorp shareholders generally. City Bancorp's board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement.

The executive officers and directors of City Bancorp hold approximately [] shares of City Bancorp common stock in The Signature Bank 401(k) Profit Sharing Plan.

In connection with the merger and in consideration for their willingness to (i) enter into amended and restated employment agreements, (ii) apply their existing experience, skills and knowledge in continued employment with The Signature Bank, (iii) abide by the applicable noncompetition and nonsolicitation covenants set forth in the amended and restated employment agreements and (iv) terminate their existing employment agreements with The Signature Bank, each of Messrs. David A. Kunze and Robert Fulp will receive payments in connection with the merger. Mr. Kunze will receive a payment of \$900,000 upon the consummation of the merger and payments of \$400,000 and \$202,475 following the first and second year of continued employment, respectively. Mr. Kunze will also receive an award of restricted stock units representing approximately 10,000 shares of BancorpSouth stock that will vest over three years. Mr. Fulp will receive a payment of \$500,000 upon the consummation of the merger and a payment of \$226,000 following the first year of continued employment. Each of Messrs. David A. Kunze, Robert Fulp, Randy Johnson, James Kratzer, Ted Hamilton, Mike Lawson, Dan Derges, Dave Montgomery, Aaron Jernigen, Patrick Bowen and Jon Hustedt has entered into an amended and restated employment agreement with The Signature Bank. Nadia Cavner has executed an amendment to her existing employment agreement with City Bancorp and will have 22,916.67 shares of City Bancorp restricted stock vest upon consummation of the merger. BancorpSouth will continue to honor Ben A. Parnell's existing employment agreement until it expires by its own terms on April 30, 2007.

Executive officers and directors of City Bancorp will receive shares of BancorpSouth common stock in the merger on the same basis as other City Bancorp shareholders. The following chart shows the number and percentage of shares of BancorpSouth common stock that may be issued to executive officers, directors and holders of more than five percent of City Bancorp common stock in the merger based on ownership as of the record date:

Beneficial ownership ¹ by executive officers, directors and holders of more than five percent of City Bancorp common stock, and their affiliates, as of [], 2007	[]
Percentage of such beneficial ownership with respect to all issued and outstanding shares of City Bancorp common stock	[]
Maximum number of shares of BancorpSouth common stock to be received in the merger ² (based on such beneficial ownership)	[]
Percentage of such maximum number of shares with respect to the maximum number of all shares of BancorpSouth common stock to be received in the merger	[]

¹ Includes all stock options that will become exercisable as a

result of the
merger.

- 2 Assuming the maximum share exchange ratio of 1.4908 and assuming elections to receive all BancorpSouth common stock as merger consideration.

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Officers and directors of City Bancorp have certain interests under the merger agreement regarding indemnification following the merger. See THE MERGER AGREEMENT Indemnification.

Comparison of Rights of Shareholders

At the effective time of the merger, City Bancorp shareholders who receive shares of BancorpSouth common stock will automatically become BancorpSouth shareholders. BancorpSouth is a Mississippi corporation governed by provisions of the Mississippi Business Corporation Act and BancorpSouth's restated articles of incorporation, as amended, and amended and restated bylaws, as amended. City Bancorp is a Missouri corporation governed by provisions of the General and Business Corporation Law of Missouri, and City Bancorp's amended articles of incorporation and amended and restated bylaws. See COMPARISON OF RIGHTS OF SHAREHOLDERS.

Restrictions on Resales by Affiliates

The shares of BancorpSouth common stock issuable to City Bancorp shareholders upon completion of the merger have been registered under the Securities Act of 1933. These shares may be traded freely without restriction by those shareholders who are not deemed to be affiliates of City Bancorp or BancorpSouth, as that term is defined in SEC rules under the Securities Act. An affiliate of a company generally includes its executive officers, directors and holders of 10% or more of the company's voting stock.

Shares of BancorpSouth common stock received by those City Bancorp shareholders who are deemed to be affiliates of City Bancorp at the time of the City Bancorp special meeting may be resold without registration under the Securities Act of 1933 only as permitted by Rule 145 under the Securities Act. Under Rule 145, during the one-year period following completion of the merger, affiliates of City Bancorp may sell shares of BancorpSouth common stock received by them in the merger subject to limitations on the number of shares that may be sold during any three-month period and the manner in which the shares may be sold, including the use of a broker and non-solicitation of a buyer. Affiliates of City Bancorp at the time of the City Bancorp special meeting who are not affiliates of BancorpSouth may sell their shares of BancorpSouth common stock acquired in connection with the merger without registration under the Securities Act of 1933 after one year following completion of the merger so long as BancorpSouth maintains current public information and after two years following completion of the merger without any restrictions under Rule 145.

City Bancorp has agreed in the merger agreement to use its reasonable best efforts to cause each person who is an affiliate of City Bancorp, for purposes of Rule 145 under the Securities Act, to deliver to BancorpSouth a written agreement intended to ensure compliance with the Securities Act.

Source of Funds for Cash Portion of Merger Consideration

BancorpSouth intends to pay the cash portion of the merger consideration to the City Bancorp shareholders from funds available to BancorpSouth at closing. BancorpSouth currently intends these funds to be comprised of available cash that will be distributed from BancorpSouth Bank to BancorpSouth in accordance with a previously declared dividend.

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THE MERGER AGREEMENT

The following summary of certain terms and provisions of the merger agreement is qualified in its entirety by reference to the merger agreement, which is incorporated into this Proxy Statement/Prospectus by reference and, with the exception of exhibits and schedules to the merger agreement, is attached as Annex A to this Proxy Statement/Prospectus.

The merger agreement contains representations and warranties BancorpSouth and City Bancorp made to each other. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that BancorpSouth and City Bancorp have exchanged in connection with signing the merger agreement. The disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached merger agreement. Accordingly, you should keep in mind that the representations and warranties are modified in important part by the underlying disclosure schedules. Neither BancorpSouth nor City Bancorp believes that the disclosure schedules contain information that the securities laws require either or both of them to publicly disclose except as discussed in this Proxy Statement/Prospectus. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, and this information may or may not be fully reflected in the companies' public disclosures.

Terms of the Merger

Upon completion of the merger, City Bancorp will merge with and into BancorpSouth, the separate corporate existence of City Bancorp will cease and BancorpSouth will be the surviving corporation. As a result of the merger, City Bancorp's subsidiary bank, The Signature Bank, will become a wholly owned subsidiary of BancorpSouth. BancorpSouth will continue to exist as a Mississippi corporation. Subject to the satisfaction or waiver of certain conditions set forth in the merger agreement, the merger will become effective upon the filing of a certificate of merger in the offices of the Secretary of State of the State of Missouri and the offices of the Secretary of State of the State of Mississippi in accordance with the General and Business Corporation Law of Missouri and the Mississippi Business Corporation Act. See THE MERGER AGREEMENT Conditions to the Merger.

The merger will have the effects set forth in Section 79-4-11.07 of the Mississippi Business Corporation Act, and Section 351.458 of the General and Business Corporation Law of Missouri.

BancorpSouth's restated articles of incorporation, as amended, and amended and restated bylaws, as amended, as in effect upon completion of the merger will be those of the surviving corporation.

At the effective time of the merger, automatically by virtue of the merger and without any action on the part of any party or shareholder, shares of City Bancorp common stock outstanding immediately prior to the effective time (other than dissenting shares and shares held by City Bancorp and BancorpSouth) will become and be converted into the right to receive, at the election of the holder of such share, either:

a cash payment of \$34.08; or

between 1.2198 and 1.4908 shares of BancorpSouth common stock, depending on the average closing price of BancorpSouth common stock for the 10 trading days ending on the date on which the last consent of applicable federal and state regulatory authorities is received.

If you hold more than one share of City Bancorp common stock, you may elect a combination of stock and cash consideration. Regardless of your election, you may receive a combination of cash and shares of BancorpSouth common stock that is different than what you may have elected, depending on the elections made by other City Bancorp shareholders.

With respect to an election to receive stock consideration, for each share of City Bancorp common stock you own, you will receive between, 1.2198 shares of BancorpSouth common stock (if the 10-day average closing

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price is \$27.94 or greater), and 1.4908 shares of BancorpSouth common stock (if the 10-day average closing price is \$22.86 or less). If the 10-day average closing price is between \$22.86 and \$27.94, the exchange ratio will be proportionately adjusted between 1.2198 and 1.4908 based on the 10-day average closing price of BancorpSouth common stock computed as described above.

BancorpSouth will not issue any fractional shares of BancorpSouth common stock to City Bancorp shareholders. Instead, a City Bancorp shareholder who receives any shares of BancorpSouth common stock as consideration in the merger will receive cash equal to the product of (i) the per share closing price on the New York Stock Exchange of BancorpSouth common stock on the closing date, times (ii) the fraction of a share of BancorpSouth common stock to which the shareholder otherwise would be entitled.

BancorpSouth expects the market price of BancorpSouth common stock to fluctuate as a result of market factors beyond its control between the date of this Proxy Statement/Prospectus and the date on which the merger is completed and thereafter. Because the market price of BancorpSouth common stock is expected to fluctuate and the exchange ratio may also fluctuate, the implied market value of BancorpSouth common stock that City Bancorp shareholders may receive in the merger may increase or decrease prior to completion of the merger. For further information concerning the historical market prices of BancorpSouth common stock and City Bancorp common stock, see **PRICE RANGE OF COMMON STOCK AND DIVIDENDS**. BancorpSouth cannot assure you that the market price of BancorpSouth common stock will not decrease before or after the merger.

The following table shows the implied value of the stock consideration into which one share of City Bancorp common stock would be converted in the merger at various hypothetical 10-day average closing prices of BancorpSouth common stock:

10-day Average Closing Price of BancorpSouth Common Stock	Exchange Ratio	Implied Value per Share of City Bancorp Common Stock
\$20.50	1.4908	\$30.56
21.00	1.4908	31.31
21.50	1.4908	32.05
22.00	1.4908	32.80
22.50	1.4908	33.54
\$22.86	1.4908	\$34.08
23.00	1.4817	34.08
23.50	1.4502	34.08
24.00	1.4200	34.08
24.50	1.3910	34.08
25.00	1.3632	34.08
25.50	1.3365	34.08
26.00	1.3108	34.08
26.50	1.2860	34.08
27.00	1.2662	34.08
27.50	1.2393	34.08
\$27.94	1.2198	\$34.08
28.00	1.2198	34.15
28.50	1.2198	34.76
29.00	1.2198	35.37
29.50	1.2198	35.98
30.00	1.2198	36.59

At the effective time of the merger, all shares of City Bancorp common stock held by City Bancorp or BancorpSouth or any of their respective subsidiaries, other than shares held in a fiduciary capacity or in connection with a debt previously contracted, will be canceled and will cease to exist, and no BancorpSouth common stock or other consideration will be delivered in exchange for such shares. Also at the effective time of the merger, all shares of

BancorpSouth common stock held by City Bancorp or its subsidiary bank, other than shares held in a fiduciary capacity or in connection with a debt previously contracted, will become authorized but unissued shares of

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BancorpSouth and all other shares of BancorpSouth common stock outstanding as of the effective time of the merger will remain outstanding.

At the effective time of the merger, City Bancorp shareholders, other than those who perfect dissenters' rights, will have no further rights as City Bancorp shareholders, other than to receive the consideration to be issued to them in the merger. After the effective time of the merger, there will be no transfers on City Bancorp's stock transfer books of shares of City Bancorp common stock. If, after the effective time, stock certificates representing shares of City Bancorp common stock are presented for transfer to Computershare Trust Company, N.A., the exchange agent for the merger, they will be canceled and exchanged for certificates representing shares of BancorpSouth common stock and/or cash as provided in the merger agreement.

If, prior to the merger, shares of BancorpSouth common stock are changed into a different number or class of shares as a result of any reclassification, recapitalization, split-up, combination, exchange of shares or readjustment, or if a stock dividend is declared on the shares of BancorpSouth common stock with a record date prior to the merger, the exchange ratio and merger consideration will be adjusted to result in the same aggregate consideration being delivered to City Bancorp shareholders as would have been received had no such event occurred.

At the effective time of the merger, persons who are BancorpSouth shareholders immediately prior to the merger will own more than []% of the outstanding shares of common stock of the combined company and persons who are City Bancorp shareholders immediately prior to the merger will own less than []% of the outstanding shares of common stock of the combined company.

Cash or Stock Election