

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)**

<b>Mississippi</b> (State or other jurisdiction of incorporation or organization)	<b>6712</b> (Primary Standard Industrial Classification Code Number)	<b>64-0659571</b> (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.

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.

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.

**CALCULATION OF REGISTRATION FEE**

<b>Title of each class of securities to be registered</b>	<b>Amount to be registered<sup>(1)</sup></b>	<b>Proposed maximum offering price per share</b>	<b>Proposed maximum aggregate offering price<sup>(2)</sup></b>	<b>Amount of registration fee</b>
Common stock, par value \$2.50 per share <sup>(3)</sup>	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.

	<b>10-day Average Closing Price of BancorpSouth Common Stock</b>	<b>Exchange Ratio</b>	<b>Implied Value per Share of City Bancorp Common Stock</b>
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.

	<b>10-day Average Closing Price of BancorpSouth Common Stock</b>	<b>Exchange Ratio</b>	<b>Implied Value per Share of City Bancorp Common Stock</b>
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 <sup>1</sup> 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 <sup>2</sup> (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	[ ]

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

<sup>2</sup> 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)						
<b>Earnings Summary:</b>							
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
<b>Per Share Data:</b>							
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
<b>Balance Sheet Data (period end):</b>							
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**

	<b>For the Years Ended December 31,</b>					<b>For the Nine Months Ended September 30, (Unaudited)</b>	
	<b>2005</b>	<b>2004<sup>1</sup></b>	<b>2003<sup>1</sup></b>	<b>2002<sup>1</sup></b>	<b>2001<sup>1</sup></b>	<b>2006</b>	<b>2005</b>
	<b>(Dollars in Thousands, Except Per Share Amounts)</b>						
<b>Earnings</b>							
<b>Summary:</b>							
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
<b>Per Share Data:</b>							
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
<b>Balance Sheet Data (period end):</b>							
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

<sup>1</sup> 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.

**Table of Contents****COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA**

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**

	<b>BancorpSouth Historical</b>	<b>City Bancorp Historical</b>	<b>Pro Forma Combined</b>	<b>Pro Forma-Equivalent City Bancorp</b>
<b>Income from continuing operations for the 12 months ended December 31, 2005</b>				
Basic	\$ 1.47	\$ 1.57	\$ 1.45	\$ 1.89
Diluted	1.47	1.53	1.44	1.88
<b>Income from continuing operations for the nine months ended September 30, 2006</b>				
Basic	1.31	1.42	1.30	1.68
Diluted	1.31	1.39	1.29	1.67
<b>Cash Dividends Declared</b>				
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
<b>Book Value</b>				
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:

<b>Ratios</b>	<b>BancorpSouth/ City Bancorp</b>	<b>Trading Multiples for Selected Peer Group Without Control Premium Applied (1)</b>		
		<b>10<sup>th</sup> Percentile</b>	<b>Median</b>	<b>90<sup>th</sup> Percentile</b>
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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<b>Ratios</b>	<b>Trading Multiples for Selected Peer Group With</b>			
	<b>BancorpSouth/ City Bancorp</b>	<b>Control Premium Applied (1)</b>		
		<b>10<sup>th</sup> Percentile</b>	<b>Median</b>	<b>90<sup>th</sup> Percentile</b>
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 <sup>1</sup>	\$	34.08 <sup>2</sup>
x City Bancorp Shares Outstanding		4,885,589.00 <sup>3</sup>
= Consideration to Common Shareholders		166,500,873.00
+ Moneyness of City Bancorp Options		3,499,497.00 <sup>4</sup>
= Total Deal Value	\$	170,000,371.00

**Options**

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

<sup>1</sup> 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.

<sup>2</sup> Prior to funding escrow.

- <sup>3</sup> Per merger agreement.
- <sup>4</sup> See calculation below.
- <sup>5</sup> 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.

	<b>100% Escrow Recovery</b>	<b>No Escrow Recovery</b>
Total Deal Value	\$ 170,000,371	\$ 170,000,371
- Moneyness 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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		<b>City Financial Measure</b>		<b>Deal Value</b>	<b>Multiple</b>	
Price/Book Value (as reported at 6/30/06)		\$ 70,709,000		\$ 170,000,000	<b>240.4%</b>	
Price/Tangible Book Value		\$ 56,597,000		\$ 170,000,000	<b>300.4%</b>	
Price/Assets		\$ 827,343,000		\$ 170,000,000	<b>20.5%</b>	
Premium to Tangible Book Value % Core Deposits				\$ 170,000,000	<b>23.7%</b>	
Price/LTM Earnings (as reported at 6/30/06)		\$ 8,372,000		\$ 170,000,000	<b>20.31</b>	
Price/LTM Earnings (adjusted)		\$ 8,339,000		\$ 170,000,000	<b>20.39</b>	
Price/Budgeted 2006 Earnings		\$ 9,815,400		\$ 170,000,000	<b>17.32</b>	
		<i>Median of Group*</i>				
	<b>City/</b>	<b>Group 1</b>	<b>Group 2</b>	<b>Group 3</b>	<b>Group 4</b>	<b>Group 5</b>
	<b>BancorpSouth</b>	<b>National</b>	<b>Midwest</b>	<b>Mid-South</b>	<b>Missouri</b>	<b>Metro</b>
		<b>Assets</b>	<b>(\$500 MM -</b>	<b>(\$500 MM -</b>	<b>(since</b>	<b>(since</b>
		<b>(\$500 MM -</b>	<b>\$1.5 BN)</b>	<b>\$1.5 BN)</b>	<b>1/1/2000)</b>	<b>1/1/2000)</b>
		<b>\$1.5 BN)</b>				
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>
<b>\$14,767</b>	-10%	\$136,602	\$144,815	\$153,028	\$161,242	\$169,455	\$177,669
<b>\$15,588</b>	-5%	\$143,451	\$152,121	\$160,791	\$169,461	\$178,131	\$186,801
<b>\$16,408</b>		\$150,292	\$159,418	\$168,545	\$177,671	\$186,797	\$195,923
<b>\$17,228</b>	5%	\$157,134	\$166,716	\$176,298	\$185,880	\$195,462	\$205,045
<b>\$18,049</b>	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**

<b>Balance Sheet (\$000)</b>		<b>Income Statement LTM (\$000s)</b>	
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)
<b>Ratio Analysis (LTM @ 6/30/06)</b>		<b>Peer</b>	
Return on Average Assets	1.14%	1.20%	Pre-Tax Income
Return on Average Equity	13.52%	13.54%	Income Taxes
Net Interest Margin	3.69%	2.87%	<b>Net Income</b>
Core Fee Income/Average Assets	1.79%	2.80%	\$ 130,908
Operating Expense/Average Assets	3.29%	3.29%	Total Dividends
Operating Income/Average Assets	1.88%	2.04%	\$ 60,814
Efficiency Ratio	63.63%	61.68%	Payout Ratio
			46.5%

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

		<i>Median</i>	
	<b>Multiple</b>	<b>Mid-South Group</b>	<b>National (\$5 BN- \$15 BN)</b>
Price/Book Value (as reported at 9/30/06)	<b>199.8%</b>	208.7%	209.0%
Price/Tangible Book Value	<b>238.7%</b>	270.5%	307.5%
Price/LTM Earnings (LTM ending 9/30/06 for BancorpSouth)	<b>14.96</b>	16.24	15.86
Price/Estimated 2006 Earnings	<b>14.96</b>	15.24	15.54
Price/Estimated 2007 Earnings	<b>14.46</b>	14.61	14.47
Dividend Yield	<b>3.07%</b>	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 <sup>1</sup> 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 <sup>2</sup> (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	[ ]

<sup>1</sup> 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:

<b>10-day Average Closing Price of BancorpSouth Common Stock</b>	<b>Exchange Ratio</b>	<b>Implied Value per Share of City Bancorp Common Stock</b>
\$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
<b>\$22.86</b>	<b>1.4908</b>	<b>\$34.08</b>
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
<b>\$27.94</b>	<b>1.2198</b>	<b>\$34.08</b>
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**

Each shareholder of City Bancorp has the opportunity to elect the type of consideration to be received for such shareholder's shares of City Bancorp common stock in the merger—cash, shares of BancorpSouth common stock or a combination of both. All elections by City Bancorp shareholders are subject to the allocation and proration procedures described in the merger agreement. These procedures are intended to ensure that in the aggregate 50% of the outstanding shares of City Bancorp common stock will be converted into the right to receive BancorpSouth common stock and the remaining shares of City Bancorp common stock will be converted into the right to receive cash.

It is unlikely that elections will be made in the exact proportions required in the merger agreement. As a result, the merger agreement describes procedures to be followed if City Bancorp shareholders in the aggregate elect to receive more or less of BancorpSouth common stock than BancorpSouth has agreed to issue. These procedures are summarized below.

**If BancorpSouth Common Stock is Oversubscribed:** If City Bancorp shareholders elect to receive in the aggregate more shares of BancorpSouth common stock than the number that BancorpSouth has agreed to issue in the merger, then all City Bancorp shareholders who have elected to receive cash or who have made no election will receive cash for their shares of City Bancorp common stock and all shareholders who elected to receive BancorpSouth common stock will receive a pro rata portion of the available shares of BancorpSouth common stock plus cash for those shares not converted into shares of BancorpSouth common stock.

**If BancorpSouth Common Stock is Undersubscribed:** If City Bancorp shareholders elect to receive in the aggregate fewer shares of BancorpSouth common stock than the number that BancorpSouth has agreed to issue in the merger, and

(1) this shortfall is less than or equal to the number of shares of City Bancorp common stock to which City Bancorp shareholders have made no election times the exchange ratio, then all City Bancorp shareholders who have elected to receive BancorpSouth common stock will receive BancorpSouth common stock, all City Bancorp shareholders who have elected to receive cash will receive cash and all City Bancorp shareholders who made no election will receive a pro rata

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portion of the remaining shares of BancorpSouth common stock to be issued in the merger plus cash for those shares not converted into shares of BancorpSouth common stock; or

(2) this shortfall is greater than the number of shares of City Bancorp common stock as to which City Bancorp shareholders have made no election times the exchange ratio, then all City Bancorp shareholders who have elected to receive BancorpSouth common stock or who have made no election will receive only BancorpSouth common stock and all City Bancorp shareholders who have elected to receive cash will receive a pro rata portion of the remaining shares of BancorpSouth common stock to be issued in the merger plus cash consideration for those shares not converted into shares of BancorpSouth common stock.

Neither City Bancorp nor BancorpSouth is making any recommendation as to whether City Bancorp shareholders should elect to receive cash or BancorpSouth common stock in the merger. Each City Bancorp shareholder must make his or her own decision with respect to such election.

No guarantee can be made that you will receive the amounts of cash or stock you elect. As a result of the allocation procedures outlined in this document and in the merger agreement, you may receive BancorpSouth common stock or cash in amounts that vary from the amounts you elect to receive.

**Election Procedures; Surrender of Stock Certificates**

If you are a record holder of City Bancorp common stock, an election form and letter of transmittal should have been provided to you with this Proxy Statement/Prospectus. The election form will entitle you to elect to receive BancorpSouth common stock, cash or a combination of cash and BancorpSouth common stock, or to make no election with respect to the merger consideration that you wish to receive.

To make a valid election, you must submit a properly completed election form to Computershare Trust Company, N.A., which will be acting as the exchange agent, on or before 5:00 p.m., Central Time, on the 10th business day immediately following the meeting of shareholders of City Bancorp to vote on the merger agreement. Computershare will act as exchange agent in the merger and in that role will process the exchange of City Bancorp common stock certificates for BancorpSouth common stock and/or cash. As soon as practicable after the election deadline, the exchange agent will allocate shares of BancorpSouth common stock and cash among City Bancorp shareholders, consistent with their elections and the allocation and proration procedures. **Please do not forward your City Bancorp stock certificates, election form and letter of transmittal with your proxy card. Stock certificates, election forms and letters of transmittal should be returned in the brown postage-paid business reply envelope to the exchange agent in accordance with the instructions contained in the election form.**

An election form will be deemed properly completed only if accompanied by stock certificates representing all shares of City Bancorp common stock covered by the election form (or an appropriate guarantee of delivery) together with duly executed transmittal materials included with the election form. You may change your election at any time prior to the election deadline by written notice accompanied by a properly completed and signed, revised election form received by the exchange agent prior to the election deadline. You may revoke your election by written notice received by the exchange agent prior to the election deadline. All elections will be revoked, and share certificates returned, automatically if the merger agreement is terminated. If you have a preference for receiving either BancorpSouth common stock and/or cash for your City Bancorp common stock, you should complete and return the election form. If you do not make an election, you will be allocated BancorpSouth common stock and/or cash depending on the elections made by other City Bancorp shareholders.

City Bancorp shareholders who do not submit a properly completed election form or who revoke their election form prior to the election deadline will have their shares of City Bancorp common stock designated as shares for which no election has been made.

City Bancorp shareholders who hold their shares of common stock in street name through a bank, broker or other financial institution, and who wish to make an election, should seek instructions from the institution holding their shares of City Bancorp common stock concerning how to make the election.

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BancorpSouth will deposit with the exchange agent the shares representing BancorpSouth's common stock and cash to be issued to City Bancorp shareholders in exchange for their shares of City Bancorp common stock, less the amount of shares of BancorpSouth common stock and cash put into escrow, as described below. Upon surrendering his or her certificate(s) representing shares of City Bancorp common stock, together with the signed letter of transmittal, the City Bancorp shareholder will be entitled to receive on closing of the merger, as applicable:

certificate(s) representing a number of whole shares of BancorpSouth common stock (if any) determined in accordance with the exchange ratio;

a check representing the amount of cash (if any) to which such holder is entitled; and

a check representing the amount of cash in lieu of fractional shares, if any.

Until you surrender your City Bancorp stock certificates for exchange, you will not be paid dividends or other distributions declared after the merger to which you are entitled with respect to any BancorpSouth common stock into which your shares have been exchanged. No interest will be paid or accrued to City Bancorp shareholders on the cash consideration, cash in lieu of fractional shares or unpaid dividends and distributions, if any. After the completion of the merger, there will be no further transfers of City Bancorp common stock. City Bancorp stock certificates presented for transfer will be canceled and exchanged for the merger consideration.

If any of your stock certificates representing City Bancorp common stock have been lost, stolen or destroyed, BancorpSouth may require you to give an affidavit and/or post a bond in an amount that is customarily required by BancorpSouth or the exchange agent as indemnity against any claim that may be made with respect to your City Bancorp stock certificate(s). Upon making such affidavit and/or posting such bond, the exchange agent will issue the consideration due under the merger agreement.

If any stock certificate representing shares of BancorpSouth's common stock is to be issued in a name other than that in which the stock certificate for shares of City Bancorp common stock surrendered in exchange is registered, it will be a condition of issuance or payment that the stock certificate so surrendered be properly endorsed or otherwise be in proper form for transfer and that the person requesting the exchange either:

pay to the exchange agent in advance any transfer or other taxes required by reason of the issuance of a stock certificate representing shares of BancorpSouth common stock in any name other than the registered holder of the stock certificate surrendered; or

establish to the satisfaction of the exchange agent that the tax has been paid or is not payable.

Any portion of the cash or shares of BancorpSouth common stock made available to the exchange agent that remains unclaimed by City Bancorp shareholders for 12 months after the effective time of the merger will be returned to BancorpSouth. Following the 12-month period after the effective time, any City Bancorp shareholder who has not exchanged shares of City Bancorp common stock for the merger consideration in accordance with the merger agreement may look only to BancorpSouth for payment of the merger consideration for those shares and any unpaid dividends or distributions. Nonetheless, BancorpSouth, City Bancorp, the exchange agent or any other person will not be liable to any City Bancorp shareholder for any amount of the unclaimed merger consideration properly delivered to a public official under applicable abandoned property, escheat or similar laws.

### **Treatment of Stock Options**

At the effective time of the merger, each outstanding and unexercised option to purchase shares of City Bancorp common stock granted by City Bancorp will, by virtue of the merger, cease to represent a right to acquire shares of City Bancorp common stock and will become an option to purchase shares of BancorpSouth common stock. The number of shares of BancorpSouth common stock to be subject to the new option will be equal to the number of whole shares of BancorpSouth common stock to which the holder of the City Bancorp option would have been entitled if the City Bancorp option had been exercised in full immediately prior to the effective time and the holder had elected to receive only shares of BancorpSouth common stock as merger consideration. The exercise

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price per share of the BancorpSouth common stock under the new option 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 new option as provided above. The new options will be subject to the same terms and conditions, including expiration date and exercise provisions, and provide the same rights as were applicable to the corresponding City Bancorp stock options immediately prior to the effective time except that the options that have not previously vested shall automatically vest at the effective time of the merger.

**Representations and Warranties**

The merger agreement contains a number of representations and warranties by City Bancorp and BancorpSouth regarding aspects of their respective businesses, financial condition, structure and other facts pertinent to the merger that are customary for a transaction of this kind. They include, among other things, representations as to:

the organization, existence, corporate power and authority and capitalization of each company and their respective subsidiaries;

the absence of conflicts with and violations of law and various documents, contracts and agreements;

the consents or approvals of or filings or registrations with any governmental authority or third party necessary in connection with the consummation of the merger;

the filing of all reports, registrations and statements with applicable regulatory agencies;

the accuracy of reports and financial statements provided to the other company;

the absence of any event or circumstance which is reasonably likely to have a material adverse effect;

the accuracy of information relating to each respective company contained in this Proxy Statement/Prospectus;

required approvals for the merger;

the absence of materially adverse litigation;

compliance with applicable laws;

the adequacy and efficacy of insurance coverage;

ownership of properties and assets; and

qualification of the merger under Section 368(a) of the Internal Revenue Code.

The merger agreement also contains a number of additional representations and warranties solely by City Bancorp regarding aspects of its business, financial condition, structure and other facts pertinent to the merger that are customary for a transaction of this kind. They include, among other things, representations as to:

the absence of any broker's or finder's fees, other than consulting fees to be paid to Stifel Nicolaus, due in connection with the merger;

the timely filing and accuracy of tax returns and timely payment of taxes due and owing;

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the operation of all employee benefit plans in accordance with applicable law and the compensation and other information related to the current employees;

the existence, performance and legal effect of certain contracts;

the absence of certain agreements with regulatory agencies;

the absence of any anti-takeover laws to which City Bancorp or the merger is subject;

compliance with applicable environmental laws;

loan portfolio matters;

the absence of any loan or other credit that would have violated Section 13(k) of the Securities Exchange Act of 1934;

the absence of any termination of a banking relationship by a customer that would have a material adverse effect on City Bancorp;

the accuracy of certain books and records;

each registered representative of a broker-dealer firm that is a member of the National Association of Securities Dealers, Inc. and also an employee of City Bancorp or any of its subsidiaries being duly registered, licensed or qualified as a registered representative and in compliance with all laws and regulations of all jurisdictions in which he or she is required to be so registered;

good title to all securities and commodities owned (except those sold under repurchase agreements or held in any fiduciary or agency capacity); and

the absence in the merger agreement of any untrue statement of material fact or an omission of a material fact necessary to make the statements contained in the merger agreement not misleading.

All representations, warranties and covenants of the parties, other than the covenants in specified sections which relate to continuing matters, terminate upon the closing of the merger.

**Conduct of Business Prior to the Merger and Other Covenants**

In the merger agreement, City Bancorp and BancorpSouth agreed that, except as expressly contemplated or permitted by the merger agreement or with the prior written consent of the other party, each will carry on its respective business in the ordinary course consistent with past practice. Each of the parties also agreed to refrain from engaging in, or permitting its subsidiaries to engage in, certain activities which are described in the merger agreement.

City Bancorp has agreed to refrain from (unless consented to by BancorpSouth), among other things:  
declaring or paying any dividends on, or making other distributions in respect of, any of its capital stock during any period, other than a dividend by a subsidiary of City Bancorp to City Bancorp;  
provided, however that City Bancorp may declare and pay regular annual cash dividends in accordance with its past practice not in excess of 30% of its net income as of the end of the most recent calendar year and may declare and pay pro rata dividends as of the closing date, calculated based on 30% of net income for the previous calendar year, divided by the number of full months that have elapsed in the calendar year in which the closing occurs;



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(i) repurchasing, redeeming or otherwise acquiring, with certain exceptions, any shares of the capital stock of City Bancorp or any subsidiary of City Bancorp, or any securities convertible into or exercisable for any shares of the capital stock of City Bancorp or any subsidiary of City Bancorp, (ii) splitting, combining or reclassifying any shares of City Bancorp's capital stock, or issuing or authorizing or proposing the issuance of any other securities to replace shares of City Bancorp's capital stock, or (iii) issuing, delivering or selling, or authorizing or proposing the issuance, delivery or sale of, any shares of City Bancorp's capital stock or any securities convertible into or exercisable for, or any rights, warrants or options to acquire, any such shares, or enter into any agreement with respect to any of the foregoing, with certain exceptions;

amending its charter or bylaws;

soliciting, initiating, facilitating, entertaining, accepting or participating in any discussions relating to any business combination involving it or any offer to acquire all or a substantial portion of its assets;

making capital expenditures, with certain exceptions, in excess of \$600,000 in the aggregate;

entering into any new line of business;

engaging in an acquisition of another business or assets which would be material, or which could reasonably be expected to delay the merger;

taking any action intended or reasonably expected to result in any of its representations and warranties in the merger agreement being or becoming untrue, or in any of the conditions to the merger set forth in the merger agreement not being satisfied;

changing its methods of accounting in effect at December 31, 2005, except as required by changes in U.S. generally accepted accounting principles or regulatory accounting principles;

except as provided otherwise in the merger agreement, (i) adopting, amending or terminating any employee benefit plan or any agreement, plan or policy with one or more of its current or former directors, officers or employees, (ii) except in the ordinary course of business, increasing in any manner the cash compensation or fringe benefits of any director, officer or employee or paying any benefit not required by any employee plan or agreement as in effect as of the date of the merger agreement, and (iii) granting or awarding any stock options, stock appreciation rights, restricted stock, restricted stock units or performance units or shares;

encumbering or disposing of any of its material assets or properties other than in the ordinary course of business consistent with past practice;

incurring any indebtedness other than in the ordinary course of business consistent with past practice;

filing any application to relocate or terminate the operations of any of its or its subsidiaries' banking offices;

entering into, amending or terminating any contract, agreement or lease for goods, services or office space to which it is a party or by which it or its properties is bound involving aggregate payment obligations in excess of \$100,000, other than the renewal in the ordinary course of business of any lease which expires prior to the effective time of the merger;

taking any action or entering into any agreement that could reasonably be expected to jeopardize or materially delay the receipt of any required regulatory approval; or



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entering or committing to enter into any new loans outside the ordinary course of business or in an original principal amount in excess of \$2 million or renewing or committing to renew any existing loans in a principal amount in excess of \$2 million, or any new loans subject to the requirements of Regulation O of the Federal Reserve Board, 12 C.F.R. §215, in excess of \$200,000.

BancorpSouth has agreed to refrain from (unless consented to by City Bancorp), among other things:

taking any action intended or reasonably expected to result in any of its representations and warranties in the merger agreement being or becoming untrue, or in any of the conditions to the merger set forth in the merger agreement not being satisfied;

taking any action that could reasonably be expected to jeopardize the receipt of any required regulatory approval; or

changing its methods of accounting in effect at December 31, 2005, except as required by changes in U.S. generally accepted accounting principles or regulatory accounting principles.

The merger agreement also contains certain other agreements relating to the conduct of the parties prior to the merger, including, among other things, those requiring each party to:

apply for and obtain all consents and approvals required to complete the merger;

take all actions required to comply with any legal requirements to complete the merger;

use reasonable best efforts not to take any action that would reasonably be expected to prevent the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code; and

use reasonable best efforts to cause BancorpSouth to succeed to City Bancorp's rights, interests and obligations pursuant to the indentures, dated as of September 25, 2003 and December 21, 2004, regarding certain floating rate junior subordinated debt securities.

City Bancorp has agreed to call and hold a special meeting of its shareholders and, through its board of directors, to recommend the merger agreement for approval to its shareholders (if and to the extent it reasonably believes such action is consistent with the fulfillment of its fiduciary duties). City Bancorp has also agreed to:

use its reasonable best efforts to cause each director, executive officer and other person who is an affiliate of City Bancorp for purposes of Rule 145 under the Securities Act of 1933 to deliver to BancorpSouth a written agreement intended to ensure compliance with the Securities Act;

use its reasonable best efforts to obtain all third-party consents required under certain of its contracts;

afford BancorpSouth and its representatives access during normal business hours to all information concerning its business, properties and personnel as BancorpSouth may reasonably request;

freeze, amend, spin-off, merge or take other action with respect to any employee plans as may be requested by BancorpSouth;

obtain the consent of all option holders to the conversion of the City Bancorp options into new BancorpSouth options; and

give prompt notice of any event or circumstance that could cause any representation or warranty to be false or misleading in any material respect or that may cause any condition to the merger not to be satisfied as of the closing date of the merger.

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BancorpSouth has agreed to:

cause the employees of City Bancorp to be eligible to participate in BancorpSouth's employee benefit plans to the same extent as similarly situated employees of BancorpSouth participate;

cause the shares of BancorpSouth common stock to be issued in the merger to be approved for listing on the New York Stock Exchange; and

give prompt notice of any event or circumstance that could cause any representation or warranty to be false or misleading in any material respect or that may cause any condition to the merger not to be satisfied as of the closing date of the merger.

**Conditions to the Merger**

The obligations of City Bancorp and BancorpSouth to complete the merger are subject to the satisfaction (or waiver, where legally allowed), at or prior to the effective time of the merger, of a number of conditions, which are set forth in the merger agreement. These conditions include:

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 regulatory approvals and the expiration of any regulatory waiting periods;

BancorpSouth's registration statement on Form S-4 becoming effective under the Securities Act of 1933;

the absence of any governmental order, regulation or injunction preventing or restricting completion of the merger;

the representations and warranties of each company set forth in the merger agreement being true and correct in all material respects as of the closing date of the merger;

the obligations of each company set forth in the merger agreement, to the extent qualified as to materiality or a material adverse effect, being performed in all respects;

the absence of any pending proceeding initiated by a governmental entity seeking an injunction;

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 company that the U.S. federal income tax treatment of the merger generally be as described in this Proxy Statement/Prospectus;

If requested by BancorpSouth, BancorpSouth receiving consent from City Bancorp employees for the conversion of City Bancorp options to BancorpSouth options;

BancorpSouth receiving 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 (said employment agreements have been received by BancorpSouth);

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City Bancorp amending, modifying or obtaining tail coverage to provide continuing coverage under its existing insurance policies;

City Bancorp securing the release of certain liens; and

receipt of an executed copy of the escrow agreement.

We cannot guarantee that the required regulatory approvals will be obtained or that all of the other conditions precedent to the merger will be satisfied or, where legally permitted, waived by the party permitted to do so.

**Termination of the Merger Agreement**

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, 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;

the City Bancorp shareholders do not 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 materially untrue representation or material breach is not cured within the prescribed time limit.

BancorpSouth may terminate the merger agreement if City Bancorp's board of directors has failed to recommend the merger agreement to its shareholders or has withdrawn, modified or changed, in a manner adverse to BancorpSouth, its approval and recommendation of the merger agreement.

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.

In the event of termination of the merger agreement, the merger agreement will become void and have no effect, except with respect to the parties' obligations regarding confidential information, notices, publicity and expenses as set forth in the merger agreement. Termination also will not relieve or release a breaching party from liability or damages for its willful breach of the merger agreement.

In the event the merger agreement is terminated for certain reasons specified in the merger agreement, City Bancorp must pay \$4.5 million in cash to BancorpSouth on demand if City Bancorp pursues discussions or negotiations with another prospective acquirer within nine months after termination of the merger agreement.

**Escrow Fund**

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

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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.

City Bancorp shareholders will not be entitled to vote the shares of BancorpSouth common stock deposited into the escrow fund until such shares are distributed to them unless they affirmatively elect to retain such voting rights. If no election is made, two co-representatives will be appointed to vote such shares pursuant to the terms of the escrow agreement. The escrow agent will not be liable for any of its actions under the escrow agreement except in the event of its gross negligence, willful misconduct or bad faith; and will be indemnified out of the escrow fund for any loss, liability or expense (if not resulting from its gross negligence, willful misconduct or bad faith) reasonably incurred by it arising out of or in connection with the escrow agreement. 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.

**Indemnification**

BancorpSouth agreed to provide indemnification to the officers and directors of City Bancorp, other than for the litigation that is the subject of the escrow agreement, subject to restrictions imposed by law, after the merger.

**Amendment of the Merger Agreement**

Subject to compliance with applicable law, the merger agreement may be amended by City Bancorp and BancorpSouth by action taken or authorized by their respective boards of directors at any time. After any approval of the merger agreement by City Bancorp shareholders, however, there may not be, without further approval of the City Bancorp shareholders, any amendment of the merger agreement which reduces the amount or changes the form of the consideration due under the merger agreement, other than as contemplated in the merger agreement. The merger agreement may not be amended except by an instrument in writing signed by an authorized representative on behalf of BancorpSouth and City Bancorp.

**Waiver**

Prior to the merger, BancorpSouth and City Bancorp may extend the time for the performance of any of the obligations or other acts of the other party to the merger agreement, waive any inaccuracies in the representations or warranties of the other party contained in the merger agreement or waive compliance with any of the agreements or conditions of the other party contained in the merger agreement.

**Expenses**

Each party to the merger agreement will bear all expenses incurred by it in connection with the merger agreement and the merger.

**Management and Operations Following the Merger**

After the merger, BancorpSouth will be managed by the same board of directors and executive officers as existed prior to the merger. City Bancorp will be merged with and into BancorpSouth. The surviving corporation will operate under the name BancorpSouth, Inc. and will continue to engage in the same business as prior to the merger. City Bancorp's subsidiary bank, The Signature Bank, will, as a result of the merger, become a wholly-owned subsidiary of BancorpSouth, Inc. The Signature Bank will be managed by the same executive officers as existed prior to the merger. James V. Kelley, L. Nash Allen, Jr. and Cathy S. Freeman will join the board of directors of The Signature Bank; otherwise, the board of directors will also remain as it existed prior to the merger.

**Table of Contents****PRICE RANGE OF COMMON STOCK AND DIVIDENDS****BancorpSouth**

BancorpSouth common stock is listed on the New York Stock Exchange under the symbol BXS. As of [ ], 2007, BancorpSouth common stock was held of record by approximately [ ] holders. 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. You should obtain current market quotations for BancorpSouth common stock from a newspaper, the Internet or your broker. The following table sets forth the high and low sale prices for BancorpSouth common stock as reported on the New York Stock Exchange, and cash dividends declared per share of BancorpSouth common stock, for the periods indicated:

	Sale Prices		Cash
	High	Low	Dividends Per Share
<b>2006</b>			
First Quarter	\$24.69	\$21.78	\$ 0.19
Second Quarter	27.25	23.60	0.20
Third Quarter	28.60	26.03	0.20
Fourth Quarter (through [ ], 2006)	[ ]	[ ]	[ ]
<b>2005</b>			
First Quarter	\$24.45	\$20.29	\$ 0.19
Second Quarter	23.97	19.91	0.19
Third Quarter	25.24	21.38	0.19
Fourth Quarter	23.53	19.93	0.19
<b>2004</b>			
First Quarter	\$24.09	\$21.30	\$ 0.18
Second Quarter	23.00	19.35	0.18
Third Quarter	23.50	20.48	0.18
Fourth Quarter	25.25	22.85	0.19

**City Bancorp**

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. As of [ ], 2007, City Bancorp common stock was held by [ ] holders of record. The following table sets forth the cash dividends declared per share of City Bancorp common stock for the periods indicated:

	Cash Dividends Per Share
<b>2006</b>	
First Quarter	\$ 0.28
Second Quarter	
Third Quarter	
Fourth Quarter (through [ ], 2006)	[ ]
<b>2005</b>	
First Quarter	
Second Quarter	
Third Quarter	
Fourth Quarter	

**2004**

First Quarter

Second Quarter

Third Quarter

Fourth Quarter

\$ 0.30

72

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**INFORMATION ABOUT BANCORPSOUTH**

Important business and financial information about BancorpSouth is incorporated by reference into this Proxy Statement/Prospectus. See the section entitled **WHERE YOU CAN FIND MORE INFORMATION** that begins on page 106 of this Proxy Statement/Prospectus.

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**INFORMATION ABOUT CITY BANCORP**

**Business**

In June 1997, 17 Springfield, Missouri area businessmen joined together and invested \$5.75 million to form Signature Bancshares, Inc., a bank holding company, and its subsidiary, Signature Bank, a state chartered bank. On January 31, 1997, City Bancorp, a bank holding company, was incorporated, along with its subsidiary, The Bank, a state chartered bank.

In 2004, Signature Bancshares, Inc. merged with and into City Bancorp, with City Bancorp as the surviving entity. On July 29, 2004, The Bank merged with and into Signature Bank creating a new entity, The Signature Bank. The Signature Bank is a state chartered bank subject to regulation by the Missouri Division of Finance and the FDIC.

City Bancorp's principal activity is the ownership and management of its wholly-owned subsidiary, The Signature Bank. The Signature Bank provides a range of retail and commercial banking services, including non-interest bearing and interest-bearing checking, savings and money market accounts, certificates of deposit and NOW accounts as well as commercial real estate, commercial and industrial real estate construction, residential real estate and consumer loans. Through its brokerage and investment services division, The Signature Bank also offers brokerage services.

The Signature Bank has six locations in Springfield, Missouri and a loan production office in St. Louis, Missouri. The Signature Bank has also received permission from the FDIC and the Missouri Division of Finance to open two full service branches in St. Louis, both of which are expected to open in the second quarter of 2007.

**Market Price of and Dividends on Common Equity and Related Stockholder Matters**

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. As of [ ], 2007, City Bancorp common stock was held by [ ] holders of record. City Bancorp has generally paid stockholders an annual dividend amount of 30% of annual net income.

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

*Overview*

City Bancorp's assets consist primarily of its investment in The Signature Bank and its primary activities are conducted through The Signature Bank. The Signature Bank vision is in attracting and retaining experienced bankers who have a passion for excellence, and in increasing the products, services and markets provided to meet the ever-changing financial needs of its customers. The Signature Bank provides a full range of banking services to individual and corporate customers in Springfield, Missouri and is in the process of offering a full range of banking services to individual and corporate customers in St. Louis by establishing two branch offices in St. Louis, Missouri where it currently operates a loan production office. At September 30, 2006, City Bancorp's consolidated total assets were \$850.8 million, its consolidated net loans were \$759.7 million, its total deposits were \$600.4 million and its total shareholders' equity was \$73.5 million. At September 30, 2005, City Bancorp's consolidated total assets were \$749.6 million, its consolidated net loans were \$643.2 million, its total deposits were \$555.6 million and its total shareholders' equity was \$65.6 million.

City Bancorp's results of operations depend primarily on The Signature Bank's net interest income, which is the difference between the income earned on The Signature Bank's loan and securities portfolios and its cost of funds, consisting of the interest paid on deposits and borrowings. Results of operations are also affected by The Signature Bank's provision for loan losses, noninterest income and noninterest expense. Noninterest income consists primarily of fees and service charges. The Signature Bank's noninterest expense consists principally of

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compensation and employee benefits, occupancy, equipment, data processing and other operating expenses. Results of operations are significantly affected by general economic and competitive conditions and changes in interest rates, as well as government policies and actions of regulatory authorities. Additionally, future changes in applicable law, regulations or government policies may materially affect City Bancorp's results of operations and financial condition.

In 2004, Signature Bancshares, Inc. merged with and into City Bancorp, with City Bancorp surviving the merger. Many of the comparisons between the years ended December 31, 2004 and December 31, 2003 set forth in the analysis below will contain year-to-year differences that directly relate to the 2004 merger.

The accompanying tables and the discussion and financial information are presented to aid in understanding City Bancorp's financial condition and results of operations.

### *Critical Accounting Policies and Estimates*

The accounting principles followed by City Bancorp and its principal wholly-owned subsidiary, The Signature Bank, are those which are generally practiced within the banking industry. The methods of applying such principles conform to generally accepted accounting principles and have been applied on a consistent basis. The principles which significantly affect the determination of financial position, results of operations, changes in shareholders' equity and cash flows are summarized below.

### Principles of Consolidation

The consolidated financial statements include the accounts of City Bancorp and The Signature Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses. In connection with the determination of the allowance for loan losses, management obtains independent appraisals for significant properties.

### Securities

Held-to-maturity securities, which include any security for which City Bancorp has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts. Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on a specific-identification method.

### Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

### Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for any charge-offs and the allowance for loan losses. Interest income is reported on the interest method. Generally, loans are placed on nonaccrual status at 90 days past due and interest is considered a loss, unless the loan is well secured and in the process of collection.

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### **Allowance for Loan Losses**

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

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that The Signature Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

### **Premises and Equipment**

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

### **Business Acquisition**

On February 29, 2004, Signature Bancshares, Inc. and its subsidiary, Signature Bank, completed a merger with City Bancorp and its subsidiary, The Bank. Signature Bancshares, Inc. was considered to be the acquiror for financial reporting purposes; however, the legal survivor was City Bancorp. Purchase accounting was applied to City Bancorp and its wholly owned subsidiary, The Bank. The results of City Bancorp's operations have been included in the consolidated financial statements since that date. The two subsidiary banks were subsequently merged together on July 29, 2004, and were renamed The Signature Bank.

### **Intangible Assets**

Intangible assets are being amortized on the straight-line basis over five years. Such assets are periodically evaluated as to the recoverability of their carrying value.

### **Goodwill**

Goodwill is tested annually for impairment. If the implied fair value of goodwill is lower than its carrying amount, a goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

### **Income Taxes**

Deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statements and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized. City Bancorp files consolidated income tax returns with its subsidiary, The Signature Bank.

**Table of Contents****Change in Accounting Principles**

The Financial Accounting Standards Board recently issued Statement No. 123(R), *Share-Based Payment*, which requires City Bancorp to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of those instruments. City Bancorp began applying this change during the fiscal year ended December 31, 2006.

***Results of Operations for the Nine Months Ended September 30, 2006 to the Nine Months Ended September 30, 2005***

Net interest income, the difference between interest revenue earned on assets and interest expense paid on liabilities, generates City Bancorp's largest income source. Net Interest income was \$21.9 million for the nine months ended September 30, 2006, compared to \$18.1 million for the same period of 2005, representing an increase of \$3.8 million or 21%. The improvement in net interest income reflects the increase in the rates and volume of earning assets, offset by the increase in the volume of earning liabilities and higher cost of funds. Interest revenue increased \$10.9 million or 36% for the nine months ended September 30, 2006 while average earning assets increased \$54.5 million or 8% for the nine months ended September 30, 2006. Interest expense increased \$7.0 million or 58% for the nine months ended September 30, 2006 while average interest-bearing liabilities increased \$58.3 million or 10% for the nine months ended September 30, 2006.

Net interest margin, which is calculated by dividing net interest income by average earning assets, measures City Bancorp's lending and fund-raising functions. The net interest margin for the first nine months of 2006 and the first nine months of 2005 was 3.94% and 3.52%, respectively, representing an increase of 42 basis points. The increase in net interest margin was primarily a result of the increase in interest rates earned on earning assets exceeding the increase in the higher cost of funds from the prior period.

The provision for loan losses of \$0.8 million for the nine months ended September 30, 2006 increased by \$0.2 million over the nine months ended September 30, 2005. This increase in the provision for loan losses was a result of the increase of \$110 million in outstanding loans during the period. There were charge offs of \$38,000 and recoveries of \$0.1 million during the nine months ended September 30, 2006, while there were charge offs of \$0.2 million and recoveries of \$24,000 during the nine month period ended September 30, 2005.

The Signature Bank's loans are generally secured by specific items of collateral, including real property, consumer assets and business assets. Although The Signature Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on economic conditions in the area. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require The Signature Bank to recognize additional losses based on their judgments about information available at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term.

In determining the amount of the allowance for loan losses, management of The Signature Bank uses information from the loan committee appointed by The Signature Bank board of directors and ongoing loan review efforts to stratify the portfolio into asset risk classifications and assign a general or specific reserve allocation. The foundation for the allowance is a detailed review of the overall loan portfolio. The portfolio is analyzed based on risk factors, current and historical performance and specific loan reviews. General reserve estimated loss percentages are based on the current and historical loss experience of each loan, regulatory guidelines for losses, the status of past due payments and management's judgment of economic conditions and the related level of risk assumed. Specific reserves are determined on a loan-by-loan basis on management's evaluation of loss exposure for each credit, given current payment status of the loan, and the value of any underlying collateral. Additionally, an unallocated reserve for the total loan portfolio is established to address the risks inherent in the calculations of general and specific reserves and as management's evaluation of various conditions that are not directly measured by any other component of the allowance. Such components may include current general economic conditions affecting key lending areas, credit qualifying trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio and the findings of internal credit administration.



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City Bancorp's noninterest income was \$3.2 million for the nine months ended September 30, 2006 compared to \$3.5 million for the nine months ended September 30, 2005 resulting in a net decrease of \$0.3 million. Noninterest income from mortgage loans sold decreased \$0.5 million due to a decrease in the volume of loans sold during the period while noninterest income from investment commissions increased \$0.4 million and noninterest income from service charges and other fees decreased \$0.2 million for a net decrease in noninterest income of \$0.3 million. The increase in investment commissions is due to the new investment group which began operations in September of 2005. The decrease in service charges and other fees is a result in an increase in the earnings credit rate used for commercial business analysis accounts during the rising interest rate period over the previous nine months.

City Bancorp's noninterest expense was \$13.0 million for the nine months ended September 30, 2006 compared to \$11.8 million for the nine months ended September 30, 2005 which is an increase of \$1.2 million or 10%. The largest increase in noninterest expense was increases in salaries, additions in staff, internal operations and performance increases.

*Results of Operations for the Year Ended December 31, 2005 Compared to the Year Ended December 31, 2004*

Net income for the year ended December 31, 2005 was \$7.5 million, a 63% increase compared to net income of \$4.6 million for the year ended December 31, 2004. The year ended December 31, 2005 was the first full year of operation since the February 29, 2004 merger of City Bancorp and Signature Bancshares, Inc.

Net interest income increased from \$10.2 million for the year ended December 31, 2004, to \$17.3 million for the year ended December 31, 2005. The net yield for the year ended December 31, 2005 averaged 3.61% compared to 3.32% for the year ended December 31, 2004, and was 4.11% at December 31, 2005. The Signature Bank's prime lending rate increased 250 basis points from 4.75% at December 31, 2004 to 7.25% at December 31, 2005.

Management recorded a provision for loan loss expense of \$0.9 million for the year ended December 31, 2005 compared to \$0.7 million for the year ended December 31, 2004. The amount of the provision was largely a result of the \$74.1 million increase in outstanding loans during 2004. Net loan charge offs were \$0.3 million for the year ended December 31, 2005 compared to \$0.4 million for the year ended December 31, 2004.

Noninterest income increased \$0.2 million, or 4%, from \$4.9 million for the year ended December 31, 2004 to \$5.1 million for the year ended December 31, 2005. The net gain on the sale of mortgage loans increased to \$3.2 million for the year ended December 31, 2005 compared to \$2.8 million for the year ended December 31, 2004, a 14% increase. Service charges and fees on deposits decreased to \$1.3 million for the year ended December 31, 2005 from \$1.6 million for the year ended December 31, 2004 primarily as a result of the increased earnings credit rate credited to analysis accounts during the year. Investment brokerage revenue increased to \$0.4 million for the year ended December 31, 2005 as a result of the activities of the new brokerage services provided by the Nadia Caverner Group at The Signature Bank Investments which began at the end of the third quarter of 2005.

Noninterest expense increased 19% to \$16.8 million for the year ended December 31, 2005, from \$14.1 million for the year ended December 31, 2004. The efficiency ratio decreased to 58% for the year ended December 31, 2005 compared to 64% for the year ended December 31, 2004. The largest expense increase was the increase in salaries and benefits from \$8.6 million for the year ended December 31, 2004 to \$10.9 million for the year ended December 31, 2005. This increase in salaries and benefits expense includes the 2005 expansion of services by the new investment brokerage services group, and the first full year of operations by the loan production office in St. Louis.

Provision for income tax expense increased by \$1.5 million for the year ended December 31, 2005, which is a 48% increase over the year ended December 31, 2004 as a result of the increase in pretax earnings.

**Table of Contents***Results of Operation for the Year Ended December 31, 2004 Compared to the Year Ended December 31, 2003*

Net interest income, the difference between interest revenue earned on assets and interest expense paid on liabilities, generates City Bancorp's largest income source. Net interest income was \$17.7 million for the 12 months ended December 31, 2004, compared to \$9.9 million for the same period of 2003, representing an increase of \$7.8 million or 78%. The change in net interest income reflects the 2004 merger of City Bancorp and Signature Bancshares.

Net interest margin, which is calculated by dividing net interest income by average earning assets, measures City Bancorp's lending and fund-raising functions. The net interest margin for the years ended 2004 and 2003 was 3.32% and 3.53%, respectively, representing a change of 21 basis points. The change in the net interest margin reflects the difference in net interest income and average earning assets from the 2004 merger of City Bancorp and Signature Bancshares.

The provision for loan losses of \$0.7 million for the year ended December 31, 2004 decreased by \$0.09 million over the \$0.7 million for the same period of 2003. This change was a result of the analysis of the adequacy of the allowance for loan losses, the procedures for which are discussed above.

City Bancorp's noninterest income was \$4.9 million for the year ended December 31, 2004 compared to \$0.7 million for the year ended December 31, 2003 which is a net increase of \$4.2 million. This large increase is from the merged mortgage loan division of City Bancorp in 2004 being compared to the much smaller mortgage operation of Signature Bancshares.

City Bancorp's noninterest expense was \$14.1 million for the year ended December 31, 2004 compared to \$6.0 million for the year ended December 31, 2003, an increase of \$8.1 million or 135%. This increase is a result of the combined banks following the merger compared to that of Signature Bancshares alone for the year ended December 31, 2003.

*Financial Condition at September 30, 2006 Compared to September 30, 2005*

The financial condition and operating results of The Signature Bank and City Bancorp are affected by the volatility of interest rates on investments, loans, deposits, and borrowings, competition from other financial institutions in Missouri, loan demand from customers and the creditworthiness of existing borrowers.

**Earning Assets**

Earning assets are composed of interest or dividend-bearing assets, including loans, securities, short-term investments and loans held for sale. Interest income associated with earning assets is City Bancorp's primary source of income. Earning assets averaged \$739.5 million for the nine months ended September 30, 2006, a \$54.5 million or 7.37% increase compared to \$685.0 million for the same period in 2005. This increase was primarily the result of loan growth. The average loan portfolio increased \$73.9 million or 11.6% for the first nine months of 2006 compared to the same period for 2005. City Bancorp's loan to deposit ratio at September 30, 2006 and September 30, 2005 was 1.25% and 1.17% respectively.

Commercial and agricultural loans were \$170.6 million at September 30, 2006, an 11.7% increase compared to \$152.8 million at September 30, 2005. Residential and commercial real estate loans were \$589.1 million at September 30, 2006, an 18.3% increase compared to \$497.9 million at September 30, 2005. Growth in the commercial and the residential and commercial real estate segments came from traditional sectors with no single customer representing a disproportionate percentage of the increase.

Total consumer loans for the nine months ended September 30, 2006 were \$8.7 million, a \$1.1 million or 12.6% decrease from \$9.8 million for the nine months ended September 30, 2005.

Nonperforming assets, defined as nonaccrual loans, accruing loans past due 90 days or more and foreclosed property, amounted to \$2.2 million at September 30, 2006 compared to a \$5.2 million or a 58% decrease at September 30, 2005. The allowance for loan losses amounted to \$7.6 million or 1% of total loans and 345.5% of



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total nonperforming loans at September 30, 2006 compared to \$6.5 million or 1% of total loans and 125% of total nonperforming loans at September 30, 2005.

**Deposits and Other Interest Bearing Liabilities**

Deposits obtained from customers in its primary market area are City Bancorp's principal source of funds for use in lending and other business purposes. City Bancorp attracts local deposit accounts by offering a wide variety of accounts, competitive interest rates and excellent customer service. Increasing core deposits through the development of customer relationships is a continuing focus of City Bancorp. Other funding sources includes short-term and long-term borrowings, brokered CDs, overnight funds purchased from correspondent banks, trust preferred securities, and equity.

Total deposits at September 30, 2006 were \$610.4 million, a \$54.9 million increase or 9.8% increase compared to \$555.6 million at September 30, 2005. The following table sets forth the composition of City Bancorp's deposits at the dates stated:

	<b>September 30,</b>	
	<b>2006</b>	<b>2005</b>
Demand	27,527,000	26,316,000
Savings, NOW and money market	242,652,000	264,507,000
Certificates of Deposit	340,239,000	264,742,000
Total	610,418,000	555,565,000

*Financial Condition at December 31, 2005 Compared to December 31, 2004*

**Assets**

The Company's total assets increased \$96.9 million, or 14%, from \$694.6 million at December 31, 2004 to \$791.5 million at December 31, 2005. Net Loans increased \$74.1 million, or 12%, from \$593.9 million to \$668.0 million during that same period.

Cash and due from banks was \$13.2 million on December 31, 2004 and \$18.1 million on December 31, 2005. Year end totals fluctuate depending on uncollected commercial deposits on the last day of the month. The average balance of cash and due from banks was \$12.7 million during 2005 (1.7% of average total assets during the year), an increase of 37% over 2004.

Federal funds sold were \$4.6 million at December 31, 2004 and \$21.4 million at December 31, 2005. Average federal funds sold in 2004 were \$2.7 million compared to \$5.0 million during 2005.

Held-to-maturity securities are primarily short term U.S. Agency and Municipal securities pledged to repurchase accounts and public funds deposits. There are no available-for-sale securities, primarily due to the loan demand that City Bancorp is experiencing (114% loan to deposit ratio at December 31, 2005 and 121% of loan to deposit ratio at December 31, 2004). Total securities decreased \$5.3 million, or 17%, from \$31.4 million at December 31, 2004 to \$26.1 million at December 31, 2005. Five million dollars of commercial paper was purchased overnight at year-end 2005 from USBank and was pledged against unexpected late in the day year-end repurchase account deposits. No commercial paper was purchased overnight at year-end 2004.

Net loans increased \$74.1 million, or 12%, from \$593.9 million to \$668.0 million. The year ended December 31, 2005 was the first full year of the company's St. Louis loan production office, which ended the year with \$53.2 million in total loans outstanding. Commercial real estate loans increased \$19.4 million from \$239 million in 2004 to \$258.4 million in 2005, commercial loans increased \$20.2 million from \$143.1 million in 2004 to \$163.3 million in 2005, construction loans increased \$38.7 million from \$79.4 million in 2004 to \$118.1 million in 2005, real estate mortgage loans decreased \$7.6 million from \$108.7 million in 2004 to \$101.1 million in 2005, all other loans increased \$11.8 million from \$23.7 million in 2004 to \$27.8 million in 2005. Total commercial real estate loans outstanding on December 31, 2005 were \$258.5 million, or 39% of net loans outstanding. While

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commercial, construction, real estate mortgage, and all other loans were 24%, 18%, 17%, and 2% of the outstanding net loans in 2005, respectively, we continue to focus on commercial and commercial real estate lending.

An industry concentration of loans is considered High when the outstanding loans (within a particular industry group) exceed 5% of bank assets, and/or 50% of the bank's equity. The industries that were identified as High concentrations are listed below:

<b>Industry Concentrations:</b>	<b>Dollar Amount</b>	<b>% of total Assets</b>	<b>% of Current Bank Equity</b>
Real Estate Office Property	92,625,853	11.7%	111.5%
Commercial Loans Business Assets	80,010,583	10.1%	96.3%
Residential Real Estate Owner Occupied	70,435,416	8.9%	84.8%
Real Estate Industrial Property	57,629,707	7.3%	69.4%
Residential Real Estate Investment Property	53,875,995	6.8%	64.9%
Land Only Loans	49,934,983	6.3%	60.1%
Real Estate Mutli-Family Property	44,702,321	5.7%	53.8%
Real Estate Retail Property	44,540,731	5.6%	53.6%
Hotel/Motel Loans	41,427,448	5.2%	49.9%

Mortgage loans held for sale were fairly steady year over year, at \$12.1 million at December 31, 2005 compared to \$13.5 million at December 31, 2004. The average loans held for sale outstanding were \$16.7 million. The bank produced \$226.1 million in loans sold during 2005 and produced \$139.8 million in loans in 2004.

Allowance for loan losses was at 1% of the outstanding net loans at December 31, 2005. Gross loans outstanding at December 31, 2005 were \$674.8 million and the allowance for loan losses was \$6.7 million, or 1% of the gross loans outstanding. Net loan charge offs were \$0.3 million in 2005 compared to \$0.4 million in 2004. The provision for loan losses was \$0.9 million in 2005 compared to \$0.7 million in 2004.

Premises and equipment increased \$3.4 million from \$11.5 million in 2004 to \$14.9 million during 2005 primarily from the purchase of the new \$2.5 million site acquired for the new Battlefield branch located at 3211 East Battlefield Road in Springfield, Missouri.

**Liabilities**

Deposits increased \$88.4 million, or 18%, in 2005, from \$496.2 million at December 31, 2004 to \$584.6 million at December 31, 2005. Demand deposits increased \$14.8 million, savings and money market accounts increased \$6.4 million and time deposits increased \$67.2 million from 2004 to 2005. Much of the loan growth was funded with time deposits during 2005. It is anticipated that the bank will continue to grow demand deposits and money market accounts to replace some of the time deposits upon their maturity. There were \$56 million in jumbo CDs greater than \$100,000 and \$27.0 million in brokered CDs outstanding at the end of 2005, \$9 million in non-core CD deposits representing 27% of outstanding CD and IRA deposits for 2004, \$70 million in jumbo CDs greater than \$100,000, for a total of \$97 million in non-core CD deposits, representing 35% of the outstanding CD and IRA deposits from 2004 to 2005. Brokered CDs are issued in maturities of one year or less and are spread across the year to reduce exposure to a large maturing block of CDs in any one month.

Federal funds purchased were received from correspondent banks in St. Louis totaling \$13.5 million at December 31, 2005, increasing over the previous year-end balance outstanding of \$0.2 million. Repurchase account balances were \$19.5 million at December 31, 2005, compared to \$27.3 million at December 31, 2004.

The \$18.6 million of trust preferred stock outstanding did not change from 2004 to 2005. The Signature Bank paid off \$6 million in subordinated bank debentures during 2005. The company's earnings in 2005 are sufficient to maintain a well capitalized capital structure and pay dividends to shareholders without requiring the \$6 million Tier II capital supplied by the subordinated debt.

Federal Home Loan Bank borrowings ended 2005 at \$84.3 million , a modest increase over the 2004 year-end total of \$83.9 million. The average outstanding balance of borrowings was \$57.5 million in 2004 and \$80.4

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million during 2005. Unused Federal Home Loan Bank advances are viewed as a liquidity source for just-in-time loan funding and are generally short term in nature. The bank anticipates paying off these borrowings with deposits as the bank grows its deposit base and attracts new customers or attracts new time deposit customers by increasing its time deposit rates. There was \$37.1 million in unused borrowing available in 2004 and \$32.1 million in unused borrowing available at December 31, 2005. There was \$21.0 million and \$24.5 million in long term and convertible Federal Home Loan Bank borrowings outstanding at the end of 2004 and at the end of 2005, respectively.

In 2005, City Bancorp paid an accrued dividend of \$1.4 million that was declared in 2004. It is expected that City Bancorp will pay a 30% dividend in 2006 for 2005, payable in either stock or cash at the individual shareholder's election. Dividends issued in shares will be based on the value of the company's shares as determined by the annual independent appraised value of the shares at December 31, 2005.

**Stockholder's Equity**

Stockholder's equity increased to \$67.5 million at the end of 2005, an \$8.2 million increase over the December 31, 2004 balance of \$59.3 million. Net income for 2005 was \$7.5 million, an increase of \$2.9 million from \$4.6 million in 2004. The remaining increase in stockholder's equity was from employees exercising outstanding stock options or stock grants resulting in a \$0.6 million increase in common stock and paid-in-capital. Total shares outstanding increased from 4,771,244 at December 31, 2004 to 4,845,534 at December 31, 2005.

**Asset Quality**

The adequacy of the allowance for loan losses is determined by the loan committee who has directed that a risk rating code be assigned to each loan. The above risk rating represents management's opinion of the risk of the portfolio and additionally identifies problem/watch credit relationships. In determining problem/watch list credits such factors as: performance, collateral, character, financial position, and economic factors are considered. The chart below summarizes the risk ratings of the loan portfolio. It is management's opinion that the allowance for loan losses is adequate.

<b>Loan Risk Rating</b>	<b>Total Loan Balance</b>	<b>Allocation</b>	<b>Required Reserve</b>
Risk Rated A (Excellent loans)	\$ 572,174	None	\$
Risk Rated B (Good loans)	\$ 10,748,117	0.50%	\$ 53,741
Risk Rated C (Satisfactory loans)	\$ 236,228,566	0.50%	\$ 1,181,143
Risk Rated H (Acceptable loans)	\$ 337,130,949	0.50%	\$ 1,685,655
Risk Rated M (Special Mention loans)	\$ 3,941,308	15%	\$ 591,196
Risk Rated S (Substandard loans)	\$ 5,097,348	15%	\$ 764,602
Risk Rated T (Doubtful loans)	\$ 274,427	50%	\$ 137,214
Risk Rated U (Loss loans)	\$	100%	\$
Loans to be Sold (not reserved against)	\$ 12,123,673	0%	Not Rated \$
Other Loans (not Risk Rated) *	\$ 80,643,788	0.50%	Not Rated \$ 403,219
Total	\$ 686,760,350		\$ 4,816,769

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A summary of asset quality at December 31, 2004 and 2005 is as follows:

	<b>December 31,</b>	
	<b>2004</b>	<b>2005</b>
Annualized Net Loss to Average Total Loans	0.07	0.05
Gross Loans:		
90 days past due	0.01	0.06
Non Accrual	0.42	0.15
30-89 days past due	0.13	0.27

	<b>December 31,</b>	
	<b>2004</b>	<b>2005</b>
Loan Loss Reserve to Non Accrual Loans	2.40	6.66
Non Current Loans and OREO to Loans + OREO	0.60	0.47
Loan Loss Reserve to Annual Net Losses	14.91	20.61
Loan Loss Reserve to Total Loans (excl. Loans Sold)	1.01	1.00
Annual Earnings Coverage of Annual Net Losses	15.01	30.99

*Financial Condition at December 31, 2004 Compared to December 31, 2003*

**Assets**

The Company's total assets increased \$365.9 million, or 111.3%, from \$328.7 million at December 31, 2003 to \$694.6 million at December 31, 2004. Net Loans increased \$312.3 million, or 110.9%, from \$281.6 million to \$593.9 million during that same period.

Cash and due from banks was \$8.7 million on December 31, 2003 and \$13.2 million on December 31, 2004. Year end totals fluctuate depending on uncollected commercial deposits on the last day of the month. The average balance of cash and due from banks was \$14.3 million during 2004 (4.44% of average total assets during the year), an increase of 90.67% over 2003.

Federal funds sold were \$9.9 million at December 31, 2003 and \$4.6 million at December 31, 2004. Average federal funds sold in 2003 were \$7.0 million compared to \$2.7 million during 2004.

Held-to-maturity securities are primarily short term U.S. Agency and Municipal securities pledged to repurchase accounts and public funds deposits. There are no available-for-sale securities, primarily due to the loan demand that City Bancorp is experiencing (121% loan to deposit ratio at December 31, 2004 and 118% of loan to deposit ratio at December 31, 2003). Total securities increased \$13.9 million, or 79.43%, from \$17.5 million at December 31, 2003 to \$31.4 million at December 31, 2004. Five million dollars of commercial paper was purchased overnight at year-end 2005 from USBank and was pledged against unexpected late in the day year-end repurchase account deposits. No commercial paper was purchased overnight at year-end 2004.

Net loans increased \$312.3 million, or 110.90%, from \$281.6 million to \$593.9 million. The year ended December 31, 2004 was the first full year of the company's St. Louis loan production office, which ended the year with \$53.2 million in total loans outstanding. Commercial real estate loans increased \$109.4 million from \$129.6 million in 2003 to \$239 million in 2004, commercial loans increased \$80.7 million from \$62.4 million in 2003 to \$143.1 million in 2004, construction loans increased \$48.2 million from \$31.2 million in 2003 to \$79.4 million in 2004, real estate mortgage loans increased \$76.3 million from \$32.4 million in 2003 to \$108.7 million in 2004, all other loans decreased \$2.3 million from \$26 million in 2003 to \$23.7 million in 2004. Total commercial real estate loans outstanding on December 31, 2004 were \$239 million, or 40% of net loans outstanding. While commercial, construction, real estate mortgage, and all other loans were 24%, 13%, 18%, and 5% of the outstanding net loans in 2004, respectively, we continue to focus on commercial and commercial real estate lending.

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Mortgage loans held for sale increased year over year, at \$13.5 million at December 31, 2004 compared to \$1.1 million at December 31, 2003. The average loans held for sale outstanding were \$18.0 million. The bank produced \$139.8 million in loans sold during 2004 and produced \$105.6 million in loans in 2003.

Allowance for loan losses was at 1.0% of the outstanding net loans at December 31, 2004. Gross loans outstanding at December 31, 2004 were \$600.1 million and the allowance for loan losses was \$6.2 million, or 1.00% of the gross loans outstanding. Net loan charge offs were \$0.4 million in 2004 compared to \$0.2 million in 2003. The provision for loan losses was \$0.7 million in 2004 compared to \$0.8 million in 2003.

Premises and equipment increased \$4.0 million from \$7.5 million in 2003 to \$11.5 million during 2004 primarily from the merger during 2004.

**Liabilities**

Deposits increased \$254.8 million, or 105.56%, in 2004, from \$241.4 million at December 31, 2003 to \$496.2 million at December 31, 2004. Demand deposits increased \$25.4 million, savings and money market accounts increased \$100.4 million and time deposits increased \$104.8 million from 2003 to 2004. Much of the loan growth was funded with time deposits during 2004. It is anticipated that the bank will continue to grow demand deposits and money market accounts to replace some of the time deposits upon their maturity. There were \$55.8 million in jumbo CDs greater than \$100,000 and \$9.3 million in brokered CDs outstanding at the end of 2004, \$65.1 million in non-core CD deposits representing 31.14% of outstanding CD and IRA deposits for 2003, \$20.7 million in jumbo CDs greater than \$100,000, for a total of \$26.7 million in non-core CD deposits, representing 26.61% of the outstanding CD and IRA deposits from 2003 to 2004. Brokered CDs are issued in maturities of one year or less and are spread across the year to reduce exposure to a large maturing block of CDs in any one month.

Federal funds purchased were received from correspondent banks in St. Louis totaling \$0.1 million at December 31, 2004, increasing over the previous year-end balance outstanding of \$0. Repurchase account balances were \$27.3 million at December 31, 2004, compared to \$10.1 million at December 31, 2003.

The \$18.6 million of trust preferred stock outstanding increased \$10.0 million from 2003 to 2004. The Signature Bank paid off \$6.0 million in subordinated bank debentures during 2004. The company's earnings in 2004 are sufficient to maintain a well capitalized capital structure and pay dividends to shareholders without requiring the \$6.0 million Tier II capital supplied by the subordinated debt.

Federal Home Loan Bank borrowings ended 2004 at \$83.9 million, an increase over the 2003 year-end total of \$40.0 million. The average outstanding balance of borrowings was \$31.4 million in 2003 and \$57.5 million during 2004. Unused Federal Home Loan Bank advances are viewed as a liquidity source for just-in-time loan funding and are generally short term in nature. The bank anticipates paying off these borrowings with deposits as the bank grows its deposit base and attracts new customers or attracts new time deposit customers by increasing its time deposit rates. There was \$18.2 million in unused borrowing available in 2003 and \$37.1 million in unused borrowing available at December 31, 2004. There was \$10.5 million and \$24.5 million in long term and convertible Federal Home Loan Bank borrowings outstanding at the end of 2003 and at the end of 2004, respectively.

**Stockholder's Equity**

Stockholder's equity increased to \$59.3 million at the end of 2004, a \$37.8 million increase over the December 31, 2003 balance of \$21.5 million. Net income for 2004 was \$4.6 million, an increase of \$2.3 million from \$2.3 million in 2003.

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Total shares outstanding increased from 1,108,441 at December 31, 2003 to 4,771,244 at December 31, 2004.

**Asset Quality**

The adequacy of the allowance for loan losses is determined by the loan committee who has directed that a risk rating code be assigned to each loan. The above risk rating represents management's opinion of the risk of the portfolio and additionally identifies problem/watch credit relationships. In determining problem/watch list credits such factors as: performance, collateral, character, financial position, and economic factors are considered. It is management's opinion that the allowance for loan losses is adequate. A summary of asset quality at December 31, 2003 and 2004 is as follows:

	<b>December 31,</b>	
	<b>2003</b>	<b>2004</b>
Annualized Net Loss to Average Total Loans	0.09	0.07
Gross Loans:		
90 days past due	0.03	0.01
Non Accrual	0.09	0.42
30-89 days past due	0.12	0.13
Loan Loss Reserve to Non Accrual Loans	10.77	2.40
Non Current Loans and OREO to Loans + OREO	0.25	0.60
Loan Loss Reserve to Annual Net Losses	12.48	14.91
Loan Loss Reserve to Total Loans (excl. Loans Sold)	1.00	1.01
Annual Earnings Coverage of Annual Net Losses	10.25	15.01

***Liquidity and Capital Resources***

The bank's primary sources of funds are core deposits, jumbo CDs and IRAs greater than \$100,000, brokered CD deposits, repurchase accounts, federal funds purchased, Federal Home Loan Bank advances, proceeds from maturing investments, and principal and interest repayments on loans. It is the bank's practice to match the maturities of its loans with the maturities and repricing of deposits and borrowings. Loan and investment maturities are more predictable than deposits, and the bank compensates for that liquidity situation by using short term Federal Home Loan Bank advances and short term brokered CD deposits which allow the bank the flexibility of nonrenewal or increased advances should deposits fluctuate beyond the funding demand of the loan and investment portfolio.

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The company maintains a revolving line of credit with Southwest Bank of St. Louis in the amount of \$10 million. This line of credit will be cancelled in connection with the merger. This contingency line of credit was unused at December 31, 2005. The bank also has \$31 million in borrowing available through the Federal Reserve Discount Window for contingency purposes. There is also an additional \$25 million in unused federal funds purchased lines available at The Independent Bankers Bank and Midwest Independent Bank.

*Off-Balance Sheet Arrangements*

The Signature Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include interest rate swaps and commitments to extend credit and letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet.

The Signature Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments. The Signature Bank uses the same credit policies in making commitments and conditional obligations as they do for instruments that are included in the consolidated balance sheets.

In the normal course of business, The Signature Bank has made various off-balance sheet commitments to extend credit of \$146.2 million at September 30, 2006 compared to \$172.5 million at September 30, 2005. Commitments included unfunded loan commitments of \$141.3 million and standby letters of credit of \$4.9 million at September 30, 2006 and unfunded loan commitments of \$168.7 million and standby letters of credit of \$3.8 million at September 30, 2005. The Signature Bank has \$7.9 million in interest rate swaps at September 30, 2006 compared to \$0.9 million at September 30, 2005. The Signature Bank has \$12.3 million in interest rate futures and forward contracts at September 30, 2006 compared to \$15.1 million at September 30, 2005. The Signature Bank has \$2.4 million in written options contracts at September 30, 2006 compared to \$4.0 million at September 30, 2005. While The Signature Bank faces risks associated with potential deterioration of credit quality of borrowers to whom and with whom a commitment to extend credit has been made, no significant credit losses are expected from these contracts, commitments, and arrangements.



**Table of Contents***Contractual Obligations*

City Bancorp's other borrowing and trust preferred securities at September 30, 2006 are as follows:

<b>Contractual Obligations</b>	<b>Total</b>	<b>Payments by Period</b>			<b>More than 5 Years</b>
		<b>Less than 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	
Long-term debt obligations	\$ 133,000,000	\$ 114,000,000	\$ 1,500,000	\$ 10,500,000	\$ 7,000,000
Federal Funds Purchased and Securities sold under agreement to repurchase	21,619,000	21,619,000			
Other long-term liabilities reflected on City Bancorp's balance sheet under GAAP	18,558,000				18,558,000
<b>Total</b>	<b>\$ 173,777,000</b>	<b>\$ 135,619,000</b>	<b>\$ 1,500,000</b>	<b>\$ 10,500,000</b>	<b>\$ 25,558,000</b>

**Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

City Bancorp has not changed accountants or had disagreements on accounting or financial disclosures with its independent accountants since engagement of its existing accountants in 2004.

**Security Ownership of Certain Beneficial Owners and Management prior to the Merger**

The following table sets forth certain information concerning the beneficial ownership of outstanding City Bancorp common stock as of [ ], 2007, by (a) each person known to City Bancorp to be the beneficial owner of more than five percent of its common stock, (b) each director of City Bancorp, (c) each of the named executive officers of City Bancorp as defined in Item 402(a)(3) of Regulation S-K, and (d) all directors and executive officers of City Bancorp as a group, determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934. Unless otherwise indicated, the securities shown are held with sole voting and investment power.

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<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class<sup>1</sup></b>
Thomas G. Strong, Director <sup>2</sup>	97,913	1.91%
Mary Elizabeth O Reilly, Director <sup>3</sup>	28,845	4
Brad Squires, Director	238,857	4.66%
Bruce Swisshelm, Director	171,563	3.35%
Ben A. Parnell III, Director <sup>5</sup>	152,846	2.98%
David A. Kunze, Chairman and Chief Executive Officer and Director <sup>6</sup>	145,362	2.84%
Pat Connell, Director	94,707	1.85%
Ron Neville, Director	91,350	1.78%
Ron Baird, Director	74,343	1.45%
Robert C. Fulp, President and Director <sup>7</sup>	67,563	1.32%
Noel Boyd, Director	55,643	1.09%
Larry Lipscomb, Director	49,292	4
Nadia T. Cavner, Director <sup>8</sup>	48,333	4
Kirk Bossert, Treasurer and Assistant Secretary	20,200	4
<b>All directors and executive officers as a group</b>	<b>1,336,817</b>	<b>26.07%</b>

<sup>1</sup> Based on 5,127,267 shares of common stock and options to purchase common stock issued and outstanding as of October 31, 2006. Information in the table also includes shares of common stock held by each individual through The Signature Bank 401(k) Plan, for which each respective individual has voting power, as well as options exercisable

within 60 days of the date of the table. Except as indicated in the footnotes to this table, the persons listed above have sole voting and investment power with respect to all shares of common stock and/or options to purchase common stock shown as beneficially owned by them pursuant to applicable law.

- 2 All of the shares beneficially owned by Mr. Strong are held by the Thomas G. Strong RLTA with Mr. Strong as trustee.
- 3 Ms. O Reilly owns these shares beneficially through River Haven Farms, LP.
- 4 Ownership does not exceed one percent.
- 5 Includes beneficial ownership of Mr. Parnell of 22,250 shares held in the Ben

A. Parnell III  
Revocable  
Trust, 8,457  
shares held by  
Trust Company  
of the Ozarks  
IRA as trustee  
for Mr. Parnell,  
options  
exercisable for  
26,717 shares,  
93,988 shares  
held in The  
Parnell Family  
Limited  
Partnership and  
495 shares held  
in The Signature  
Bank 401(k)  
plan. Also  
includes 939  
shares  
beneficially  
owned by Betty  
A. Parnell  
which are held  
by the Trust  
Company of the  
Ozarks IRA as  
trustee for  
Ms. Parnell.

- 6 Includes  
beneficial  
ownership of  
Mr. Kunze for  
100 shares held  
by Mr. Kunze,  
58,143 shares  
held in the  
David A. Kunze  
Revocable Trust  
with Mr. Kunze  
as trustee, 1,913  
shares held by  
the Trust  
Company of the  
Ozarks IRA as  
custodian for  
Mr. Kunze and  
options

exercisable for 28,000 shares. Also includes 57,206 shares beneficially owned by Kathy M. Kunze held by the Kathy M. Kunze Revocable Trust with Ms. Kunze as the trustee.

7 Includes beneficial ownership of Mr. Fulp for 100 shares held by Mr. Fulp, 21,375 shares held by the Robert C. Fulp Revocable Trust with Mr. Fulp as trustee, 713 shares held by the Trust Company of the Ozarks IRA as custodian for Mr. Fulp and options exercisable for 24,000 shares. Also includes 21,375 shares beneficially owned by Cynthia A. Fulp and held by the Cynthia A. Fulp Revocable Trust with Ms. Fulp as trustee.

8 Includes beneficial ownership of Ms. Cavner for 1,250 shares as custodian for

Maral  
Genevieve  
Cavner.  
Ms. Cavner and  
Howard C.  
Cavner  
beneficially own  
47,083 shares as  
trustees of the  
Nadia T. Cavner  
Trust, 22,917  
shares of which  
are restricted  
that will become  
fully vested at  
the time of the  
merger.

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**Quantitative and Qualitative Disclosures about Market Risk**

Market risk is the risk to City Bancorp's financial condition resulting from adverse changes in the value of City Bancorp's holdings arising from movements in interest rates, foreign exchange rates, equity prices or other similar factors. City Bancorp's exposure to market risk can be measured by assessing the effect of changing rates and prices on either the earnings or economic value of an individual instrument, a portfolio or the entire institution.

It is a principal objective of The Signature Bank's asset and liability management function to evaluate the interest rate risk included in certain balance sheet accounts, determine the appropriate level of risk given The Signature Bank's business objectives, operating environment, capital and liquidity requirements and performance objectives, establish prudent asset concentration guidelines and manage the risk consistent with guidelines approved by the board of directors of The Signature Bank. Through this process, management seeks to reduce the vulnerability of its operations to changes in interest rates and review liquidity, cash flow needs, maturities of investments, deposits, borrowings and capital position.

Interest rate risk management has as its objective to control the effects that interest rate fluctuations have on net interest income and on the net present value The Signature Bank's earning assets and interest-bearing liabilities. Risk management policies are employed to monitor and limit this exposure. Interest rate risk is measured using net interest income simulation and asset/liability net present value sensitivity analyses. The Signature Bank uses financial modeling to measure the impact of changes in interest rates on the net interest margin and predict market risk. Estimates are based upon a number of assumptions including the nature and timing of interest rate levels including yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment of asset and liability cash flows. These analyses provide a range of potential impacts on net interest income and portfolio equity caused by interest rate movements.

The rate environment is a function of the monetary policy of the Board of Governors of the Federal Reserve System. The Federal Reserve Board increased the targeted level for the federal funds rate from June 2004 through June 2006.

**Table of Contents****COMPARISON OF RIGHTS OF SHAREHOLDERS**

BancorpSouth is incorporated under Mississippi law. City Bancorp is incorporated under Missouri law. Upon completion of the merger, the restated articles of incorporation, as amended, of BancorpSouth and the amended and restated bylaws, as amended, of BancorpSouth in effect immediately prior to the effective time of the merger will be the articles of incorporation and bylaws of the combined company. Consequently, after the effective time of the merger, to the extent City Bancorp shareholders receive BancorpSouth common stock in the merger, the rights of former shareholders of City Bancorp will be determined by reference to the restated articles of incorporation and amended and restated bylaws of BancorpSouth and the Mississippi Business Corporation Act. The material differences between the rights of holders of City Bancorp common stock and the rights of holders of BancorpSouth common stock, resulting from the differences in their governing documents and the differences between Mississippi law and Missouri law, are summarized below.

The following summary does not purport to be a complete statement of the rights of holders of BancorpSouth common stock under applicable Mississippi law, the restated articles of incorporation and the amended and restated bylaws of BancorpSouth or the rights of the holders of City Bancorp common stock under applicable Missouri law, the amended articles of incorporation and the amended and restated bylaws of City Bancorp, or a complete description of the specific provisions referred to below. This summary contains a list of the material differences but is not meant to be relied upon as an exhaustive list or a detailed description of the provisions discussed and is qualified in its entirety by reference to the Mississippi Business Corporation Act, the General and Business Corporation Law of Missouri and the governing corporate instruments of BancorpSouth and City Bancorp, to which the holders of City Bancorp common stock are referred. Copies of the governing corporate instruments of BancorpSouth are available, without charge, to any person, including any beneficial owner of City Bancorp common stock to whom this Proxy Statement/Prospectus is delivered, by following the instructions listed under **WHERE YOU CAN FIND MORE INFORMATION** beginning on page 106.

**Summary of Material Differences Between the Rights of BancorpSouth Shareholders and the Rights of City Bancorp Shareholders**

	<b>BancorpSouth Shareholder Rights</b>	<b>City Bancorp Shareholder Rights</b>
<b>Authorized Capital Stock</b>	The authorized capital stock of BancorpSouth consists of 500,000,000 shares of common stock, \$2.50 par value per share.	The authorized capital stock of City Bancorp consists of 10,000,000 shares of common stock, \$0.067 par value per share.
<b>Board of Directors</b>		
<i>Size</i>	BancorpSouth's governing corporate instruments provide that the board of directors consists of between nine and 24 members, as determined from time to time by BancorpSouth's board of directors, and on the date of this Proxy Statement/Prospectus the board of directors consists of 12 members. The vote of at least 80% of the outstanding shares of BancorpSouth common stock is required to increase the maximum number of members of BancorpSouth's board of directors if a majority of the full board of	The amended and restated bylaws of City Bancorp provide that City Bancorp's board of directors consists of 13 members.



directors does not recommend such  
an increase.

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<i>Classification and Term</i>	<p><b>BancorpSouth Shareholder Rights</b>                  BancorpSouth’s governing corporate instruments provide that the members of the board of directors are divided into three classes, with classes elected for staggered three-year terms.</p>	<p><b>City Bancorp Shareholder Rights</b>                  The amended and restated bylaws of City Bancorp provide that the board of directors are elected at each annual meeting of the shareholders and hold office until the next succeeding annual meeting, or, in the case of a classified board of directors, the shareholders shall elect Directors to fill those positions with terms set to expire at the annual meeting of shareholders. The board of directors may designate, by a resolution passed by a majority of the board, one or more Advisory Board Members, who shall have the right, with exception, to attend in a nonvoting observer capacity all meetings of the board.</p>
<i>Election</i>	<p>BancorpSouth’s governing corporate instruments provide that at each annual meeting, the number of directors equal to the number of the class whose term expires at the time of the meeting are elected to hold office as directors. Pursuant to BancorpSouth’s restated articles of incorporation, shareholders may not cumulate votes in the election of directors.</p>	<p>The amended and restated bylaws of City Bancorp provide that members of City Bancorp’s board of directors are elected at the annual meeting of shareholders. The amended and restated bylaws of City Bancorp provide that all elections for directors shall be determined by a plurality of the votes cast at a meeting where a quorum is present; shareholders are not permitted to cumulate or aggregate votes in the election of directors.</p>
<i>Vacancies</i>	<p>BancorpSouth’s governing corporate instruments provide that any vacancy on the board of directors or directorship to be filled because of an increase in the number directors may be filled: (i) by the shareholders of BancorpSouth; (ii) by the board of directors; or (iii) if the directors remaining in office constitute fewer than a quorum of the board of directors, by the board of directors by the affirmative vote of a majority of all of the directors remaining in office.</p>	<p>The amended and restated bylaws of City Bancorp provide that a vacancy on the board of directors be filled by a majority vote of the surviving or remaining directors until a successor is elected at an annual meeting of the shareholders.</p>
<i>Removal</i>	<p>BancorpSouth’s governing corporate instruments provide that a director may be removed for cause (as defined by the restated articles of</p>	<p>The General and Business Corporation Law of Missouri Section 351.315(3) and the amended and restated bylaws of City Bancorp provide that a director may be</p>

incorporation of BancorpSouth) by the affirmative vote of a majority of the entire board of directors or by BancorpSouth's shareholders, only for cause, at a special meeting of the shareholders called expressly for that purpose.

removed with or without cause at a regular or special meeting called for that purpose by an affirmative vote of a majority of the outstanding shares then entitled to vote for the election of directors.

The General and Business Corporation Law of Missouri Section 351.317 provides that any director may be removed for cause by action of a majority of the entire board of directors if the director to be

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**BancorpSouth Shareholder Rights**

*Board Quorum and  
Voting  
Requirements*

The amended and restated bylaws of BancorpSouth provide that at all regular and special meetings of the board of directors, a majority of the whole board of directors, excluding any vacancies, shall constitute a quorum, and that the act of the majority of directors present at a meeting at which a quorum is present is the act of the board of directors.

*Transactions with as  
of Directors*

The Mississippi Business Corporation Act provides that a transaction that is not a director's conflicting interest transaction may not be enjoined, set aside or give rise to an award of damages or other sanctions in a proceeding by a BancorpSouth shareholder or by or in the right of BancorpSouth, because a director of BancorpSouth, or any person with whom or which he has a personal, economic or other association, has an interest in the transaction.

The Mississippi Business Corporation Act further provides that a director's conflicting interest transaction may not be enjoined, set aside or give rise to an award of damages or other sanctions in a proceeding by a BancorpSouth shareholder or by or in the right of BancorpSouth because the director,

**City Bancorp Shareholder Rights**

removed shall, at the time of removal, fail to meet the qualifications stated in the articles of incorporation or bylaws for election as a director or shall be in breach of any agreement between such director and the corporation relating to such director's services as a director or employee of the corporation.

The amended and restated bylaws of City Bancorp provide that at all meetings of City Bancorp's board of directors, the presence of a majority of the full board of directors constitutes a quorum for the transaction of business, and the affirmative vote of a majority of directors present at any meeting at which a quorum is present is the act or decision of City Bancorp's board of directors. Full board of directors means the total number of directors who would comprise the board of directors if there were no vacancies.

The General and Business Corporation Law of Missouri Section 351.327 generally provides that no contract or transaction between City Bancorp and one or more of its directors or officers, or between City Bancorp and any other entity or organization in which one or more of its directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for that reason if: (i) the material facts as to the interest and as to the contract or transaction were disclosed or known to the City Bancorp board of directors, and the City Bancorp board of directors or by the affirmative votes of the disinterested directors in good faith of the disinterested directors of a committee of the board of directors authorized the contract or transaction; (ii) the material facts as to the interest and as to the contract or transaction were disclosed or known to the shareholders entitled to vote thereon, and the contract or transaction was approved in good faith by vote of the

or any person with whom or which he has a personal, economic or other association, has an interest in the transaction, if, pursuant to the Mississippi Business Corporation Act, directors' action respecting the transaction or shareholders' action respecting the transaction was taken in compliance with the Mississippi Business Corporation Act or if the transaction, judged according to the circumstances at the time of commitment, is established to have been fair to BancorpSouth.

shareholders; or (iii) the contract or transaction was fair as to City Bancorp the time it was authorized.

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<b>Shareholder Meetings</b>	<b>BancorpSouth Shareholder Rights</b>	<b>City Bancorp Shareholder Rights</b>
<i>Special Meetings</i>	<p>BancorpSouth’s governing corporate instruments provide that a special meeting of the shareholders may be called by the chief executive officer or corporate secretary or by the holders of not less than a majority of all of the shares entitled to vote at such meeting, and shall be called by the chief executive officer or corporate secretary at the request in writing of a majority of the board of directors or of the holders of a majority of the shares of stock entitled to vote at such meeting.</p>	<p>The amended and restated bylaws of City Bancorp provide that special meetings of shareholders may be called by City Bancorp’s Chairman, President or by the vote of a majority of the full board of directors. The holders of not less than two-thirds of all the issued and outstanding shares of capital stock of City Bancorp entitled to vote for the election of directors also may call a special meeting of the shareholders.</p>
<i>Voting Rights</i>	<p>BancorpSouth’s governing corporate instruments and the Mississippi Business Corporation Act provide that each share of common stock is entitled to one vote on each matter with respect to which shareholders are entitled to vote.</p>	<p>City Bancorp’s governing corporate documents and the General and Business Corporation Law of Missouri Section 351.245 provide that each outstanding share entitled to vote under the provisions of the articles of incorporation shall be entitled to one vote on each matter at a meeting of shareholders.</p>
<i>Record Date</i>	<p>Pursuant to the amended and restated bylaws of BancorpSouth, the board of directors may fix a record date to be not more than 50 days and, in case of a meeting of shareholders, not less than 10 days prior to the date on which the particular action is to be taken.</p>	<p>The amended and restated bylaws of City Bancorp and the General and Business Corporation Law of Missouri Section 351.250 provide that the board of directors has the power to close the stock transfer books or to fix in advance a record date on a date not to exceed 70 days before a meeting of shareholders. Only the shareholders as of such date are entitled to vote. Under the amended and restated bylaws, if the board of directors does not close the transfer books or set a record date for a meeting of shareholders, the record date shall be the date 20 days prior to the meeting. If the board of directors does not set a record date before adopting a resolution with respect to a dividend, allotment of rights, or exercise of rights respecting the change, conversion, or exchange of shares, the record date shall be</p>

*Actions by Written  
Consent*

The amended and restated bylaws of BancorpSouth and the Mississippi Business Corporation Act provide that shareholders may take action by unanimous written consent of all shareholders entitled to vote on the matter.

the close of business on the day the board of directors adopts such a resolution.

The General and Business Corporation Law of Missouri Section 351.273 and the amended and restated bylaws of City Bancorp provide that shareholders may take action by written consent in lieu of a meeting if such consent is signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

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*Quorum and Voting Requirements*

**BancorpSouth Shareholder Rights**

BancorpSouth's governing corporate instruments provide that a majority of the shares of common stock entitled to vote, represented in person or by proxy, constitutes a quorum at a meeting of shareholders, except that two-thirds of the shares of common stock entitled to vote constitutes a quorum for the transaction of any business at a special meeting of shareholders. The affirmative vote of the majority of shares entitled to vote shall be the act of the shareholders if a quorum is present, unless the restated articles of incorporation of BancorpSouth or applicable law requires a greater number of affirmative votes. Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

**City Bancorp Shareholder Rights**

The amended and restated bylaws of City Bancorp provide that a majority of the issued and outstanding shares of common stock entitled to vote for the election of directors, present in person or by proxy, constitutes a quorum for the transaction of business. The affirmative vote of the majority of the votes cast shall be the act of the shareholders if a quorum is present, unless the amended articles of incorporation of City Bancorp, the bylaws, or applicable law requires a greater number of affirmative votes.

*Advance Notice of Shareholder Nominations and Proposals for Business*

The amended and restated bylaws of BancorpSouth provide that, in the case of the annual meeting of shareholders, proposals by shareholders of business to be considered or acted upon and nominations for election of directors must be stated in writing and filed with BancorpSouth's corporate secretary not later than 90 calendar days and not earlier than 120 calendar days before the first anniversary of the date that BancorpSouth first mailed its proxy statement to shareholders in connection with the prior year's annual meeting. If the annual meeting is more than 30 calendar days from the first anniversary of the preceding year's annual meeting, shareholder notice must be received by BancorpSouth's corporate secretary not earlier than 120 calendar days prior to the date that

The amended and restated bylaws of City Bancorp provide that a written or printed notice stating the place, day, and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than 10 nor more than 50 days before the date of the meeting, either personally or by mail, by or at the direction of the board of directors, the Chairman of the Board, the President, or the Secretary, to each shareholder of record entitled to vote at such meeting.

Shareholders at the annual meeting shall elect the directors and may transact such other business as desired whether or not the business was specified in the notice of the meeting, unless otherwise prohibited by law, the amended articles of incorporation and the amended and restated bylaws of City Bancorp. Shareholders at a special meeting may transact only business of which the purpose is stated in the notice of



BancorpSouth first mailed its proxy statement to shareholders in connection with the applicable year's annual meeting and not later than the later to occur of 90 calendar days prior to the date on which BancorpSouth first mailed its proxy statement to shareholders in connection with the applicable year's annual meeting or 10 calendar days after BancorpSouth's first public announcement of the date of the annual meeting.

such meetings, unless the transaction of other business is consented to by the holders of all the outstanding shares of City Bancorp entitled to vote at the meeting.

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**BancorpSouth Shareholder Rights**

The amended and restated bylaws of BancorpSouth provide that, in the case of a special meeting of shareholders, nominations by shareholders for election of directors must be preceded by delivery of written notice to BancorpSouth's corporate secretary not earlier than 120 calendar days prior to the special meeting and not later than the later of 90 calendar days prior to the special meeting or 10 calendar days following the day on which BancorpSouth first made public announcement of the date of the special meeting.

In addition, the amended and restated bylaws of BancorpSouth require that any shareholder notice regarding director nomination include certain information concerning the shareholder and his nominee, including, among other things, information about the nominee that would be required to be included in a proxy statement filed under the proxy rules of the Securities and Exchange Commission.

The chairman of the annual or special meeting may declare that any shareholder proposal or nomination be disregarded if not made in compliance with the procedures of the amended and restated bylaws of BancorpSouth.

**Liability and  
Indemnification of  
Directors and  
Officers**

*Personal Liability*

Pursuant to the restated articles of incorporation of BancorpSouth, a director, in general, is not personally

**City Bancorp Shareholder Rights**

The amended articles of incorporation of City Bancorp generally provide that directors shall not be liable to City Bancorp

liable to BancorpSouth or its shareholders for monetary damages for any action taken, or for the failure to take action, as a director, except for liability for: (i) the amount of a financial benefit received to which the director is not entitled; (ii) an intentional infraction of harm on BancorpSouth or the shareholders; (iii) a violation of the provisions of the Mississippi Business Corporation Act regarding unlawful distributions; or (iv) an intentional violation of criminal law.

or its shareholders for monetary damages for breach of fiduciary duty except for liability for: (i) breach of duty of loyalty to City Bancorp or its shareholders; (ii) acts or omissions not in subjective good faith or which involve intentional misconduct or a knowing violation of law; (iii) liability for unlawful distribution of City Bancorp assets; or (iv) any transaction from which an improper personal benefit is derived.

The amended and restated bylaws of City Bancorp expressly provide that no director shall be liable for dividends legally declared, distributions legally made to shareholders, or any other action taken in reliance in good faith upon financial statements of City Bancorp represented to

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**BancorpSouth Shareholder Rights**

**City Bancorp Shareholder Rights**

such director to be correct by the Chairman of the Board, the President or the officer of City Bancorp having charge of the books of account, or certified by an accountant to fairly represent the financial condition of City Bancorp, nor shall any such director be held liable for determining in good faith the amount available for dividends or distributions by considering the assets to be of their book value.

*Indemnification*

BancorpSouth's restated articles of incorporation provide that BancorpSouth shall indemnify and, upon request, shall advance expenses prior to the final disposition of a proceeding to any person who was or is a party to, or is threatened to be made a party to, any threatened, pending or completed action, suit or proceeding, whether or not by or in the right of BancorpSouth by reason of the fact that such person is or was a director, officer, partner, trustee, employee or agent of BancorpSouth, or is or was serving at the request of BancorpSouth as a director, officer, partner, trustee, employee or agent of another entity, against any liability incurred in the action, suit or proceeding to the full extent permitted by the Mississippi Business Corporation Act and, despite the fact that such person has not met the applicable standard of conduct set forth in the Mississippi Business Corporation Act or would be disqualified for indemnification under the Mississippi Business Corporation Act, to such person if a determination is made that the director, officer, employee or agent is fairly and reasonably entitled to indemnification in view of all of the relevant circumstances and if the acts or omissions did not constitute gross

The amended articles of incorporation of City Bancorp provide that City Bancorp shall indemnify any person who is or was a director or officer, and under certain circumstances current and former employees and agents, of City Bancorp or any subsidiary against any and all amounts paid in expenses, fines, judgments or settlements incurred in connection with any civil, criminal, administrative or investigative action, suit, proceeding, or claim (including any action by or in the right of City Bancorp or a subsidiary) by reason of the fact that the person is or was serving as a director, officer employee or agent; provided, however, that City Bancorp will not indemnify conduct finally adjudged to have been knowingly fraudulent, deliberately dishonest, or to have constituted willful misconduct.

Under its amended articles of incorporation, City Bancorp may make advances of expenses incurred prior to a final disposition of an action, suit, proceeding or claim; provided, however, that prior to making any advances, City Bancorp is required to receive a written undertaking by the indemnified party to repay such advances in the event that the person is not entitled to indemnification. City Bancorp is authorized by its amended articles of incorporation to purchase and

negligence or willful misconduct. In addition, the restated articles of incorporation of BancorpSouth provide that a request for reimbursement or advancement of expenses prior to final disposition of a proceeding need not be accompanied by the written affirmation of good faith belief that the indemnified party has met the relevant standard of conduct or that the proceeding involves conduct for which liability has been eliminated otherwise than is required by the Mississippi Business Corporation Act, but the remaining applicable provisions of the Mississippi Business Corporation Act apply

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maintain insurance with respect to indemnification claims.

The amended and restated bylaws of City Bancorp provide that City Bancorp shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of

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**BancorpSouth Shareholder Rights**

to any such request, including the requirement that the indemnified party submit an undertaking by or on behalf of the indemnified party to repay the funds unless it is ultimately determined that he or she is entitled to be indemnified by BancorpSouth.

BancorpSouth's governing corporate instruments and the Mississippi Business Corporation Act provide that BancorpSouth may purchase and maintain insurance on behalf of an individual who is a director or officer of BancorpSouth, or who, while a director or officer of BancorpSouth, serves at BancorpSouth's request as a director, officer, partner, trustee, employee or agent of another entity against any liability that may be asserted against him or her or incurred by him or her in any such capacity, or arising out of his status as such, whether or not BancorpSouth would have the power to indemnify him or her against such liability.

The restated articles of incorporation of BancorpSouth explain that the rights to indemnification contained therein are intended to be greater than that otherwise provided for in the Mississippi Business Corporation Act, are contractual in nature, and in that respect are mandatory, despite a person's failure to meet the standard of conduct required for permissive indemnification under the Mississippi Business Corporation Act.

The amended and restated bylaws of BancorpSouth provide for indemnification of certain persons who were or are parties or are threatened to be made parties to any

**City Bancorp Shareholder Rights**

City Bancorp) by reason of the fact that such person is or was a director or officer of City Bancorp, or is or was serving at the request of City Bancorp as a director or officer of another corporation, partnership, joint venture, trust, or other enterprise, against expenses, including attorney fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit, or proceeding if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of City Bancorp, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

City Bancorp shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of City Bancorp to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of City Bancorp, or is or was serving at the request of City Bancorp, as a director or officer of another corporation, partnership, joint venture, trust, or other enterprise against expenses, including attorney fees and amounts paid in settlement, actually and reasonably incurred by such person in connection with the defense of settlement of the action or suit if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of City Bancorp, except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for gross negligence or willful misconduct in the performance of his or her duty to City Bancorp unless and only to the extent that the court in

threatened, pending or completed action, suit or proceeding, in cases other than action by or in the right of BancorpSouth. Also, in the case of actions by or in the right of BancorpSouth, certain persons who were or are parties or are threatened to be made parties to any threatened, pending or completed action, suit or proceeding by or in the right of BancorpSouth to procure a judgment in its favor may generally be indemnified against expenses actually and reasonably incurred by such persons in connection with defense or settlement of the action or suit except

which such action or suit was brought determines upon application that, despite the adjudication of liability and in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

Any indemnification shall be made by City

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**BancorpSouth Shareholder Rights**

that no indemnification shall be made if such persons breached certain fiduciary duties to BancorpSouth unless, and only to the extent that a court determines that, despite the adjudication of liability but in view of all the circumstances of the case, such persons are fairly and reasonably entitled to indemnification for certain expenses.

The amended and restated bylaws of BancorpSouth provide that any indemnification pursuant to the bylaws shall be made only as authorized in specific cases upon a determination that indemnification is proper in the circumstances because the indemnified party has met the applicable standard of conduct.

The Mississippi Business Corporation Act provides that BancorpSouth may indemnify an individual who is a party to a proceeding because he or she is a director against liability if: (1) (i) he or she conducted himself or herself in good faith; (ii) he or she reasonably believed (A) in the case of conduct in his official capacity, that his or her conduct was in the best interests of BancorpSouth and (B) in all other cases, that his or her conduct was at least not opposed to the best interests of BancorpSouth; and (iii) in the case of any criminal proceeding, that he or she had no reasonable cause to believe that his or her conduct was unlawful; or (2) he or she engaged in conduct for which broader indemnification has been made permissible or obligatory under BancorpSouth's restated articles of incorporation.

**City Bancorp Shareholder Rights**

Bancorp only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he or she has met the applicable standard of conduct. A determination of the indemnification of a director or officer shall be made by (i) the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit, or proceeding, (ii) if such quorum is not obtainable, or even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the shareholders by a majority vote of the shares eligible to vote for directors and actually voted, where shares held by the individual about whom such indemnification is at issue shall not be eligible to vote.

City Bancorp may procure or maintain insurance on behalf of any person who is or was a director, officer, employee or agent of City Bancorp against any liability asserted against or incurred by him in any such capacity.



The Mississippi Business Corporation Act also generally allows, with some exceptions, BancorpSouth to indemnify and advance expenses to officers to the same extent as to directors, and if a person is an officer but not a director, to such further extent as may be provided by BancorpSouth's governing corporate instruments, a resolution of the board of directors or by contract.

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**Amendments to  
Organizational  
Documents**

*Articles of  
Incorporation*

**BancorpSouth Shareholder Rights**

The affirmative vote of the holders of not less than 80% of the outstanding voting stock of BancorpSouth is required to amend or repeal (i) the provisions of the restated articles of incorporation of BancorpSouth regarding shareholder approval of certain transactions in the event that the board of directors does not recommend a vote in favor of such transactions, and (ii) the provisions regarding shareholder approval of transactions with certain shareholders.

**City Bancorp Shareholder Rights**

The General and Business Corporation Law of Missouri Section 351.085 provides that City Bancorp may amend its articles of incorporation at any time to add or change a provision that is required or permitted in the amended articles of incorporation or to delete a provision not required in the amended articles of incorporation, provided that the name of the incorporator shall not be changed. The General and Business Corporation Law of Missouri Section 351.090 provides that the board of directors may adopt a resolution to amend the articles of incorporation and submit the proposed amendment to a shareholder vote, except that the proposed amendment need not be adopted by the board of directors and may be directly submitted by the board of directors to any annual or special meeting of the shareholders.

*Bylaws*

The Mississippi Business Corporation Act provides that BancorpSouth has the power to make and amend BancorpSouth's amended and restated bylaws not inconsistent with BancorpSouth's restated articles of incorporation.

The amended and restated bylaws of BancorpSouth provide that the bylaws may be altered, amended or repealed and new bylaws may be adopted by the board of directors at any regular or special meeting of the board of directors. In addition, pursuant to the Mississippi Business Corporation Act, BancorpSouth's shareholders may amend or repeal BancorpSouth's amended and restated bylaws and the board of directors may amend or

The amended articles of incorporation of City Bancorp bestow the power to amend the articles of incorporation solely in City Bancorp's common shareholders. This power may be exercised at any annual or special meeting of the such shareholders by a vote of two-thirds of such shares as are issued and outstanding and entitled to vote at such meeting. The amended and restated bylaws of City Bancorp provide that, unless otherwise provided in Article I, the board of directors may alter, amend or repeal the bylaws by either (1) the vote of a majority of the shares of the class(es) of capital stock entitled to vote for the election of directors; or (2) a resolution adopted by a majority of the full board of directors. The board shall not have the power to suspend, repeal, amend or otherwise alter a portion of the bylaws enacted by shareholders if the shareholders expressly provide against such action, or except in the event of an emergency as

provided in the General and Business  
Corporation Law of Missouri  
Section 351.290.

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**BancorpSouth Shareholder Rights**

repeal the bylaws unless the shareholders, in amending, repealing or adopting a bylaw, expressly provide that the board of directors may not amend, repeal or reinstate that bylaw.

**City Bancorp Shareholder Rights**

**Dissenters  
Rights/Appraisal**

Pursuant to the Mississippi Business Corporation Act, a BancorpSouth shareholder generally is entitled to appraisal rights and to obtain payment of the fair value of shares in the event of the following corporate actions, with certain exceptions and limits: (i) consummation of a merger to which BancorpSouth is a party if shareholder approval is required for the merger by the Mississippi Business Corporation Act and the shareholder is entitled to vote on the merger, except that appraisal rights are not available with respect to shares of any class or series that remain outstanding after consummation of the merger; (ii) consummation of a share exchange to which BancorpSouth is a party as the corporation whose shares will be acquired if the shareholder is entitled to vote on the exchange, except that appraisal rights are not available with respect to any class or series of BancorpSouth shares that is not exchanged; (iii) consummation of certain dispositions of assets if the shareholder is entitled to vote on the disposition; (iv) amendment of the restated articles of incorporation of BancorpSouth that reduces the number of shares of a class or series owned by the shareholder to a fraction of a share if BancorpSouth has the obligation or right to repurchase the fractional share so created; or (v) other situations provided for in BancorpSouth's

The General and Business Corporation Law of Missouri Section 351.455 provides that any shareholder shall be deemed a dissenting shareholder and entitled to appraisal if such shareholder (1) owns stock of City Bancorp as of the record date of the meeting of shareholders at which the plan of merger is submitted to a vote, (2) files a written objection to the merger before or after the meeting, (3) does not vote in favor of the meeting, and (4) makes a written demand on the surviving corporation within 20 days after the merger is effected for payment of the fair value of such shareholder's shares as of the day before the date on which the vote approving the merger was taken. The surviving corporation shall pay to each dissenting shareholder the fair value of his or her shares.

governing corporate instruments or  
by resolution of the board of  
directors.

**Anti-Takeover  
Provisions**

*Shareholder Rights  
Plan*

BancorpSouth has implemented a  
shareholders rights plan (which is  
commonly referred to as a "poison  
pill") under which a common stock  
purchase right attaches to and trades  
with each share of BancorpSouth  
common stock (including shares of  
BancorpSouth common stock to be  
issued to City Bancorp shareholders  
in connection with the merger).  
Upon the occurrence of certain  
events, including the acquisition

City Bancorp does not have a shareholders  
rights plan.

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**BancorpSouth Shareholder Rights**

of, or tender offer for, 20% or more of the outstanding shares of BancorpSouth common stock by any person or entity, then the holders of each such purchase right (except those held by the person acquiring the shares or making the tender offer) will be entitled to purchase one share of BancorpSouth common stock at a price equal to 50% of the then current market price.

*Control Share Acquisitions*

Pursuant to the Mississippi Control Share Act, control shares that are the subject of a control share acquisition only have voting rights as determined by the Mississippi Control Share Act. Control shares are shares acquired by a person under certain circumstances which would result in voting power, when added to all other shares owned by such person, that would give that person (i) one-fifth or more but less than one-third of all voting power, (ii) one-third or more but less than a majority of all voting power, or (iii) a majority or more of all voting power.

In general, the voting rights of control shares are restored if, by reason of subsequent issuance of shares or other transactions by the issuing public corporation, the voting power of those control shares is reduced to a range of voting power for which approval has been granted or is not required, upon transfer of such shares to certain other persons or upon the expiration of three years after the date that the shareholders failed to approve a resolution according voting rights to those control shares.

**City Bancorp Shareholder Rights**

The amended articles of incorporation of City Bancorp provides that Section 351.407 of the General and Business Corporation Law of Missouri regarding control share acquisitions becomes applicable to City Bancorp in the event that City Bancorp becomes an issuing public company.

The General and Business Corporation Law of Missouri Section 351.407 provides that control shares acquired in a control share acquisition have the same voting rights as were accorded the shares before the control share acquisition only to the extent granted by resolution approved by the shareholders. To be approved under this section, the resolution must be approved (i) by the affirmative vote of a majority of all outstanding shares entitled to vote at such meeting voting by class if required by the terms of such shares, and (ii) by the affirmative vote of a majority of all outstanding shares entitled to vote at such a meeting voting by class if required by the terms of such shares, excluding all interested shares.