

BANCORPSOUTH INC
Form 424B2
November 23, 2004

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**Filed pursuant to Rule 424(b)(2)
under the Securities Act of 1933
Registration No. 333-120308**

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

The Boards of Directors of BancorpSouth, Inc. and Business Holding Corporation have approved a merger agreement to merge our two companies. If Business Holding Corporation shareholders vote to approve the merger agreement and the merger is completed, Business Holding Corporation will merge with and into BancorpSouth, Business Holding Corporation's subsidiary bank, The Business Bank, will merge with and into BancorpSouth Bank, a subsidiary of BancorpSouth, and Business Holding Corporation shareholders, other than Business Holding Corporation 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 Business Holding Corporation common stock they own 1.14175 shares of BancorpSouth common stock, a cash payment of \$26.00 or a combination of cash and shares of BancorpSouth common stock. If you hold more than one share of Business Holding Corporation common stock, you may elect a combination of stock and cash consideration. In the merger, the percentage of shares of Business Holding Corporation common stock that will be exchangeable into the right to receive shares of BancorpSouth common stock ranges between 51% and 60%. In order to ensure that the merger qualifies as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended, and as a result of the range 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 Business Holding Corporation shareholders.

The number of shares of BancorpSouth common stock that Business Holding Corporation shareholders may receive in the merger is not fixed. The dollar value of the stock consideration that Business Holding Corporation shareholders may receive will also change depending on fluctuations in the market price of BancorpSouth common stock and will not be known at the time Business Holding Corporation's shareholders vote on the merger. The following table shows the closing price per share of BancorpSouth common stock reported on the New York Stock Exchange on September 16, 2004, the last trading day before we announced the merger, and on November 17, 2004, 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 Business Holding Corporation common stock, which we calculated by multiplying the closing price of BancorpSouth common stock on those dates by 1.14175, the exchange ratio. You should obtain current market quotations for the shares of 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.

	Closing Price of BancorpSouth Common Stock	Implied Value per Share of Business Holding Corporation Common Stock
At September 16, 2004	\$ 23.15	\$ 26.43
At November 17, 2004	\$ 24.70	\$ 28.20

This Proxy Statement/Prospectus provides you with detailed information about the proposed merger between BancorpSouth and Business Holding Corporation. This document also contains information about BancorpSouth and Business Holding Corporation. 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 87.

You should carefully consider the risk factors described beginning on page 15 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 November 19, 2004,
and it is first being mailed to the shareholders of Business Holding Corporation on or about November 19, 2004.

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON DECEMBER 21, 2004**

TO THE SHAREHOLDERS OF BUSINESS HOLDING CORPORATION:

This serves as notice to you that a special meeting of shareholders of Business Holding Corporation will be held on December 21, 2004 at 9:00 a.m., Central Time, at the main office of The Business Bank, 6100 Corporate Boulevard, Baton Rouge, Louisiana 70808, for the purpose of considering and voting upon the approval of the Agreement and Plan of Merger, dated as of September 17, 2004, between Business Holding Corporation and BancorpSouth, Inc., which provides for the merger of Business Holding Corporation with and into BancorpSouth as more fully described in the attached Proxy Statement/Prospectus.

Only holders of record of Business Holding Corporation common stock at the close of business on November 18, 2004 are entitled to notice of and to vote at the special meeting or any adjournments or postponements of the special meeting. Each share of Business Holding Corporation is entitled to one vote. Approval of the merger agreement requires approval by a vote of at least two-thirds of the voting power present in person or by proxy at the special meeting.

The Board of Directors of Business Holding Corporation recommends that Business Holding Corporation shareholders vote For approval of the merger agreement.

Business Holding Corporation shareholders, other than Business Holding Corporation 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 Business Holding Corporation common stock they own 1.14175 shares of BancorpSouth common stock, with cash to be paid in lieu of any remaining fractional share interest, or a cash payment of \$26.00 or a combination of cash and shares of BancorpSouth common stock, if the merger agreement is approved and the merger is completed. Holders of more than one share of Business Holding Corporation common stock may elect a combination of stock and cash consideration. Dissenting shareholders who comply with the procedural requirements of the Business Corporation Law of Louisiana will be entitled to receive the fair cash value of their shares if the merger is effected upon approval by less than 80% of Business Holding Corporation's total voting power. A copy of Section 131 of the Business Corporation Law of Louisiana 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 Business Holding Corporation 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 postage paid business reply envelope to Business Holding Corporation. 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.

Please also fill out the enclosed election form and letter of transmittal according to their instructions and promptly mail the election form and the letter of transmittal, along with all of your Business Holding Corporation 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. 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,

David R. Pitts
Chairman

November 19, 2004

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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 87. 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 at the following address:

BancorpSouth, Inc.
One Mississippi Plaza
Tupelo, Mississippi 38804
(662) 680-2000
Attention: Cathy S. Freeman, Secretary

In order to receive timely delivery of requested documents in advance of Business Holding Corporation's special meeting of shareholders, your request should be received no later than December 14, 2004.

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 web site, <http://www.bancorpsouth.com>, by selecting Investor Relations and then selecting SEC Filings. We have included the web addresses of the SEC 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 Business Holding Corporation will merge with and into BancorpSouth, Inc. and Business Holding Corporation's subsidiary bank, The Business Bank, will merge with and into BancorpSouth Bank, a subsidiary of BancorpSouth. After the merger, you will no longer own shares of Business Holding Corporation common stock and will receive either cash or shares of BancorpSouth common stock or a combination of both.

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 postage paid business reply white 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 Business Holding Corporation stock certificates, in the enclosed brown envelope to SunTrust Bank, Atlanta, N.A. as soon as possible so that we may know the amount of each type of consideration you wish to receive.

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 Business Holding Corporation recommends that shareholders vote For approval of the merger agreement.

Q: Why is my vote important?

A: Under the Business Corporation Law of Louisiana, the merger agreement must be approved by shareholders of Business Holding Corporation by a vote of at least two-thirds of the voting power present in person or by proxy at the special meeting. 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: You may change your vote at any time before your proxy is voted at your meeting. You can do this in any of the following three ways:

by sending a written notice to the Executive Vice President and Chief Operating Officer of Business Holding Corporation 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 card and returning it by mail 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.

If your shares are held in an account at a broker, you should contact your broker 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: You should 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.

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Q: Will I be able to trade 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 Business Holding Corporation prior to the merger. Persons who are considered affiliates of Business Holding Corporation (generally directors, officers and holders of 10% or more of Business Holding Corporation 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 cash, shares of BancorpSouth common stock or a combination of cash and shares of BancorpSouth common stock 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 Business Holding Corporation is entitled to receive. The percentage of shares of Business Holding Corporation common stock that will be exchangeable for the right to receive shares of BancorpSouth common stock will range between 51% and 60%. In the event that less than 51% or more than 60% of the outstanding shares of Business Holding Corporation 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 Business Holding Corporation common stock will be adjusted so that, in the aggregate, between 51% and 60% of the shares of Business Holding Corporation common stock will be exchanged for the right to receive shares of BancorpSouth common stock and the remaining shares of Business Holding Corporation 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 Business Holding Corporation shareholders and certain tax-related adjustments, if necessary.

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

A: If you exchange your shares of Business Holding Corporation common stock solely for BancorpSouth common stock, you should not recognize any gain or loss (except with respect to the cash you receive instead of a fractional share) for U.S. federal income tax purposes. If you exchange your shares of Business Holding Corporation common stock solely for cash, you should recognize gain or loss on the exchange. If you exchange your shares of Business Holding Corporation 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.

This tax treatment may not apply to all Business Holding Corporation shareholders. You should consult your own tax advisor for a full understanding of the merger's tax consequences that are particular to you.

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

A: This document serves as Business Holding Corporation's proxy statement and as BancorpSouth's prospectus. As a proxy statement, this document is being provided to Business Holding Corporation shareholders because Business Holding Corporation's Board of Directors is soliciting proxies to vote to approve the merger agreement. As a prospectus, this document is being provided to Business Holding Corporation shareholders by BancorpSouth because BancorpSouth is offering them shares of BancorpSouth common stock in exchange for their shares of Business Holding Corporation 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 references to documents separately filed by BancorpSouth with the Securities and Exchange Commission.

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This means that BancorpSouth may satisfy its disclosure obligations to you by referring you to one or more documents separately filed by it with the SEC. See WHERE YOU CAN FIND MORE INFORMATION beginning on page 87 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. The 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 SEC 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 exercise your right to dissent from the merger, each share of Business Holding Corporation common stock held by you will be converted into the right to receive, at your election, \$26.00 in cash, a number of shares of BancorpSouth common stock as determined by the exchange ratio or a combination of cash and shares of BancorpSouth common stock, with cash to be paid in lieu of 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.

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 BancorpSouth shall determine consistent with the terms of the merger agreement.

Q: Should I send in my Business Holding Corporation 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 Business Holding Corporation common stock that you own, in the enclosed brown envelope to SunTrust Bank, Atlanta, 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 December 17, 2004, two business days before 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:
Business Holding Corporation
6100 Corporate Boulevard, #100
Baton Rouge, Louisiana 70808
Attention: Charles E. Roemer, III, President and CEO
Or Paula J. Laird, Executive Vice President
Phone Number: (225) 768-1140

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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 you in order to understand fully the merger and to obtain a more complete description of the companies 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 (Pages 55, 56)

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. BancorpSouth conducts its operations through its bank subsidiary, BancorpSouth Bank, and its banking-related subsidiaries. BancorpSouth Bank conducts a commercial banking, trust, insurance and investment services business through 247 locations and 233 ATMs in Arkansas, Alabama, Louisiana, Mississippi, Tennessee and Texas. As of September 30, 2004, BancorpSouth had total assets of approximately \$10.6 billion, deposits of approximately \$8.8 billion and shareholders' equity of approximately \$875.1 million.

BUSINESS HOLDING CORPORATION

6100 Corporate Boulevard, #100
Baton Rouge, Louisiana 70808
(225) 768-1141

Business Holding Corporation is incorporated in Louisiana and is a registered bank holding company under the Bank Holding Company Act of 1956. It is based in Baton Rouge, Louisiana and conducts its operations through its subsidiary bank, The Business Bank. Business Holding Corporation's subsidiary conducts commercial banking and insurance business through its office in Baton Rouge, Louisiana. As of September 30, 2004, Business Holding Corporation had total assets of approximately \$169.2 million, deposits of approximately \$122.8 million and shareholders' equity of approximately \$16.4 million.

The Merger (Page 27)

BancorpSouth and Business Holding Corporation entered into a merger agreement whereby Business Holding Corporation will merge with and into BancorpSouth, subject to shareholder and regulatory approval and other conditions. The merger agreement is attached to this Proxy Statement/Prospectus as Annex A. You should read it carefully. Subject to shareholder and regulatory approval, BancorpSouth and Business Holding Corporation hope to complete the merger during the fourth quarter of 2004.

What Business Holding Corporation Shareholders Will Receive in the Merger (Page 43)

Business Holding Corporation shareholders, other than Business Holding Corporation 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 Business Holding Corporation common stock they own 1.14175 shares of BancorpSouth common stock (which is

referred to as the exchange ratio), with cash to be paid in lieu of any remaining fractional share interest, or a cash payment of \$26.00 or a combination of cash and shares of BancorpSouth common stock, if the merger is completed. If you hold more than one share of Business Holding Corporation common stock, you may elect a combination of stock and cash consideration. The exchange ratio is fixed and will not be adjusted to reflect any change in the market price of BancorpSouth common stock. 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 Business Holding Corporation shareholders and certain tax-related adjustments, if necessary.

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BancorpSouth will not issue any fractional shares of BancorpSouth common stock. Instead, a Business Holding Corporation shareholder who receives any shares of BancorpSouth common stock as consideration in the merger will receive cash equal to \$22.772 times the fraction of a share of BancorpSouth common stock to which the shareholder otherwise would be entitled.

If the merger is completed, each outstanding and unexercised option to purchase shares of Business Holding Corporation common stock will no longer represent a right to acquire shares of Business Holding Corporation common stock and will be replaced promptly following the merger by an option to purchase shares of BancorpSouth common stock. The number of shares underlying each new option, as well as the exercise price, will be adjusted based on the exchange ratio.

At the effective time of the merger, persons who are BancorpSouth shareholders immediately prior to the merger would own approximately 99.0% of the outstanding shares of common stock of the combined company and persons who are Business Holding Corporation shareholders immediately prior to the merger would own approximately 1.0% of the outstanding shares of common stock of the combined company.

BancorpSouth's Stock Price Will Fluctuate (Pages 43, 54)

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 the exchange ratio is fixed and the market price of BancorpSouth common stock may fluctuate, the value of the shares of BancorpSouth common stock that Business Holding Corporation shareholders may receive in the merger might increase or decrease prior to completion of the merger. BancorpSouth cannot assure Business Holding Corporation shareholders that the market price of BancorpSouth common stock will not decrease before or after completion of the merger. The following table shows the closing price per share of BancorpSouth common stock reported on the New York Stock Exchange on September 16, 2004, the last trading day before we announced the merger, and on November 17, 2004, the last practicable trading day before the distribution of this Proxy Statement/Prospectus. This table also shows the implied value of the merger consideration proposed for each share of Business Holding Corporation common stock, which we calculated by multiplying the closing price of BancorpSouth common stock on those dates by 1.14175, the exchange ratio. You should obtain current market quotations for the shares of 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.

	Closing Price of BancorpSouth Common Stock	Implied Value per Share of Business Holding Corporation Common Stock
At September 16, 2004	\$ 23.15	\$ 26.43
At November 17, 2004	\$ 24.70	\$ 28.20

Special Meeting (Page 24)

A special meeting of the shareholders of Business Holding Corporation will be held at the following time and place:

December 21, 2004
9:00 a.m. (Central Time)

The Business Bank
6100 Corporate Boulevard, #100
Baton Rouge, Louisiana 70808

At the special meeting, shareholders of Business Holding Corporation will be asked to approve the merger agreement between Business Holding Corporation and BancorpSouth.

Table of Contents**The Board of Directors of Business Holding Corporation Recommends that its Shareholders Approve the Merger Agreement (Page 28)**

The Board of Directors of Business Holding Corporation believes that the merger between Business Holding Corporation and BancorpSouth is in the best interests of Business Holding Corporation shareholders, and recommends that Business Holding Corporation 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.

Vote Required to Complete the Merger (Page 25)

Under Louisiana law, the merger agreement must be approved by shareholders of Business Holding Corporation by a vote of at least two-thirds of the voting power present in person or by proxy at the special meeting. Business Holding Corporation expects that its executive officers and directors will vote all of their shares of Business Holding Corporation common stock in favor of the merger agreement.

The following chart describes the Business Holding Corporation shareholder vote required to approve the merger agreement, assuming that all Business Holding Corporation shareholders are present at the special meeting in person or by proxy:

Number of shares of Business Holding Corporation common stock outstanding on November 18, 2004	1,310,491
Number of votes necessary to approve the merger agreement	873,661
Percentage of outstanding shares of Business Holding Corporation common stock necessary to approve the merger agreement	66.67%
Number of votes that executive officers and directors of Business Holding Corporation and their affiliates can cast as of November 18, 2004	247,938
Percentage of votes that executive officers and directors of Business Holding Corporation and their affiliates can cast as of November 18, 2004	18.92%

Record Date; Voting Power (Page 25)

You can vote at the special meeting of Business Holding Corporation shareholders if you owned Business Holding Corporation common stock as of the close of business on November 18, 2004, the record date set by Business Holding Corporation's Board of Directors. Each share of Business Holding Corporation common stock is entitled to one vote. On November 18, 2004, there were 1,310,491 shares of Business Holding Corporation common stock outstanding and entitled to vote on the merger agreement.

Background of the Merger (Page 27)

Business Holding Corporation engaged National Capital, L.L.C. to act as its exclusive financial advisor to provide investment banking and financial advisory services in relation to the evaluation, structure and possible negotiation of a potential business combination. After reviewing the information delivered by Business Holding Corporation and considering its own strategic plans, on May 14, 2004, BancorpSouth's management submitted a proposal for a merger with Business Holding Corporation. After considering the resulting proposals and terminating discussions with another potential merger candidate, the management of Business Holding Corporation elected to enter into exclusive negotiations with BancorpSouth. The parties and their representatives began negotiation of a merger agreement on August 23, 2004 and continued to negotiate the terms of the merger agreement until September 13, 2004.

On August 25, 2004, BancorpSouth's Board of Directors approved the merger agreement. On September 15, 2004, following presentations from its legal and financial advisors, Business Holding Corporation's Board of

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Directors unanimously approved the merger agreement. The merger agreement was executed by the parties as of September 17, 2004.

Why BancorpSouth and Business Holding Corporation are Seeking to Merge (Page 28)

The merger will combine the strengths of BancorpSouth and Business Holding Corporation and their subsidiary banks. Joining with BancorpSouth will allow Business Holding Corporation to provide more sophisticated banking services to its current and prospective customers. Business Holding Corporation has experienced remarkable acceptance in this Baton Rouge market but, to continue to meet its customers' expectations and expanding needs, management and the Board of Directors of Business Holding Corporation believe they must join with a complete financial services company that offers expanded resources and technological capabilities. They believe that this partnership will enhance the ability to serve the complete needs of Business Holding Corporation's customers and provide a real opportunity for both companies. In contrast, BancorpSouth will have the opportunity to enter the Baton Rouge banking market with a staff of seasoned Louisiana bankers already in place. This outstanding commercial bank will expand BancorpSouth's Louisiana banking family, which currently includes 13 banking locations in Shreveport, Bossier City, Monroe, West Monroe, Rayville and Ruston, with more than \$418 million in deposits as of September 30, 2004.

Opinion of Financial Advisor to Business Holding Corporation (Page 30)

National Capital has delivered to the Board of Directors of Business Holding Corporation its written opinion, dated October 4, 2004, that, based upon and subject to the various considerations set forth in its opinion, the consideration to be paid to the shareholders of Business Holding Corporation under the merger agreement is fair from a financial point of view as of such date. In requesting National Capital's advice and opinion, no instructions were given and no limitations were imposed by Business Holding Corporation's Board of Directors upon National Capital with respect to rendering its opinion.

The full text of the opinion of National Capital, dated October 4, 2004, which describes the assumptions made, matters considered and extent of review undertaken, is attached as Annex C to this Proxy Statement/Prospectus. Business Holding Corporation shareholders should read this opinion in its entirety.

Management and Board of Directors of BancorpSouth Following the Merger (Page 53)

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 Business Holding Corporation will be retained by BancorpSouth and may serve as officers of BancorpSouth Bank but will not serve as executive officers of BancorpSouth.

Federal Income Tax Consequences (Page 35)

Your U.S. federal income tax consequences will depend primarily on whether you exchange your shares of Business Holding Corporation 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 Business Holding Corporation common stock solely for BancorpSouth common stock, you should not recognize any gain or loss (except with respect to the cash you receive instead of a fractional share) for U.S. federal income tax purposes. If you exchange your shares of Business Holding Corporation common stock solely for cash, you should recognize gain or loss on the exchange. If you exchange your shares of Business Holding Corporation 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 of electing to receive cash, BancorpSouth common stock or a combination of both 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.

This tax treatment may not apply to all shareholders of Business Holding Corporation. 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.

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BancorpSouth and Business Holding Corporation 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 Business Holding Corporation 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.

Accounting Treatment (Page 35)

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

Interests of Business Holding Corporation Management and Directors in the Merger (Page 41)

Executive officers and directors of Business Holding Corporation will be issued shares of BancorpSouth common stock in the merger on the same basis as other shareholders of Business Holding Corporation. The following chart shows the number of shares of BancorpSouth common stock that may be issued to affiliates of Business Holding Corporation in the merger (including shares reserved for issuance upon exercise of stock options):

Shares of common stock of Business Holding Corporation beneficially owned by its executive officers, directors and holders of more than 5% of Business Holding Corporation common stock on November 18, 2004	323,204
Maximum number of shares of BancorpSouth common stock that may be received in the merger by executive officers, directors and holders of more than 5% of Business Holding Corporation common stock based upon their beneficial ownership	369,010

Mr. Charles E. Roemer, III, President and Chief Executive Officer of The Business Bank, is a party to an employment agreement with The Business Bank which provides for the payment of severance in an amount equal to two times his present annual base salary upon a change of control or within three years after a change in control of The Business Bank if his employment is terminated without cause or upon the happening of certain enumerated events. It is anticipated that the merger would constitute a change of control for purposes of this employment agreement.

Ms. Paula J. Laird, Executive Vice President of The Business Bank, agreed to terminate her employment agreement with Business Holding Corporation and enter into a new employment agreement with BancorpSouth Bank in exchange for a payment in an amount equal to approximately three times her present annual base salary. Mr. Larry Denison, Executive Vice President of The Business Bank, agreed to terminate his employment agreement with Business Holding Corporation and enter into a new employment agreement with BancorpSouth Bank in exchange for a payment in an amount equal to approximately three times his present annual base salary.

Frank Miller, a director of Business Holding Corporation, owns options to purchase 500 shares of Business Holding Corporation common stock that will become fully vested exercisable options to purchase shares of BancorpSouth common stock as a result of the merger.

Business Holding Corporation Shareholders May Dissent from the Merger (Page 39)

Louisiana law permits Business Holding Corporation shareholders to dissent from the merger and to receive the fair value of their shares of Business Holding Corporation common stock in cash. To dissent, a Business Holding Corporation shareholder must follow certain procedures, including filing certain notices with Business Holding Corporation and voting his or her shares against the merger agreement. The shares of Business Holding Corporation 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 Business Holding Corporation common stock in cash. A copy of the Louisiana statutes describing these dissenters' rights and

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the procedures for exercising them is attached as Annex B to this Proxy Statement/Prospectus. Business Holding Corporation shareholders who perfect their dissenters' rights and receive cash in exchange for their shares of Business Holding Corporation common stock may recognize gain or loss for U.S. federal income tax purposes.

We Must Obtain Regulatory Approvals to Complete the Merger (Page 35)

We cannot complete the merger unless we obtain the approval of the Federal Deposit Insurance Corporation. The U.S. Department of Justice has input into the FDIC's approval process. Once the FDIC has approved the merger, federal law requires that we wait up to 30 calendar days to complete the merger in order to give the Department of Justice the opportunity to review and object to the merger. BancorpSouth expects to obtain approval of the merger from the FDIC on December 11, 2004 and expects the waiting period to expire on December 26, 2004.

In addition, the merger is subject to the approval of the Mississippi Department of Banking and Consumer Finance and the Louisiana Office of Financial Institutions. BancorpSouth and Business Holding Corporation have filed all of the required notices and applications, as appropriate, with these state regulatory authorities, and approval of the merger is expected to be received prior to approval of the merger agreement by the shareholders of Business Holding Corporation.

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 the remaining regulatory approvals in a timely manner, we cannot be certain if or when we will obtain them.

Conditions to Complete the Merger (Page 51)

The completion of the merger depends on a number of conditions being met, including the following:

shareholders of Business Holding Corporation approving the merger;

the New York Stock Exchange authorizing for listing the shares of BancorpSouth common stock to be issued to Business Holding Corporation shareholders;

receipt of all required regulatory approvals, including that of the FDIC, and the expiration of any regulatory waiting periods;

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

the holders of less than 10% of the total outstanding shares of Business Holding Corporation common stock shall have exercised 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 will generally be as described in this Proxy Statement/Prospectus;

BancorpSouth shall have received the consent of all of the holders of options to purchase shares of Business Holding Corporation common stock to the conversion of such options into options to purchase shares of BancorpSouth common stock in an amount and at an exercise price based on the exchange ratio;

BancorpSouth shall have succeeded to Business Holding Corporation's rights, interests and obligations pursuant to the indenture, dated as of January 30, 2004, between Business Holding Corporation and Wells Fargo Bank regarding certain junior subordinated debt securities due in 2034, and the current trustees of Business Holding Corporation's special purpose trust subsidiary shall have resigned and successor trustees acceptable to BancorpSouth shall have been appointed.

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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 52)

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 by Business Holding Corporation shareholders, as set forth in the merger agreement, including by mutual consent of BancorpSouth and Business Holding Corporation. In addition, the merger agreement may generally be terminated by either party if:

a governmental entity denies or withdraws a request or application for a required regulatory approval (subject to a 60-day waiting period) or issues a final nonappealable order enjoining or otherwise prohibiting the merger;

the merger is not completed on or before February 28, 2005;

Business Holding Corporation 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 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 the prescribed time limit.

BancorpSouth may terminate the merger agreement if Business Holding Corporation's Board of Directors has withdrawn, modified or changed, in a manner adverse to BancorpSouth, its approval and recommendation of the merger agreement, or if Business Holding Corporation enters into a letter of intent or agreement related or with respect to any tender or exchange offer, proposal for a merger, consolidation or other business combination involving Business Holding Corporation or any offer to acquire all or a substantial portion of the assets of Business Holding Corporation.

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 54)

Shares of BancorpSouth common stock are listed on the New York Stock Exchange under the symbol BXS. On September 16, 2004, the last full trading day prior to the public announcement of the merger, the closing sales price of BancorpSouth common stock was \$23.15 per share. On November 17, 2004, the last practicable trading day before the distribution of this Proxy Statement/Prospectus, the closing sales price of BancorpSouth common stock was \$24.70 per share. Of course, the market price of BancorpSouth common stock is expected to fluctuate prior to and after completion of the merger, while the exchange ratio is fixed. You should obtain current market quotations for the shares of BancorpSouth common stock from a newspaper, the Internet or your broker.

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

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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, 2003. 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 May Not Receive the Form of Merger Consideration that You Elect.

The merger agreement contains provisions that are generally designed to ensure that between 51% and 60% of the outstanding shares of Business Holding Corporation common stock are exchanged for shares of BancorpSouth common stock and the other 40% to 49% of the shares are exchanged for cash consideration, subject to a tax-related adjustment. If elections are made by Business Holding Corporation shareholders that would otherwise result in more than 60% or less than 51% of such shares being converted into BancorpSouth common stock, either those electing to receive all or a portion of their consideration in cash or those electing to receive all or a portion of their consideration in shares of BancorpSouth common stock will have the consideration of the type they selected reduced by a pro rata amount and will receive a portion of their consideration in the form that they did not elect to receive. Accordingly, 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 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 form of cash and/or shares of BancorpSouth common stock as BancorpSouth shall determine.

Because the Market Price of BancorpSouth Common Stock Will Fluctuate, You Cannot Be Sure of the Value of the Stock Consideration You May Receive.

Upon completion of the merger, each share of Business Holding Corporation common stock will be converted into merger consideration consisting of shares of BancorpSouth common stock and/or cash pursuant to the terms of the merger agreement. The implied value of the stock consideration that you may receive will be based on the number of shares of Business Holding Corporation common stock you own and the market price of BancorpSouth common stock. This market price of BancorpSouth common stock may increase or decrease before or after completion of the merger and, therefore, the implied value of the stock consideration may vary from the implied value of the stock consideration on the date we announced the merger, the date that this Proxy Statement/Prospectus was mailed to Business Holding Corporation shareholders and the date of the special meeting of the Business Holding Corporation shareholders. The market price of the stock consideration may be more or less than the cash consideration upon completion of the merger. 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.

Accordingly, at the time of the Business Holding Corporation special meeting, you will not necessarily know or be able to calculate the exact value of the stock consideration you would receive upon completion of the merger.

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

BancorpSouth and Business Holding Corporation 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.

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

The businesses of BancorpSouth and Business Holding Corporation 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 results of operations of each of BancorpSouth and Business Holding Corporation. For a discussion of the businesses of BancorpSouth and Business Holding Corporation and of certain factors to consider in connection with those businesses, see INFORMATION ABOUT BANCORPSOUTH and INFORMATION ABOUT BUSINESS HOLDING CORPORATION beginning on pages 55 and 56, respectively.

The Executive Officers and Directors of Business Holding Corporation Have Interests Different from Typical Business Holding Corporation Shareholders.

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

Former Shareholders of Business Holding Corporation Will be Limited in their Ability to Influence BancorpSouth's Actions and Decisions Following the Merger.

Following the merger, former shareholders of Business Holding Corporation will hold less than 1.1% of the outstanding shares of BancorpSouth common stock. As a result, former Business Holding Corporation shareholders will have only limited ability to influence BancorpSouth's business. Former Business Holding Corporation 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 Business Holding Corporation Employees.

Despite BancorpSouth's efforts to retain quality employees, BancorpSouth might lose some of Business Holding Corporation's current employees following the merger. Current Business Holding Corporation employees may not want to work for a larger, publicly-traded company instead of a smaller, privately-held company or may not want to assume different duties, positions and compensation that BancorpSouth offers to the Business Holding Corporation employees. Competitors may recruit employees prior to the merger and during the integration process after the merger. As a result, current employees of Business Holding Corporation 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.

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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, 2004 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 those dates. 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, 2003, and BancorpSouth's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, which are incorporated by reference in this document and from which this information is derived. See **WHERE YOU CAN FIND MORE INFORMATION** beginning on page 87.

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

	For the Years Ended December 31,					For the Nine Months Ended September 30, (Unaudited)	
	2003	2002	2001	2000	1999	2004	2003
(Dollars in Thousands, Except Per Share Amounts)							
Earnings Summary:							
Interest revenue	\$ 526,911	\$ 590,418	\$ 660,475	\$ 669,158	\$ 592,340	\$ 371,374	\$ 400,688
Interest expense	175,805	218,892	331,093	346,883	280,150	121,250	135,667
Net interest revenue	351,106	371,526	329,382	322,275	312,190	250,124	265,021
Provision for credit losses	25,130	29,411	22,259	26,166	17,812	12,381	17,658
Noninterest revenue	190,086	124,826	127,998	87,970	101,102	139,784	142,012
Noninterest expense	322,594	304,985	289,318	271,742	248,333	255,016	237,767
Income before income tax	193,468	161,956	145,803	112,337	147,147	122,511	151,608
Applicable income taxes	62,334	49,938	47,340	37,941	44,736	36,484	49,345
Net income	\$ 131,134	\$ 112,018	\$ 98,463	\$ 74,396	\$ 102,411	\$ 86,027	\$ 102,263
Per Share Data:							
Basic earnings	\$ 1.69	\$ 1.40	\$ 1.19	\$ 0.88	\$ 1.20	\$ 1.12	\$ 1.32
Diluted earnings	1.68	1.39	1.19	0.88	1.19	1.11	1.31
Cash dividends	0.66	0.61	0.57	0.53	0.49	0.54	0.48
Book value end of period	11.15	10.40	9.92	9.39	8.84	11.44	10.96

Balance Sheet

Data (period end):

Total assets	\$ 10,305,035	\$ 10,189,247	\$ 9,395,429	\$ 9,044,034	\$ 8,441,697	\$ 10,608,150	\$ 10,185,547
Loans, net of unearned income	6,233,067	6,389,385	6,073,200	6,095,315	5,541,961	6,512,969	6,251,791
Allowance for credit losses	92,112	87,875	83,150	81,730	74,232	90,100	90,505
Total deposits	8,599,128	8,548,918	7,856,840	7,480,920	7,066,645	8,843,239	8,424,422
Total stockholders equity	\$ 868,906	\$ 807,823	\$ 805,403	\$ 789,576	\$ 757,111	\$ 875,142	\$ 854,441

Balance Sheet**Data (averages):**

Total assets	\$ 10,236,904	\$ 9,882,168	\$ 9,261,912	\$ 8,756,474	\$ 8,139,196	\$ 10,550,174	\$ 10,244,623
Total stockholders equity	\$ 845,874	\$ 810,893	\$ 796,706	\$ 761,884	\$ 737,526	\$ 871,192	\$ 841,207
Average number of diluted shares outstanding:	78,164	80,481	82,979	84,811	86,008	77,515	78,095

Selected**Ratios****(annualized):**

Return on average assets	1.28%	1.13%	1.06%	0.85%	1.26%	1.09%	1.33%
Return on average stockholders equity	15.50	13.81	12.36	9.76	13.89	13.19	16.25
Net interest margin	3.80	4.15	3.94	4.08	4.12	3.52	3.83
Net charge-offs to average loans	0.33	0.41	0.35	0.34	0.25	0.30	0.32
Tier 1 capital to risk-weighted assets	13.24	11.92	10.70	11.31	12.75	12.91	13.08
Total capital to risk-weighted assets	14.51	13.16	11.91	12.56	14.02	14.17	14.34

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SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF BUSINESS HOLDING CORPORATION

The following table sets forth certain financial information with respect to Business Holding Corporation which is derived from the audited and unaudited financial statements of Business Holding Corporation. The results of operations for the nine months ended September 30, 2004 are not necessarily indicative of the results of operations for the full year or any other interim period. Business Holding Corporation management prepared the unaudited information on the same basis as it prepared Business Holding Corporation's audited consolidated financial statements. In the opinion of Business Holding Corporation management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with Business Holding Corporation's consolidated financial statements and related notes and other financial information attached to this Proxy Statement/Prospectus as Annex D.

Table of Contents**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF BUSINESS HOLDING CORPORATION**

	For the Years Ended December 31,					For the Nine Months Ended September 30, (Unaudited)	
	2003	2002	2001	2000	1999	2004	2003
(Dollars in Thousands, Except Per Share Amounts)							
Earnings Summary:							
Interest revenue	\$ 7,205	\$ 7,005	\$ 6,985	\$ 5,858	\$ 3,126	\$ 5,985	\$ 5,436
Interest expense	2,351	2,703	3,586	2,997	1,293	1,788	1,820
Net interest revenue	4,854	4,302	3,399	2,861	1,833	4,197	3,616
Provision for credit losses	662	436	425	440	338	678	479
Other revenue	605	511	337	184	90	513	458
Other expense	3,277	2,887	2,341	2,002	1,794	3,057	2,427
Income before income tax	1,520	1,490	970	603	(209)	975	1,168
Applicable income taxes	474	465	320	213	(71)	300	361
Net income	\$ 1,046	\$ 1,025	\$ 650	\$ 390	\$ (138)	\$ 675	\$ 807
Per Share Data:							
Basic earnings	\$ 0.91	\$ 0.89	\$ 0.57	\$ 0.34	\$ (0.12)	\$ 0.57	\$ 0.71
Diluted earnings	0.88	0.87	0.56	0.30	(0.11)	0.55	0.68
Cash dividends							
Book value	12.27	11.48	10.43	9.84	9.44	12.51	12.11
Balance Sheet Data (Period End):							
Total assets	\$152,660	\$143,864	\$128,621	\$96,968	\$62,896	\$169,197	\$155,304
Loans, net of unearned income	112,321	95,474	87,255	63,040	39,652	135,968	112,306
Allowance for credit losses	1,587	1,431	1,237	840	405	1,513	1,533
Securities	25,937	37,209	35,338	31,398	20,395	18,071	34,309
Deposits	109,954	90,708	80,218	68,709	49,322	122,822	108,695

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Long-term debt	6,500	5,000	5,500			13,500	6,500
Total shareholders equity	\$ 14,077	\$ 13,092	\$ 11,915	\$11,243	\$10,764	\$ 16,405	\$ 13,858

**Balance Sheet Data
(Averages):**

Total assets	\$151,756	\$133,930	\$104,613	\$73,538	\$43,705	\$164,410	\$151,369
Total shareholders equity	13,597	12,556	11,606	11,002	9,489	14,784	13,486
Average number of shares outstanding:							
Basic	1,144	1,146	1,142	1,142	1,139	1,310	1,147
Diluted	1,187	1,178	1,175	1,286	1,286	1,224	1,187

**Selected Ratios
(Annualized):**

Return on average assets	0.69%	0.77%	0.62%	0.53%	(0.32%)	0.55%	0.71%
Return on average shareholders equity	7.69	8.16	5.60	3.54	(1.45)	6.10	8.00
Net interest margin	3.20	3.40	2.94	3.29	4.08	3.49	3.46
Net charge-offs to average loans	0.48	0.26				0.59	0.36
Tier 1 capital to risk-weighted assets	11.00	11.46	13.02	14.97	20.23	15.26	11.09
Total capital to risk-weighted asset	12.24	12.71	14.27	16.09	20.98	16.29	12.32
Leverage ratio	9.12	9.25	10.06	12.59	18.01	13.56	8.83

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

The following table sets forth for BancorpSouth common stock and Business Holding Corporation 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, 2003, in the case of the income from continuing operations and cash dividends paid data for the twelve months ended December 31, 2003, and as if the merger had become effective on January 1, 2004, in the case of the income from continuing operations and cash dividends paid data for the nine months ended September 30, 2004. 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 the the conversion ratio of 1.14175 shares of BancorpSouth common stock for each share of Business Holding Corporation common stock, assuming that 60% of the outstanding common stock of Business Holding Corporation is converted into BancorpSouth common stock with no regard given to the effects of shares of Business Holding Corporation common stock that are exchanged for cash, as if these shares were outstanding for each period presented. The pro forma financial adjustments record the assets and liabilities of Business Holding Corporation at their estimated fair values and are subject to adjustment as additional information becomes available and as additional analyses are performed. 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 and the historical financial information that Business Holding Corporation has included as Annex D to this Proxy Statement/Prospectus. See **WHERE YOU CAN FIND MORE INFORMATION** beginning on page 87.

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 Business Holding Corporation will be reflected in the consolidated financial statements of BancorpSouth on a prospective basis.

	Comparative Per Share Data				
	BancorpSouth Corporation		Business Holding Corporation	Pro Forma	Per Equivalent Business Holding Corporation Share
	Historical	Historical	Combined		
Income from continuing operations for the twelve months ended December 31, 2003					
Basic	\$ 1.69	\$ 0.91	\$ 1.68	\$ 1.92	
Diluted	1.68	0.88	1.67	1.91	
Income from continuing operations for the nine months ended September 30, 2004					
Basic	1.12	0.57	1.11	1.27	
Diluted	1.11	0.55	1.11	1.26	

Cash Dividends Paid

For the twelve months ended December 31, 2003	0.66		0.66	0.75
For the nine months ended September 30, 2004	0.54		0.54	0.62

Book Value

As of December 31, 2003	11.15	12.27	11.27	12.86
As of September 30, 2004	11.44	12.51	11.57	13.21

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This Proxy Statement/Prospectus contains certain forward-looking statements about the financial condition, results of operations and business of BancorpSouth and Business Holding Corporation and about the combined companies following the merger. These statements concern the cost savings, revenue enhancements and other advantages the companies expect to obtain from the merger, the anticipated impact of the merger on BancorpSouth's financial performance, tax consequences and accounting treatment of the merger, receipt of regulatory approvals, market prices of BancorpSouth common stock and earnings estimates for the combined company. These statements appear in several sections of this Proxy Statement/Prospectus, including SUMMARY and THE MERGER Reasons for the Merger. Also, the forward-looking statements generally include any of the words believes, expects, anticipates, intends, estimates, should, will or plans or 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 Business Holding Corporation, 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 Business Holding Corporation. In addition, neither BancorpSouth nor Business Holding Corporation 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. For all of these statements, BancorpSouth claims the protection of the safe harbor for forward-looking statements provided in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Factors that may cause actual results to differ materially from those contemplated by these forward-looking statements include, among others, the following possibilities:

- failure to obtain required shareholder or regulatory approvals;
- the companies' failure to consummate the merger;
- inability to successfully integrate the companies after the merger;
- materially adverse changes in the companies' financial conditions;
- changes in economic conditions and government fiscal and monetary policies;
- fluctuations in prevailing interest rates;
- the ability of BancorpSouth to compete with other financial services companies;
- 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;
- BancorpSouth's dependence on existing sources of funding;

changes in laws and regulations affecting financial institutions in general;

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

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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 service 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 November 19, 2004, to all persons who were Business Holding Corporation shareholders on November 18, 2004.

Along with this Proxy Statement/Prospectus, Business Holding Corporation 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 Business Holding Corporation shareholders and at any adjournments or postponements of that meeting.

At the Business Holding Corporation special meeting, Business Holding Corporation shareholders will consider and vote upon a proposal to approve an Agreement and Plan of Merger, dated as of September 17, 2004, between Business Holding Corporation and BancorpSouth, which provides for the merger of Business Holding Corporation with and into BancorpSouth.

The special meeting of Business Holding Corporation shareholders will be held at the following time and place:

December 21, 2004
9:00 a.m. (Central Time)
The Business Bank
6100 Corporate Boulevard, #100
Baton Rouge, Louisiana 70808

Proxies

We encourage Business Holding Corporation shareholders to promptly vote their proxies by completing, signing, dating and returning the enclosed proxy card solicited by Business Holding Corporation's Board of Directors whether or not they are able to attend the Business Holding Corporation special meeting in person.

A Business Holding Corporation shareholder may revoke any proxy given in connection with this solicitation by:

delivering to Business Holding Corporation a written notice revoking the proxy prior to the taking of the vote at the Business Holding Corporation special meeting;

delivering a duly executed proxy relating to the same shares bearing a later date; or

attending the meeting and voting in person (attendance at the Business Holding Corporation 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:

Business Holding Corporation
6100 Corporate Boulevard, #100
Baton Rouge, Louisiana 70808
Attention: Paula J. Laird, Executive Vice President and COO

For a notice of revocation or later proxy to be valid, however, Business Holding Corporation must receive it prior to the vote of Business Holding Corporation shareholders at the Business Holding Corporation special meeting. Business Holding Corporation will vote all shares of Business Holding Corporation common stock represented by

valid proxies received through this solicitation and not revoked before they are exercised in the manner described above.

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

Please do not forward your Business Holding Corporation stock certificates, election form and letter of transmittal with your proxy card. Stock certificates, election forms and letters of transmittal should be returned to the exchange agent in accordance with the instructions contained in the election form.

Solicitation of Proxies

BancorpSouth will bear the costs of printing and mailing this Proxy Statement/Prospectus and the costs of filing BancorpSouth's registration statement on Form S-4 with the Securities and Exchange Commission.

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

Record Date and Voting Rights

Business Holding Corporation's Board of Directors has fixed November 18, 2004 as the record date for the determination of Business Holding Corporation shareholders entitled to receive notice of and to vote at Business Holding Corporation's special meeting of shareholders. Accordingly, only Business Holding Corporation shareholders of record at the close of business on November 18, 2004 will be entitled to notice of and to vote at the Business Holding Corporation special meeting. At the close of business on Business Holding Corporation's record date, there were 1,310,491 shares of Business Holding Corporation common stock entitled to vote at the Business Holding Corporation special meeting held by approximately 294 holders of record, and the executive officers and directors of Business Holding Corporation beneficially owned 17.50% of the outstanding shares of Business Holding Corporation common stock (including currently exercisable options).

The presence, in person or by proxy, of the holders of a majority of the total voting power of Business Holding Corporation is necessary to constitute a quorum at the special meeting. Each share of Business Holding Corporation common stock outstanding on Business Holding Corporation'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 Business Holding Corporation's special meeting.

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

Under the Business Corporation Law of Louisiana, the merger agreement must be approved by shareholders of Business Holding Corporation by a vote of at least two-thirds of the voting power present in person or by proxy at the special meeting. Because approval of the merger agreement requires the affirmative vote of the holders of two-thirds of the voting power present, an abstention or a broker non-vote will have the same effect as a vote against approval of the merger agreement. Accordingly, Business Holding Corporation's Board of Directors urges Business Holding Corporation shareholders to complete, date and sign the accompanying proxy card and return it promptly in the

enclosed postage paid business reply envelope.

Recommendation of Board of Directors

Business Holding Corporation's Board of Directors has unanimously approved the merger agreement. Business Holding Corporation's Board of Directors believes that the merger is in the best interests of Business Holding Corporation and Business Holding Corporation shareholders and recommends that Business Holding Corporation shareholders vote FOR approval of the merger agreement. The conclusion of Business Holding Corporation's Board of Directors with respect to the merger is based on a number of factors, as described in this

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Proxy Statement/Prospectus. See THE MERGER Reasons for the Merger; Recommendation of the Board of Directors.

Shareholders Dissenters Rights

Shareholders of Business Holding Corporation who do not wish to accept BancorpSouth common stock in the merger will be entitled under the Business Corporation Law of Louisiana to 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:

file with Business Holding Corporation prior to the special meeting a written objection to the approval of the merger agreement; and

vote such shares of Business Holding Corporation common stock against the merger agreement.

Any Business Holding Corporation shareholder who wishes to exercise dissenters rights, or who wishes to preserve his or her right to do so, should carefully review Section 131 of the Business Corporation Law of Louisiana, a copy of which is attached as Annex B to this Proxy Statement/Prospectus, and the section entitled THE MERGER Shareholders Dissenters Rights.

Certain Matters Relating to Proxy Materials

The rules regarding delivery of proxy statements may be satisfied by delivering a single proxy statement to an address shared by two or more shareholders. This method of delivery is referred to as householding and can result in meaningful cost savings. In order to take advantage of this opportunity, we may deliver only one proxy statement to certain multiple shareholders who share an address, unless we have received contrary instructions from one or more of the shareholders. We undertake to deliver promptly upon request a separate copy of the proxy statement, as requested, to a shareholder at a shared address to which a single copy of these documents was delivered. If you hold Business Holding Corporation common stock as a registered shareholder and prefer to receive separate copies of a proxy statement, please call (225) 768-1100 or send a written request to:

Business Holding Corporation
6100 Corporate Boulevard, #100
Baton Rouge, Louisiana 70808
Attention: Paula J. Laird, Executive Vice President and COO

If your Business Holding Corporation common stock is held through a broker or bank and you prefer to receive separate copies of a proxy statement, please contact such broker or bank.

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THE MERGER

The discussion in this Proxy Statement/Prospectus of the merger of Business Holding Corporation into BancorpSouth does not purport to be complete and is qualified by reference to the full text of the merger agreement and the other annexes attached to, and incorporated by reference into, this Proxy Statement/Prospectus.

Description of the Merger

If the merger is completed, Business Holding Corporation will merge with and into BancorpSouth and Business Holding Corporation's subsidiary bank will merge with and into BancorpSouth Bank, a subsidiary of BancorpSouth. Business Holding Corporation shareholders, other than Business Holding Corporation 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 Business Holding Corporation common stock they own 1.14175 shares of BancorpSouth common stock, a cash payment of \$26.00 or a combination of cash and shares of BancorpSouth common stock. Holders of more than one share of Business Holding Corporation common stock may elect a combination of stock and cash consideration. In the merger, between 51% and 60% of the outstanding shares of Business Holding Corporation common stock shall be exchanged for BancorpSouth common stock. In order to ensure that the merger qualifies as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, and as a result of the range 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 Business Holding Corporation shareholders. See THE MERGER AGREEMENT Cash or Stock Election.

BancorpSouth will not issue any fractional shares of BancorpSouth common stock. Instead, a Business Holding Corporation shareholder who receives any shares of BancorpSouth common stock as consideration in the merger will receive cash equal to \$22.772 times the fraction of a share of BancorpSouth common stock to which the shareholder otherwise would be entitled.

Louisiana law permits Business Holding Corporation shareholders to dissent from the merger and to receive the fair value of their shares of Business Holding Corporation common stock in cash. To dissent, a Business Holding Corporation shareholder must follow certain procedures, including filing certain notices with Business Holding Corporation and voting his or her shares against the merger agreement. The shares of Business Holding Corporation 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 Business Holding Corporation common stock in cash. For a discussion of the procedures that dissenting shareholders must follow to properly exercise their rights, please see THE MERGER Shareholders Dissenters Rights.

Background of the Merger

The management of Business Holding Corporation periodically has explored, assessed and discussed with the Business Holding Corporation Board of Directors, strategic options potentially available to Business Holding Corporation. These strategic discussions have included the possibility of business combinations involving Business Holding Corporation and other financial institutions, particularly in view of the increasing competition and continuing consolidation in the financial services industry, as well as maximizing its performance as an independent company.

In early 2004, the Board of Directors of Business Holding Corporation authorized its management to pursue potential alternatives for a strategic business combination, including the authority to contact financial institutions that may have an interest in a business combination. Accordingly, management of Business Holding Corporation

contacted, and supplied information to, a number of financial institutions known to have an interest in the Baton Rouge area. After reviewing the information delivered by Business Holding Corporation and considering its own strategic plans, BancorpSouth's management submitted a proposal for a merger with Business Holding Corporation on May 14, 2004. This proposal offered terms substantially identical to the terms of the final merger agreement. Further, after an extensive interview process, on May 17, 2004, Business Holding Corporation engaged National Capital to act as its financial advisor to provide investment banking and financial advisory services in relation to the evaluation, structure and possible negotiation of a potential business combination.

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After receiving the proposal from BancorpSouth, Business Holding Corporation received in late May 2004 a proposal from Firsttrust Corporation of New Orleans, Louisiana for consideration of \$27 cash per share and/or the equivalent value in shares of Firsttrust Corporation common stock, with at least a majority of the consideration to be paid in Firsttrust Corporation common stock. Thereafter, representatives of Business Holding Corporation engaged in intensive negotiations with Firsttrust Corporation in an attempt to resolve what the Board of Directors of Business Holding Corporation perceived as two major defects in the Firsttrust Corporation proposal: (i) the lack of liquidity of shares of Firsttrust Corporation common stock, which are privately held and for which no public trading market exists, compared to the relative liquidity of shares of BancorpSouth common stock on the New York Stock Exchange; and (ii) Firsttrust Corporation's insistence on a valuation of shares of its common stock at an arbitrary 2.5 times book value, compared to the market valuation of shares of BancorpSouth common stock. After several weeks of discussions and negotiations, in the latter part of July 2004, the Business Holding Corporation Board of Directors concluded that these defects could not be overcome to its satisfaction and terminated discussions with Firsttrust Corporation. The Board of Directors then directed management to renew contact with BancorpSouth and pursue discussions with it.

Between August 17 and 19, 2004, representatives of BancorpSouth and Business Holding Corporation and their respective legal counsel and accountants met in Baton Rouge, Louisiana to conduct a due diligence review. The parties and their representatives began negotiation of a merger agreement on August 23, 2004 and continued to negotiate the terms of the merger agreement until September 13, 2004.

On August 25, 2004, BancorpSouth's Board of Directors met in a special meeting to consider the proposed merger between Business Holding Corporation and BancorpSouth and the terms of the proposed merger agreement. The Board of Directors discussed the merger with its legal counsel, accountants and management. After further discussion among the directors, the merger agreement was approved by BancorpSouth's Board of Directors.

On September 14, 2004, Business Holding Corporation's Board of Directors met in a special meeting to consider the proposed merger and the terms of the proposed merger agreement. Special counsel for Business Holding Corporation described in detail the proposed merger agreement and related documents to the Board of Directors and expressed his opinion that the proposed merger agreement fell into an acceptable range of what is customary for such transactions. A representative of National Capital, Business Holding Corporation's financial advisor, made a presentation of the financial terms of the merger, advised the Board of Directors that in its opinion the financial terms were fair to Business Holding Corporation and its shareholders from a financial point of view and further advised the Board of Directors that it was prepared to furnish a written fairness opinion for inclusion in the materials sent to shareholders in connection with the Business Holding Corporation special meeting of shareholders called to vote upon the merger agreement. Following these presentations and discussions among the directors, the merger agreement was approved by Business Holding Corporation's Board of Directors.

The merger agreement was executed by the parties as of September 17, 2004.

Reasons for the Merger; Recommendation of the Board of Directors

The merger will combine the strengths of BancorpSouth and Business Holding Corporation and their subsidiary banks. Joining with BancorpSouth will allow Business Holding Corporation to provide more sophisticated banking services to its current and prospective customers. Business Holding Corporation has experienced remarkable acceptance in this Baton Rouge market but, to continue to meet its customers' expectations and expanding needs, management and the Board of Directors of Business Holding Corporation believe they must join with a complete financial services company that offers expanded resources and technological capabilities. They believe that this partnership will enhance the ability to serve the complete needs of Business Holding Corporation's customers and provide a real opportunity for both companies. In contrast, BancorpSouth will have the opportunity to enter the Baton

Rouge banking market with a staff of seasoned Louisiana bankers already in place. This outstanding commercial bank will expand BancorpSouth's Louisiana banking family, which currently includes 13 banking locations in Shreveport, Bossier City, Monroe, West Monroe, Rayville and Ruston, with more than \$468 million in deposits as of September 30, 2004.

Business Holding Corporation's Board of Directors deliberated and approved the merger agreement at a Board meeting held on September 14, 2004. In reaching its determination to approve the merger agreement, Business Holding Corporation's Board of Directors consulted with Business Holding Corporation's management

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and legal advisors and considered a number of factors. The following is a discussion of information and factors that are not intended to be exhaustive, but which includes the material factors considered by Business Holding Corporation's Board of Directors. In the course of its deliberations with respect to the merger, Business Holding Corporation's Board of Directors discussed the anticipated impact of the merger on Business Holding Corporation, Business Holding Corporation's shareholders and various other constituencies.

Business Holding Corporation's Board of Directors did not identify any material disadvantages expected to result from the merger during these discussions. In reaching its determination to approve and recommend the merger agreement, Business Holding Corporation's Board of Directors did not assign any relative or specific weights to the factors considered in reaching such determination, and individual members of Business Holding Corporation's Board of Directors may have given differing weights to different factors.

The following includes the material factors that were considered by Business Holding Corporation's Board of Directors:

its review, based in part on presentations by Business Holding Corporation's management of the business, operations, technology, dividends, financial condition and earnings of BancorpSouth on a historical and a prospective basis and of the combined company on a pro forma basis;

the resulting relative interests of Business Holding Corporation shareholders in the common stock of the combined companies following the merger;

the similarity of Business Holding Corporation's market area to BancorpSouth's market areas and the fact that Business Holding Corporation's market area is located in a state in which BancorpSouth currently operates;

the terms of the merger agreement, including the amount and form of consideration to be received by Business Holding Corporation shareholders in the merger, and the expectation that the merger will be a tax-free transaction;

the general impact that the merger could be expected to have on the constituencies served by Business Holding Corporation, including its customers, employees and communities;

the anticipated cost savings, operating efficiencies and opportunities for revenue enhancement available to the combined companies from the merger, and the likelihood that these would be achieved following the merger;

the opinion of Business Holding Corporation's financial advisor that the merger consideration is fair from a financial point of view to holders of Business Holding Corporation common stock;

the nature of, and likelihood of obtaining, the regulatory approvals that would be required for the merger;

the liquidity provided by shares of BancorpSouth common stock compared to shares of Business Holding Corporation common stock;

the historical market prices of BancorpSouth common stock and the fact that the proposed per-share merger consideration represented a premium over the book value of Business Holding Corporation's common stock on the business day before the merger was announced; and

the results that could be expected to be obtained by Business Holding Corporation if it continued to operate independently and the likely benefits to shareholders of such course, as compared with the value of the merger

consideration being offered by BancorpSouth.

Based on a thorough evaluation of these factors, Business Holding Corporation's Board of Directors believes the merger is in the best interests of Business Holding Corporation and Business Holding Corporation

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shareholders. Business Holding Corporation's Board of Directors recommends that Business Holding Corporation shareholders vote For approval of the merger agreement.

Opinion of Financial Advisor to Business Holding Corporation

Business Holding Corporation retained National Capital to act as its financial advisor in connection with the merger and related matters. As part of its engagement, National Capital agreed to render an opinion with respect to the fairness, from a financial point of view, to the holders of Business Holding Corporation common stock, of the merger consideration.

National Capital is an investment banking and financial services firm located in Baton Rouge, Louisiana. As part of its investment banking business, National Capital engages in the review of the fairness of bank acquisition transactions from a financial perspective and in the valuation of banks and other businesses and their securities in connection with mergers, acquisitions and other transactions. Neither National Capital nor any of its affiliates has nor has had during the past two years a material relationship with Business Holding Corporation and its affiliates or BancorpSouth and its affiliates. National Capital assisted in the organization of Business Holding Corporation and, after considering several financial advisors to serve in connection with the merger, Business Holding Corporation's Board of Directors unanimously selected National Capital to serve as its financial advisor based upon National Capital's familiarity with Business Holding Corporation and the regional community banking industry, as well as National Capital's knowledge of the banking industry as a whole. No instructions were given or limitations imposed by Business Holding Corporation's Board of Directors upon National Capital regarding the scope of its investigation or the procedures it followed in rendering its opinion.

On September 15, 2003, National Capital rendered an oral opinion to the Board of Directors of Business Holding Corporation that the consideration to be received by the holders of Business Holding Corporation common stock under the merger agreement is fair to Business Holding Corporation shareholders from a financial point of view. National Capital provided a written fairness opinion as of October 4, 2004. National Capital has been paid a fee of \$5,000 for rendering this opinion.

The full text of National Capital's written opinion to the Business Holding Corporation Board of Directors, dated as of October 4, 2004, which sets forth the assumptions made, matters considered and extent of review by National Capital, is attached as Annex C to this Proxy Statement/Prospectus and is incorporated herein by reference. You should read the fairness opinion carefully and in its entirety. The following summary of National Capital's opinion is qualified in its entirety by reference to the full text of the opinion. National Capital's opinion is directed to the Business Holding Corporation Board of Directors and does not constitute a recommendation to any shareholder of Business Holding Corporation as to how a shareholder should vote with regard to the merger agreement at the Business Holding Corporation special meeting described in this Proxy Statement/Prospectus. The opinion addresses only the financial fairness of the consideration to be received by the holders of Business Holding Corporation common stock. The opinion does not address the relative merits of the merger or any alternatives to the merger, the underlying decision of the Business Holding Corporation Board of Directors to approve the merger agreement or proceed with or effect the merger, or any other aspect of the merger.

In connection with the fairness opinion, National Capital:

reviewed the merger agreement;

reviewed certain publicly available financial statements and other information regarding BancorpSouth;

reviewed internal financial information and financial projections as well as other information regarding Business Holding Corporation;

held conversations with the management of Business Holding Corporation regarding current financial performance and projected performance;

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reviewed the financial performance and stock trading performance of BancorpSouth;

analyzed the transaction and transaction ratios including deal value and dividends;

analyzed the present value of future cash flows for an investor in an independent Business Holding Corporation;
and

reviewed the financial terms of certain other recent comparable community bank acquisition transactions.

National Capital did not independently verify the foregoing information and relied on such information as being complete and accurate in all material respects. National Capital did not make an independent evaluation or appraisal of the assets of Business Holding Corporation or BancorpSouth. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to summary description. Accordingly, notwithstanding the separate factors summarized below, National Capital believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all analyses and factors, could create an incomplete view of the evaluation process underlying its opinion.

In performing its analyses, National Capital made numerous assumptions with respect to industry performance, business and economic conditions and other matters, many of which are beyond Business Holding Corporation's and BancorpSouth's control. The analyses performed by National Capital are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. No company or transaction considered as a comparison in the analyses is identical to Business Holding Corporation, BancorpSouth or the merger. Accordingly, an analysis of the results of such comparisons is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of companies and other factors that could affect the value of the companies involved in such comparisons. In addition, the analyses do not purport to be appraisals or reflect the process by which or the prices at which businesses actually may be sold or the prices at which any securities may trade at the present time or at any time in the future.

Review and Analysis of BancorpSouth Common Stock and the Transaction and Transaction Ratios

National Capital did not determine the amount of consideration to be paid in the merger. The merger agreement calls for each share of Business Holding Corporation to be exchanged for 1.14175 shares of BancorpSouth common stock, a cash payment of \$26.00 or a combination of cash and shares of BancorpSouth common stock. Based on a \$22.77 per share market value of BancorpSouth common stock that was calculated using the average closing price for the last ten trading days ending September 16, 2004, the value received by the shareholders of Business Holding Corporation would be \$26.00 per share. That price would result in transaction ratios as of September 30, 2004 equal to 2.45 times stated and tangible book, 32.97 times earnings for the last twelve months and 21.5% of total assets. Business Holding Corporation does not have a public market for trading shares for comparison but the value to be received is well in excess of current book value and the current return on equity. Business Holding Corporation has never paid a dividend on its shares of common stock but BancorpSouth has historically paid quarterly dividends on its shares of common stock. Based on the third quarter of 2004 quarterly dividend rate of \$0.18 per share of BancorpSouth common stock paid to BancorpSouth shareholders and the exchange ratio, Business Holding Corporation shareholders would receive a quarterly dividend equivalent to \$0.021 per share of Business Holding Corporation common stock.

Analysis of the Present Value of Future Cash Flow for an Independent Business Holding Corporation

National Capital projected the present value of future cash flows for a Business Holding Corporation shareholder on a stand alone basis through 2009 assuming annual asset growth of 10% and a continuation of the present dividend policy. The sum of the present value of the annual dividend cash flows and the terminal market value of Business Holding Corporation was calculated using discount rates from 10% to 15%, the estimated required

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rate of return expected by an investor, resulting in a present value ranging from \$19.26 to \$25.14 per share of Business Holding Corporation common stock.

Analysis of Comparable Transactions

National Capital reviewed the proposed merger as of September 7, 2004 for the purpose of comparing the merger with other announced whole bank and bank holding company transactions. National Capital reviewed the prices paid in 29 U.S. transactions that were announced between July 1, 2003 and September 7, 2004 involving selling financial institutions headquartered in the states of Louisiana, Texas, Mississippi, Arkansas and Alabama with total assets between \$50 and \$500 million. The tables below include information regarding these transactions. For this peer group: the average and median announced deal price to book value was 1.88 and 1.76 times, respectively; the average and median price to tangible book was 1.92 and 1.90 times, respectively; the average and median price to earnings was 28.85 and 23.65 times, respectively; and the average and median price to assets was 17.5% and 18.1%, respectively. The merger value for the merger of Business Holding Corporation with and into BancorpSouth ranks above the average and median of the comparable transactions.

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Buyer Name	Buyer State	Target Name	Target State	Announce Date	Deal Value (\$MM)	Price to Equity(x)	Price to Tangible Equity(x)	Price to Last 12 Months Net Income(x)
HGroup Acquisition Co.	TX	Heritage Bancshares, Inc.	TX	1/14/04	12.4	157.47	157.47	N/A
First Federal Bank of Louisiana	LA	First Allen Parish Bancorp	LA	6/16/04	6.6	147.00	147.00	17.09
First Community Capital Corporation	TX	Grimes County Capital Corporation	TX	9/19/03	9.5	232.50	232.50	55.56
First Financial Bankshares, Inc.	TX	Liberty National Bank	TX	3/04/04	12.8	203.98	203.98	18.65
KSB Bancorp Inc.	LA	Teche Bancshares, Inc.	LA	10/27/03	N/A	N/A	N/A	N/A
Teche Holding Co.	LA	St. Landry Financial Corporation	LA	3/04/04	10.1	124.21	124.21	40.85
North American Bancshares, Inc.	TX	Pioneer Bankshares, Inc.	TX	8/18/03	12.7	219.72	219.72	27.48
IBERIABANK Corporation	LA	Alliance Bank of Baton Rouge	LA	11/17/03	15.5	170.99	170.99	34.46
Sterling Bancshares, Inc.	TX	South Texas Capital Group, Inc.	TX	8/18/03	N/A	N/A	N/A	N/A
Liberty Bancshares, Inc.	AR	Peoples Bank	AR	11/14/03	8.3	143.23	143.23	N/A
Summit Bancshares, Inc.	TX	ANB Financial Corporation	TX	2/02/04	13.8	264.68	264.68	22.55
Prosperity Bancshares, Inc.	TX	First State Bank of North Texas	TX	10/06/03	21.4	219.24	219.24	12.36
Franklin Bank Corp.	TX	Cedar Creek Bancshares, Inc.	TX	9/07/04	22.6	202.11	202.11	22.22
Prosperity Bancshares, Inc.	TX	Village Bank & Trust, S.S.B.	TX	5/12/04	20.2	197.61	203.63	20.12
Investor group	TX	Snyder National Bank	TX	9/30/03	8.5	123.98	123.98	20.59
MidSouth Bancorp, Inc.	LA	Lamar Bancshares, Incorporated	TX	5/27/04	22.5	181.92	189.87	17.99
Happy Bancshares, Inc.	TX	Sun Banc, Corporation	TX	12/31/03	16.5	167.56	182.95	14.96
Mountain Home Bancshares, Inc.	AR	Pocahontas Bankstock, Inc.	AR	3/24/04	17.5	148.01	148.01	N/A
Simmons First National Corporation	AR	Alliance Bancorporation	AR	10/08/03	25.5	246.51	246.51	21.32
Community Bancshares of Mississippi, Inc.	MS	Security Bancshares, Inc.	MS	11/25/03	15.0	78.93	80.70	14.27
Liberty Bancshares, Inc.	AR	Arkansas State Bancshares, Inc.	AR	6/25/04	31.7	151.86	151.86	54.11

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Adam Corporation Group	TX	Beltline Bancshares Inc.	TX	8/08/03	32.0	242.42	270.98	34.78
State National Bancshares, Inc.	TX	Mercantile Bank Texas	TX	4/26/04	51.3	323.38	323.38	25.66
Prosperity Bancshares, Inc.	TX	MainBancorp, Incorporated	TX	7/21/03	40.6	176.26	211.84	24.74
Southwest Bancorporation of Texas, Inc.	TX	Reunion Bancshares, Inc.	TX	10/27/03	50.0	295.19	295.19	30.19
Texas United Bancshares, Incorporated	TX	GNB Bancshares, Incorporated	TX	4/29/04	44.7	238.29	238.38	44.83
Rock Bancshares Inc.	AR	HCB Bancshares, Inc.	AR	1/13/04	28.6	99.76	99.73	62.10
Home Bancshares, Inc.	AR	Community Financial Group, Inc.	AR	8/01/03	43.0	160.80	164.51	44.70
Franklin Bank Corp.	TX	Jacksonville Bancorp, Inc.	TX	8/12/03	72.4	158.70	172.65	10.71
Count					27	27	27	24
Average					24.66	188.01	192.20	28.85
Median					20.20	176.26	189.87	23.65
Trim Mean (80%)					22.92	186.05	190.88	27.58
Minimum					6.60	78.93	80.70	10.71
Maximum					72.40	323.38	323.38	62.10
Standard Deviation					16.32	57.84	58.64	14.53
<i>BancorpSouth, Inc.</i>	<i>MS</i>	<i>Business Holding Corporation</i>	<i>LA</i>	<i>9/17/04</i>	<i>34.5</i>	<i>244.97</i>	<i>244.97</i>	<i>32.97</i>

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Buyer Name	Buyer State	Target Name	Target State	Price to Total Assets (%)	Price to Total Deposits (%)	Premium to Core Deposits (%)	Seller Return on Average Assets	Seller Return on Average Equity
HGroup Acquisition Co.	TX	Heritage Bancshares, Inc.	TX	23.49	30.53	12.71	-0.12	-0.78
First Federal Bank of Louisiana	LA	First Allen Parish Bancorp	LA	12.31	14.62	5.05	0.73	8.98
First Community Capital Corporation	TX	Grimes County Capital Corporation	TX	17.37	18.96	12.17	0.64	7.56
First Financial Bankshares, Inc.	TX	Liberty National Bank	TX	20.31	23.05	16.67	1.46	15.81
KSB Bancorp Inc.	LA	Teche Bancshares, Inc.	LA	N/A	N/A	N/A	0.57	7.28
Teche Holding Co.	LA	St. Landry Financial Corporation	LA	14.15	20.40	5.21	0.34	3.06
North American Bancshares, Inc.	TX	Pioneer Bankshares, Inc.	TX	17.30	18.88	12.25	0.53	6.52
IBERIABANK Corporation	LA	Alliance Bank of Baton Rouge	LA	19.96	22.88	10.51	0.68	5.18
Sterling Bancshares, Inc.	TX	South Texas Capital Group, Inc.	TX	N/A	N/A	N/A	2.07	29.16
Liberty Bancshares, Inc.	AR	Peoples Bank	AR	9.87	11.51	4.00	-1.87	-24.48
Summit Bancshares, Inc.	TX	ANB Financial Corporation	TX	15.06	16.59	10.83	0.60	6.86
Prosperity Bancshares, Inc.	TX	First State Bank of North Texas	TX	22.83	25.83	14.67	2.94	31.07
Franklin Bank Corp.	TX	Cedar Creek Bancshares, Inc.	TX	21.42	23.99	13.82	1.26	11.89
Prosperity Bancshares, Inc.	TX	Village Bank & Trust, S.S.B.	TX	18.64	21.21	12.55	0.94	9.68
Investor group	TX	Snyder National Bank	TX	12.56	14.19	3.91	0.67	6.34
MidSouth Bancorp, Inc.	LA	Lamar Bancshares, Incorporated	TX	19.52	21.73	11.43	1.85	18.97
Happy Bancshares, Inc.	TX	Sun Banc, Corporation	TX	13.44	17.28	11.28	1.22	14.86
Mountain Home Bancshares, Inc.	AR	Pocahontas Bankstock, Inc.	AR	13.62	16.74	6.44	1.13	12.92
Simmons First National Corporation	AR	Alliance Bancorporation	AR	18.39	24.41	16.41	1.21	14.78
Community Bancshares of Mississippi, Inc.	MS	Security Bancshares, Inc.	MS	10.23	11.84	N/A	0.77	5.99
Liberty Bancshares, Inc.	AR	Arkansas State Bancshares, Inc.	AR	23.83	28.32	12.20	0.48	3.06

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Adam Corporation Group	TX	Beltline Bancshares Inc.	TX	18.07	20.21	16.02	0.47	5.89
State National Bancshares, Inc.	TX	Mercantile Bank Texas	TX	25.64	28.09	21.08	1.09	13.40
Prosperity Bancshares, Inc.	TX	MainBancorp, Incorporated	TX	19.66	22.29	12.72	0.76	6.86
Southwest Bancorporation of Texas, Inc.	TX	Reunion Bancshares, Inc.	TX	23.37	26.00	18.79	0.79	10.22
Texas United Bancshares, Incorporated	TX	GNB Bancshares, Incorporated	TX	19.51	23.20	15.56	0.46	5.33
Rock Bancshares Inc.	AR	HCB Bancshares, Inc.	AR	11.80	19.58	1.29	0.20	1.76
Home Bancshares, Inc.	AR	Community Financial Group, Inc.	AR	13.92	17.09	7.76	1.16	13.45
Franklin Bank Corp.	TX	Jacksonville Bancorp, Inc.	TX	16.23	19.34	10.92	1.41	15.04
Count				27	27	26	29	29
Average				17.50	20.69	11.39	0.84	9.20
Median				18.07	20.40	12.19	0.76	7.56
Trim Mean (80%)				17.52	20.72	11.42	0.86	9.27
Minimum				9.87	11.51	1.29	(1.87)	(24.48)
Maximum				25.64	30.53	21.08	2.94	31.07
Standard Deviation				4.42	4.88	4.87	0.80	9.68
<i>BancorpSouth, Inc.</i>	<i>MS</i>	<i>Business Holding Corporation</i>	<i>LA</i>	<i>21.50</i>	<i>27.57</i>	<i>19.95</i>	<i>0.67</i>	<i>8.21</i>

Therefore, based on these analyses, it is the opinion of National Capital that the consideration to be received by the Business Holding Corporation shareholders is fair from a financial point of view.

Regulatory Approval

Completion of the merger is conditioned on, among other things, the receipt of approvals by the Federal Deposit Insurance Corporation, the Mississippi Department of Banking and Consumer Finance and the Louisiana

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Office of Financial Institutions. BancorpSouth expects the Board of Governors of the Federal Reserve System to waive its notification filing requirements with respect to the merger.

As a Mississippi state non-member bank, BancorpSouth Bank must file an application with the FDIC for approval of the merger under Sections 18(c) and 18(d) of the Federal Deposit Insurance Act. The FDIC may disapprove the application if it finds that the merger tends to create or result in a monopoly, substantially lessens competition or would be in restraint of trade. BancorpSouth Bank filed this application with the FDIC on October 27, 2004. Following approval of the application by the FDIC, the United States Department of Justice has up to 30 calendar days to submit any adverse comments relating to competitive factors resulting from the merger. BancorpSouth expects to obtain approval of the merger from the FDIC on December 11, 2004, and expects the waiting period to expire on December 26, 2004.

BancorpSouth notified the Mississippi Department of Banking and Consumer Finance on October 27, 2004 of the pending merger of Business Holding Corporation's bank subsidiary into BancorpSouth Bank and submitted the necessary documents and applicable fees required for its approval. Approval of this bank merger by the Mississippi Department of Banking and Consumer Finance is expected to be received prior to approval of the merger agreement by Business Holding Corporation shareholders. Also, in connection with this merger, Business Holding Corporation and BancorpSouth filed with the Commissioner of the Louisiana Office of Financial Institutions on October 27, 2004 a notice of the pending merger, provided a copy of all applications filed with any federal agency in connection with the merger and paid a fee as prescribed by regulation of the Commissioner. Approval of the merger by the Commissioner of the Louisiana Office of Financial Institutions is expected to be received on or about November 29, 2004.

Accounting Treatment

The merger will be accounted for as a purchase, as that term is used under GAAP, for accounting and financial reporting purposes. Business Holding Corporation will be treated as the acquired corporation for accounting and financial reporting purposes. Business Holding Corporation'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 Business Holding Corporation.

Material United States Federal Income Tax Consequences

The following discussion summarizes the material anticipated United States federal income tax consequences of the merger to Business Holding Corporation shareholders who hold their shares of Business Holding Corporation 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 federal income tax consequences that may be important to each taxpayer in light of its particular circumstances, nor does this discussion address the federal income tax consequences that may be applicable to taxpayers subject to special treatment under the Internal Revenue Code, such as:

tax-exempt organizations;

financial institutions, insurance companies 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 Business Holding Corporation common stock as part of a hedge, straddle, wash sale, synthetic security, conversion transaction or other integrated investment comprised of shares of Business Holding Corporation common stock and one or more other investments;

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persons who acquired their shares of Business Holding Corporation 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 have a functional currency other than the U.S. dollar;

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, PLLC, and Business Holding Corporation has received an opinion of Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P., that, as of the respective dates of such opinions, if certain factual circumstances exist, the merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that BancorpSouth and Business Holding Corporation 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 federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that BancorpSouth and Business Holding Corporation 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 Business Holding Corporation, including those contained in certificates of officers of BancorpSouth and Business Holding Corporation; 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. 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 Business Holding Corporation 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 merger is not a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, then each Business Holding Corporation shareholder would be required to recognize gain or loss equal to the difference between (i) the sum of the fair market value of the BancorpSouth common stock and the amount of cash received in the exchange and

(ii) the shareholder's adjusted tax basis in the Business Holding Corporation common stock surrendered for such consideration. Such gain or loss would be a capital gain or loss, provided that such shares of Business Holding Corporation common stock were held as capital assets by the shareholder at the effective time of the merger. Such capital gain or loss recognized would be long-term capital gain or loss if the Business Holding Corporation shareholder's holding period for the Business Holding Corporation common stock was more than one

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year. In such event, a Business Holding Corporation shareholder's total initial tax basis in the BancorpSouth common stock received would be equal to its fair market value at the effective time of the merger, and the shareholder's holding period for the BancorpSouth common stock would begin on the day after the merger.

Assuming that the merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, neither BancorpSouth nor Business Holding Corporation will recognize any gain or loss as a result of the merger. The federal income tax consequences of the merger qualifying as a reorganization to a particular Business Holding Corporation shareholder will vary depending primarily on whether the shareholder exchanges his or her Business Holding Corporation 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 Business Holding Corporation shareholder makes an election as to the form of consideration to be received in the merger and at the time of the vote on 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 whether a Business Holding Corporation shareholder elects to receive BancorpSouth common stock, cash or a combination of BancorpSouth common stock and cash, the federal income tax consequences to the shareholder will depend on the actual merger consideration received by the shareholder.

Business Holding Corporation Shareholders Receiving Only BancorpSouth Common Stock

No gain or loss will be recognized by a holder of Business Holding Corporation common stock as a result of the surrender of shares of Business Holding Corporation common stock solely in exchange for shares of BancorpSouth common stock pursuant to the merger (except with respect to cash received instead of fractional shares 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 Business Holding Corporation 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 Business Holding Corporation common stock surrendered in exchange for the BancorpSouth common stock, provided that such shares of Business Holding Corporation common stock were held as capital assets of the shareholder at the effective time of the merger.

Business Holding Corporation Shareholders Receiving Only Cash

A holder of Business Holding Corporation 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 Business Holding Corporation common stock exchanged in the merger. Such gain or loss will be a capital gain or loss, provided that such shares of Business Holding Corporation 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 Business Holding Corporation 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.

Business Holding Corporation Shareholders Receiving Both Cash and BancorpSouth Common Stock

If a holder of Business Holding Corporation common stock receives both BancorpSouth common stock and cash (other than cash in lieu of a fractional interest in BancorpSouth common stock) in the merger, that holder will recognize gain, 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 Business Holding Corporation common stock exchanged in the merger.

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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 Business Holding Corporation common stock were held as capital assets by the shareholder at the effective time of the merger), unless the holder's exchange of Business Holding Corporation 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 Business Holding Corporation 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 Business Holding Corporation shareholder, Business Holding Corporation shareholders are urged to consult their own tax advisors regarding the tax treatment of any cash received in the merger.

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 Business Holding Corporation 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 Business Holding Corporation common stock surrendered in exchange for the BancorpSouth common stock, provided that such shares of Business Holding Corporation common stock were held as capital assets of the shareholder at the effective time of the merger. A Business Holding Corporation shareholder who receives a combination of BancorpSouth common stock and cash in exchange for his or her Business Holding Corporation common stock will not be permitted to recognize any loss for federal income tax purposes.

A Business Holding Corporation shareholder's federal income tax consequences will also depend on whether his or her shares of Business Holding Corporation common stock were purchased at different times at different prices. If they were, the Business Holding Corporation shareholder could realize gain with respect to some of the shares of Business Holding Corporation common stock and loss with respect to other shares. Such Business Holding Corporation shareholder would have to recognize such gain to the extent such shareholder receives cash with respect to those shares of Business Holding Corporation 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 Business Holding Corporation common stock in which the Business Holding Corporation 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 Business Holding Corporation shareholder is urged to consult his or her own tax advisor respecting the tax consequences of the merger to that shareholder.

Cash Instead of Fractional Shares of BancorpSouth Common Stock

Holders of Business Holding Corporation 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 Business Holding Corporation 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 Business Holding Corporation

common stock exchanged has been held for more than one year.

Backup Withholding

A holder of Business Holding Corporation 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

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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 federal income tax liability, so long as the required information is furnished to the IRS.

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

Shareholders Dissenters' Rights

Each record holder of Business Holding Corporation common stock will be entitled to dissenters' rights as a result of the merger pursuant to Section 131 of the Business Corporation Law of Louisiana; provided, however, that such holders will not have dissenters' rights if the merger agreement is approved by at least 80% of the total voting power of Business Holding Corporation. If you have a beneficial interest in shares of Business Holding Corporation common stock that are held of record in the name of another person, such as a broker or nominee, you must act promptly to cause the record holder to follow the steps summarized below properly and in a timely manner to perfect whatever dissenters' rights you may have, or you must submit to Business Holding Corporation the record shareholder's written consent to the dissent not later than the time you assert dissenters' rights and must do so with respect to all shares that you beneficially own.

The following discussion is not a complete statement of the law pertaining to dissenters' rights under the Business Corporation Law of Louisiana. If you wish to exercise such dissenters' rights, or wish to preserve your right to do so, you should review Section 131 of the Business Corporation Law of Louisiana, a copy 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 Business Corporation Law of Louisiana. 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 receive the value of your Business Holding Corporation common stock in cash, you should consult with your own legal counsel.

Your vote against the merger agreement will not be deemed to satisfy all of the notice requirements under the Business Corporation Law of Louisiana with respect to appraisal rights.

Procedure for the Exercise of Dissenters' Rights

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

file with Business Holding Corporation prior to the special meeting a written objection to the approval of the merger agreement; and

vote such shares of Business Holding Corporation common stock against the merger agreement.

Moreover, in order for you to be eligible to exercise dissenters' rights, the merger agreement must be approved by less than 80% of the total voting power of Business Holding Corporation.

If the merger agreement is approved at the Business Holding Corporation special meeting by less than 80% of the total voting power of Business Holding Corporation and the merger is effected, Business Holding Corporation must

promptly deliver written notice to all dissenting Business Holding Corporation shareholders who satisfied the requirements referred to above. If you are sent a written notice from Business Holding Corporation, you must, within 20 days after the mailing of such notice to you, file with Business Holding Corporation a demand in writing for the fair cash value of your shares as of the day before the special meeting of Business Holding Corporation. In such demand, you must state the fair cash value demanded for the shares and a post office address for you to which Business Holding Corporation may reply. You must also deposit in escrow in a chartered bank or trust company

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located in East Baton Rouge Parish, Louisiana the certificates representing your shares, duly endorsed and transferred to Business Holding Corporation upon the sole condition that such stock certificates shall be delivered to Business Holding Corporation upon payment of the appropriate value of the shares. You shall deliver to Business Holding Corporation, along with your demand, the written acknowledgment of such bank or trust company that it holds your stock certificates. You may withdraw your demand at any time before Business Holding Corporation gives notice of disagreement, as described below.

If you demand payment for the value of your shares, you shall cease to have any of the rights of a shareholder of Business Holding Corporation, except the rights set forth in Section 131 of the Business Corporation Law of Louisiana. You may withdraw such a demand at any time before Business Holding Corporation gives notice of disagreement. After such notice of disagreement is given, your withdrawal will require the written consent of Business Holding Corporation.

If you neither demand payment nor deposit your stock certificates as described above, you will not be entitled to payment for your shares of Business Holding Corporation common stock as a dissenting shareholder but will still be entitled to merger consideration in accordance with the terms of the merger agreement as discussed in the section entitled **THE MERGER AGREEMENT** Election Procedures; Surrender of Stock Certificates.

BancorpSouth's Payment or Offer of Payment

If the merger is consummated and BancorpSouth as the surviving corporation disagrees with the value demanded by you or does not agree that a payment is due to you, within 20 days after receipt of your demand and acknowledgment, BancorpSouth shall notify you in writing of such disagreement and shall state the value BancorpSouth will agree to pay. Otherwise, BancorpSouth as the surviving corporation will be liable for, and shall pay to you, the value you demanded for your shares.

Within 60 days after receipt of written notice of BancorpSouth's disagreement, you may file suit against BancorpSouth as the surviving corporation in the district court of East Baton Rouge Parish, Louisiana, asking the court to fix and decree the fair cash value of your shares as of the day before the special meeting of Business Holding Corporation. Pursuant to Section 131 of the Business Corporation Law of Louisiana, the court shall determine whether any payment is due and, if so, the corresponding fair cash value. Any other dissenting shareholder entitled to file such a suit may, within such 60-day period, intervene as a plaintiff in a suit filed by another dissenting shareholder. The costs of the proceeding shall be taxed against the shareholder who instituted such suit, unless BancorpSouth as the surviving corporation deposited in the registry of the court the amount BancorpSouth offered to pay for such shares and the amount the court ultimately awarded the dissenting shareholder was greater than the amount deposited by BancorpSouth, exclusive of interest and costs.

A Business Holding Corporation shareholder who, within 60 days after receipt of written notice of BancorpSouth's disagreement, fails to bring a suit or intervene in a suit by another dissenting shareholder will be bound either by BancorpSouth's statement that no payment is due or by BancorpSouth's valuation of the shares.

Interests of Certain Persons in the Merger

Certain members of management of Business Holding Corporation and Business Holding Corporation's Board of Directors may be deemed to have interests in the merger that are in addition to their interests as Business Holding Corporation shareholders generally. Business Holding Corporation's Board of Directors was aware of these interests and considered them, among other matters, in approving the merger agreement.

Mr. Charles E. Roemer, III, President and Chief Executive Officer of The Business Bank, is a party to an employment agreement with The Business Bank which provides for the payment of severance in an amount equal to two times his present annual base salary upon a change of control or within three years after a change in control of The Business Bank if his employment is terminated without cause or upon the happening of certain enumerated events. It is anticipated that the merger would constitute a change of control for purposes of this employment agreement.

Ms. Paula J. Laird, Executive Vice President of The Business Bank, agreed to terminate her employment agreement with Business Holding Corporation and enter into a new employment agreement with BancorpSouth

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Bank in exchange for a payment in an amount equal to approximately three times her present annual base salary. Mr. Larry Denison, Executive Vice President of The Business Bank, agreed to terminate his employment agreement with Business Holding Corporation and enter into a new employment agreement with BancorpSouth Bank in exchange for a payment in an amount equal to approximately three times his present annual base salary.

Frank Miller, a director of Business Holding Corporation, owns options to purchase 500 shares of Business Holding Corporation common stock that will become fully vested exercisable options to purchase shares of BancorpSouth common stock as a result of the merger.

Executive officers and directors of Business Holding Corporation will receive shares of BancorpSouth common stock in the merger on the same basis as other Business Holding Corporation shareholders. The following chart shows the number of shares of BancorpSouth common stock that may be issued to executive officers, directors and holders of more than 5% of Business Holding Corporation common stock in the merger:

Beneficial ownership by executive officers, directors and holders of more than 5% of Business Holding Corporation common stock, and their affiliates, as of November 18, 2004 (including stock options that may be exercised within 60 days)	323,204
Maximum number of shares of BancorpSouth common stock to be received in the merger (based on such beneficial ownership)	369,010

Officers and directors of Business Holding Corporation 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, Business Holding Corporation 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. Business Holding Corporation is a Louisiana corporation governed by provisions of the Business Corporation Law of Louisiana, and Business Holding Corporation's articles of incorporation and bylaws. See COMPARISON OF RIGHTS OF SHAREHOLDERS.

Restrictions on Resales by Affiliates

The shares of BancorpSouth common stock issuable to Business Holding Corporation 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 Business Holding Corporation or BancorpSouth, as that term is defined in SEC rules under the Securities Act. An affiliate of a company generally includes its executive officers and directors and holders of 10% or more of the company's voting stock.

Shares of BancorpSouth common stock received by those Business Holding Corporation shareholders who are deemed to be affiliates of Business Holding Corporation at the time of the Business Holding Corporation special meeting may be resold without registration under the Securities Act 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 Business Holding Corporation may resell 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 Business Holding Corporation at the time of the Business Holding Corporation special meeting who are not affiliates of BancorpSouth may resell their shares of BancorpSouth common stock acquired in connection with the merger without registration under the Securities Act 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.

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Business Holding Corporation has agreed in the merger agreement to use its reasonable best efforts to cause each person who is an affiliate of Business Holding Corporation, 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 Business Holding Corporation 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.

Terms of the Merger

Upon completion of the merger, Business Holding Corporation will merge with and into BancorpSouth, the separate corporate existence of Business Holding Corporation will cease and BancorpSouth will be the surviving corporation. BancorpSouth will continue to exist as a Mississippi corporation. In addition, Business Holding Corporation's wholly-owned subsidiary, The Business Bank, will merge with and into BancorpSouth Bank, a Mississippi state banking corporation and a wholly-owned subsidiary of BancorpSouth, and BancorpSouth Bank will be the surviving bank. BancorpSouth Bank will continue its existence under the laws of Mississippi. 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 Louisiana and the offices of the Secretary of State of the State of Mississippi in accordance with the Business Corporation Law of Louisiana and the Mississippi Business Corporation Act of 1987. 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, Section 81-5-85 of the Mississippi Banking Act, Section 12.115 of the Business Corporation Law of Louisiana and Section 6.355 of the Louisiana Banking Law.

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

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, each share of Business Holding Corporation common stock outstanding immediately prior to the effective time (other than dissenting shares and shares held by Business Holding Corporation and BancorpSouth) will become and be converted into the right to receive, at the election of the holder of such share and subject to tax-related adjustments, either:

\$26.00 in cash (without interest), assuming payment solely of cash in exchange for Business Holding Corporation common stock; or

1.14175 shares of BancorpSouth common stock, assuming payment solely of BancorpSouth common stock in exchange for a share of Business Holding Corporation common stock; or

a combination of cash plus BancorpSouth common stock. See THE MERGER AGREEMENT Cash or Stock Election.

No fractional shares of BancorpSouth common stock will be issued in connection with the merger. Instead, Business Holding Corporation shareholders will receive, without interest, a cash payment from BancorpSouth equal to \$22.772 times the fraction of a share of BancorpSouth common stock to which the shareholder otherwise would be entitled.

The exchange ratio of 1.14175 will not be adjusted to reflect any change in the price of BancorpSouth common stock. 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 exchange ratio is fixed and the market price of BancorpSouth common stock is expected to fluctuate and may decrease, the implied market value of BancorpSouth common stock that Business Holding Corporation shareholders may receive in the merger may increase or decrease prior to

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completion of the merger. For further information concerning the historical market prices of BancorpSouth common stock and Business Holding Corporation 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 Business Holding Corporation common stock would be converted in the merger at various hypothetical reference closing prices of BancorpSouth common stock at the effective time of the merger:

Closing Price of BancorpSouth Common Stock	Exchange Ratio	Implied Value per Share of Business Holding Corporation Common Stock
\$20.00	1.14175	\$ 22.84
21.00	1.14175	23.98
22.00	1.14175	25.12
23.00	1.14175	26.26
24.00	1.14175	27.40
25.00	1.14175	28.54

At the effective time of the merger, all shares of Business Holding Corporation common stock held by Business Holding Corporation or its subsidiary bank, 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 Business Holding Corporation or its subsidiary bank, other than shares held in a fiduciary capacity or in connection with a debt previously contracted, will become treasury stock and all other shares of BancorpSouth common stock outstanding as of the effective time will remain outstanding.

At the effective time of the merger, each outstanding and unexercised option to purchase shares of Business Holding Corporation common stock granted by Business Holding Corporation will no longer represent a right to acquire shares of Business Holding Corporation common stock and will be replaced by a fully vested exercisable option to purchase shares of BancorpSouth common stock under the appropriate BancorpSouth stock option plan. The number of shares of BancorpSouth common stock underlying these new options will be equal to the product of (i) the number of shares of Business Holding Corporation common stock underlying the original options, multiplied by (ii) the exchange ratio, with any fractional shares of BancorpSouth common stock resulting from this calculation to be rounded to the nearest whole share. The exercise price per share of BancorpSouth common stock under these new options will be equal to the quotient of (i) the aggregate exercise price for the shares of Business Holding Corporation common stock under the original options, divided by (ii) the number of shares of BancorpSouth common stock issuable under the new options. The duration and material terms of each new option to purchase BancorpSouth common stock will be the same as the replaced option to purchase Business Holding Corporation common stock.

At the effective time of the merger, Business Holding Corporation shareholders, other than those who perfect dissenters' rights, will have no further rights as Business Holding Corporation 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 Business Holding Corporation's stock transfer books of shares of Business Holding Corporation common stock. If, after the effective time, stock certificates representing shares of Business Holding Corporation common stock are presented for transfer to SunTrust Bank, Atlanta, N.A., the exchange agent for the merger, they will be canceled and

exchanged for either cash or certificates representing shares of BancorpSouth common stock 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 will be adjusted accordingly.

At the effective time of the merger, persons who are BancorpSouth shareholders immediately prior to the merger would own approximately 99.0% of the outstanding shares of common stock of the combined company and persons who are Business Holding Corporation shareholders immediately prior to the merger would own

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approximately 1.0% of the outstanding shares of common stock of the combined company, assuming the proposed merger of Premier Bancorp, Inc. with and into BancorpSouth, which is described in BancorpSouth's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 20, 2004, occurs prior to the proposed merger of Business Holding Corporation with and into BancorpSouth and assuming all options to purchase shares of Business Holding Corporation common stock are exercised prior to the merger and 60% of the outstanding shares of Business Holding Corporation common stock are converted into shares of BancorpSouth common stock in connection with the merger.

Cash or Stock Election

Each shareholder of Business Holding Corporation has the opportunity to elect the type of consideration to be received for such shareholder's shares of Business Holding Corporation common stock in the merger—cash, shares of BancorpSouth common stock or a combination of both. All elections by Business Holding Corporation shareholders are subject to the allocation and proration procedures described in the merger agreement. These procedures are intended to ensure that, subject to a tax-related adjustment, between 51% and 60% of the outstanding shares of Business Holding Corporation common stock will be converted into the right to receive BancorpSouth common stock, and the remaining shares of Business Holding Corporation common stock will be converted into the right to receive cash.

It is unlikely that elections will be made in the exact proportions provided for in the merger agreement. As a result, the merger agreement describes procedures to be followed if Business Holding Corporation 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 Business Holding Corporation shareholders elect to receive more shares of BancorpSouth common stock than the maximum number that BancorpSouth has agreed to issue in the merger, then all Business Holding Corporation shareholders who have elected to receive cash or who have made no election will receive cash for their shares of Business Holding Corporation 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 Business Holding Corporation shareholders elect to receive fewer shares of BancorpSouth common stock than the minimum number that BancorpSouth has agreed to issue in the merger, and

- (1) this shortfall is less than or equal to the number of shares as to which Business Holding Corporation shareholders have made no election, then all Business Holding Corporation shareholders who have elected to receive BancorpSouth common stock will receive BancorpSouth common stock, all Business Holding Corporation shareholders who have elected to receive cash will receive cash and all Business Holding Corporation shareholders who made no election will receive a pro rata portion of the minimum 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 as to which Business Holding Corporation shareholders have made no election, then all Business Holding Corporation shareholders who have elected to receive BancorpSouth common stock or who have made no election will receive BancorpSouth common stock and all Business Holding Corporation shareholders who have elected to receive cash will receive a pro rata

portion of the minimum 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.

BancorpSouth and Business Holding Corporation have structured the merger to qualify as a reorganization for U.S. federal income tax purposes. The merger might not qualify as a reorganization, however, if, on the closing date of the merger, the total value of the BancorpSouth shares that Business Holding Corporation shareholders receive is less than 45% of the value of the total consideration including BancorpSouth common

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stock, cash and any other amounts treated as consideration in connection with the merger for federal income tax purposes that Business Holding Corporation shareholders (including shareholders who exercise dissenters' rights) receive in connection with the merger. To prevent this from happening, if the value of the shares of BancorpSouth common stock received would otherwise be less than 45% of the value of the total consideration, the BancorpSouth common stock consideration will be increased and the cash consideration will be correspondingly decreased. If this tax-related adjustment is necessary, the amount of cash you would have received, after taking into account your election and any proration, will be reduced and you will receive additional shares of BancorpSouth common stock. Whether the tax-related adjustment will be made and the magnitude of the tax-related adjustment, if made, will be based on a number of factors, including the trading price of shares of BancorpSouth common stock on the date the merger is completed and the number of shares of Business Holding Corporation common stock for which dissenters' rights are exercised. In no event, however, will BancorpSouth be obligated to issue more than 903,228 shares of its common stock as merger consideration, including shares to be issued upon the exercise of certain stock options.

Neither Business Holding Corporation nor BancorpSouth is making any recommendation as to whether Business Holding Corporation shareholders should elect to receive cash or BancorpSouth common stock in the merger. Each Business Holding Corporation 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 and other limitations 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 Business Holding Corporation 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 cash, BancorpSouth common stock 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 SunTrust Bank, Atlanta, N.A., which will be acting as the exchange agent, on or before 5:00 p.m., Eastern Time, on December 17, 2004. SunTrust Bank will act as exchange agent in the merger and in that role will process the exchange of Business Holding Corporation common stock certificates for cash and/or BancorpSouth common stock. Shortly after December 17, 2004, the exchange agent will allocate cash and shares of BancorpSouth common stock among Business Holding Corporation shareholders, consistent with their elections, the allocation and proration procedures and the tax-related adjustment. **Please do not forward your Business Holding Corporation stock certificates, election form and letter of transmittal with your proxy card. Stock certificates, election forms and letters of transmittal should be returned 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 Business Holding Corporation 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 Business Holding Corporation 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 Business Holding Corporation shareholders.

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

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Business Holding Corporation 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 concerning how to make the election.

BancorpSouth will deposit with the exchange agent the shares representing BancorpSouth's common stock and cash to be issued to Business Holding Corporation shareholders in exchange for their shares of Business Holding Corporation common stock. Upon surrendering his or her certificate(s) representing shares of Business Holding Corporation common stock, together with the signed letter of transmittal, the Business Holding Corporation shareholder shall 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 shall have become entitled to; and

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

Until you surrender your Business Holding Corporation stock certificates for exchange, you will not be paid dividends or other distributions declared after the merger with respect to any BancorpSouth common stock into which your shares have been exchanged. No interest will be paid or accrued to Business Holding Corporation 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 Business Holding Corporation common stock. Business Holding Corporation stock certificates presented for transfer will be canceled and exchanged for the merger consideration.

If any of your stock certificates representing Business Holding Corporation common stock have been lost, stolen or destroyed, BancorpSouth can require you to give an affidavit and/or post a bond in an amount that is customarily required by BancorpSouth and the exchange agent as indemnity against any claim that may be made with respect to your Business Holding Corporation 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 certificate representing shares of BancorpSouth's common stock is to be issued in a name other than that in which the certificate for shares surrendered in exchange is registered, it will be a condition of issuance or payment that the 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 certificate representing shares of BancorpSouth common stock in any name other than the registered holder of the 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 Business Holding Corporation shareholders for twelve months after the effective time of the merger will be returned to BancorpSouth. Following the period of twelve months after the effective time, any Business Holding Corporation shareholder who has not exchanged shares of Business Holding Corporation common stock for the merger consideration in accordance with the merger agreement may look only to BancorpSouth for payment of the merger consideration for these shares and any unpaid dividends or distributions. Nonetheless, BancorpSouth, Business Holding Corporation, the exchange agent or any other person will not be liable to any Business Holding Corporation shareholder for any amount properly delivered to a public official under applicable abandoned property, escheat or similar laws.

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Treatment of Stock Options

At the effective time of the merger, each outstanding and unexercised option to acquire shares of Business Holding Corporation common stock will be converted automatically into a fully vested exercisable option to purchase shares of BancorpSouth common stock. The new option will be subject to the terms of the appropriate stock option plan of BancorpSouth, except that:

the number of shares of BancorpSouth common stock subject to the new BancorpSouth stock option will be equal to the product of the number of shares of Business Holding Corporation common stock subject to the Business Holding Corporation stock option and the exchange ratio, rounded to the nearest whole share; and

the exercise price per share of BancorpSouth common stock subject to the new BancorpSouth stock option will be equal to the aggregate exercise price for the shares of Business Holding Corporation common stock purchasable under the Business Holding Corporation stock option divided by the number of shares of BancorpSouth common stock issuable under the new BancorpSouth stock option.

The duration and material terms of each new option to purchase BancorpSouth common stock will be the same as the replaced option to purchase Business Holding Corporation common stock.

Representations and Warranties

The merger agreement contains a number of representations and warranties by Business Holding Corporation 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; and

required approvals for the merger.

The merger agreement also contains a number of additional representations and warranties solely by Business Holding Corporation 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 due in connection with the merger;

the absence of materially adverse litigation;

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;

compliance with applicable laws;

the existence, performance and legal effect of certain contracts;

the absence of certain agreements with regulatory agencies;

the absence of any anti-takeover laws that would govern the merger agreement;

compliance with applicable environmental laws;

the adequacy and efficacy of insurance coverage;

loan portfolio matters;

ownership of properties and assets;

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 Business Holding Corporation;

the accuracy of certain books and records;

qualification of the merger under Section 386(a) of the Internal Revenue Code; 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, Business Holding Corporation 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 their respective businesses 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.

Business Holding Corporation has agreed to refrain, among other things, from:

declaring or paying any dividends on, or making other distributions in respect of, any of its capital stock during any period, other than dividends or distributions by a subsidiary of Business Holding Corporation to Business Holding Corporation;

issuing, acquiring, reclassifying or splitting its capital stock;

issuing any options or other securities convertible into or exchangeable for its capital stock;

amending its articles of incorporation or bylaws;

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under certain circumstances, soliciting, initiating, 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 in excess of \$100,000 in the aggregate;

entering into any new line of business;

engaging in a material acquisition of another business;

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, 2003, except as required by changes in generally accepted accounting principles or regulatory accounting principles;

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;

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;

creating, amending or terminating any material 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;

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

entering or committing to enter into any new loans outside the ordinary course of business, or in an original principal amount in excess of \$1,000,000, without having provided prior written notice to BancorpSouth. BancorpSouth has agreed to refrain, among other things, from:

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

changing its methods of accounting in effect at December 31, 2003, except as required by changes in 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;

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afford to the other party and its representatives access during normal business hours to all of such party's information concerning its business, properties and personnel as the other party may reasonably request; and

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

Business Holding Corporation agreed to cause each director, executive officer and other person who is an affiliate of Business Holding Corporation 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. Business Holding Corporation also agreed to call and hold a special meeting of its shareholders and, through its Boards of Directors, to recommend the merger agreement for approval to its shareholders. In addition, Business Holding Corporation agreed to take appropriate action to obtain the consent of all holders of options to purchase shares of Business Holding Corporation common stock to the conversion of such options into options to purchase shares of BancorpSouth common stock.

BancorpSouth agreed to cause the employees of Business Holding Corporation to be eligible to participate in BancorpSouth's employee benefit plans in which similarly situated employees of BancorpSouth participate, to the same extent as similarly situated employees of BancorpSouth. BancorpSouth also agreed to cause the shares of BancorpSouth common stock to be issued in the merger to be approved for listing on the New York Stock Exchange.

Conditions to the Merger

The obligations of Business Holding Corporation 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 Business Holding Corporation approving the merger;

the New York Stock Exchange authorizing for listing the shares of BancorpSouth common stock to be issued to Business Holding Corporation shareholders;

receipt of all required regulatory approvals, including that of the FDIC, and the expiration of any regulatory waiting periods;

BancorpSouth's registration statement on Form S-4 shall have become 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 shall be 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 shall have been performed in all material respects;

the holders of less than 10% of the total outstanding shares of Business Holding Corporation common stock shall have exercised 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 will generally be as described in this Proxy Statement/Prospectus;

BancorpSouth shall have received the consent of all of the holders of options to purchase shares of Business Holding Corporation common stock to the conversion of such options into options to

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purchase shares of BancorpSouth common stock in an amount and at an exercise price based on the exchange ratio;

BancorpSouth shall have received a signed consent to the transactions contemplated by the merger agreement and amendment to the terms of a lease agreement, dated June 28, 2001 and as amended, between JTS Management Company, LLC, as agent for 5615 Associates LLC, and The Business Bank;

Business Holding Corporation shall have amended, modified or obtained tail coverage to provide continuing coverage under its existing insurance policies;

Business Holding Corporation shall have terminated the agreement between The Business Bank and Triad Financial Services, Inc., dated as of May 10, 2004, related to the financing of manufactured homes; and

BancorpSouth shall have succeeded to Business Holding Corporation's rights, interests and obligations pursuant to the indenture, dated as of January 30, 2004, between Business Holding Corporation and Wells Fargo Bank regarding certain junior subordinated debt securities due in 2034, and the current trustees of Business Holding Corporation's special purpose trust subsidiary shall have resigned and successor trustees acceptable to BancorpSouth shall have been appointed.

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 by Business Holding Corporation shareholders, as set forth in the merger agreement, including by mutual consent of BancorpSouth and Business Holding Corporation. In addition, the merger agreement may generally be terminated by either party if:

a governmental entity denies or withdraws a request or application for a required regulatory approval (subject to a 60-day waiting period) or issues a final nonappealable order enjoining or otherwise prohibiting the merger;

the merger is not completed on or before February 28, 2005;

Business Holding Corporation 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 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 the prescribed time limit.

BancorpSouth may terminate the merger agreement if Business Holding Corporation's Board of Directors has withdrawn, modified or changed, in a manner adverse to BancorpSouth, its approval and recommendation of the merger agreement, or if Business Holding Corporation enters into a letter of intent or agreement related or with respect to any tender or exchange offer, proposal for a merger, consolidation or other business combination involving Business Holding Corporation or any subsidiary of Business Holding Corporation or any proposal, inquiry or offer to acquire in any manner all or 10% or greater equity interest in, or all or a substantial portion of the assets of, Business Holding Corporation or any subsidiary of Business Holding Corporation.

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 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.

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In the event the merger agreement is terminated for any reason other than BancorpSouth's failure to perform its obligations under the merger agreement or the failure to consummate the merger by February 28, 2005 (other than a failure caused by Business Holding Corporation), after the expiration of any applicable cure periods (if BancorpSouth fails to cure its breach), generally if any tender or exchange offer, proposal for a merger, consolidation or other business combination involving Business Holding Corporation or The Business Bank has been made or is made at any time within a six month period after such termination of the merger agreement, Business Holding Corporation shall pay \$1,000,000 in cash to BancorpSouth on demand.

Indemnification

BancorpSouth agreed to provide indemnification to the officers, directors and employees of Business Holding Corporation, 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 Business Holding Corporation and BancorpSouth, by action taken or authorized by their respective Boards of Directors, at any time. After any approval of the merger agreement by Business Holding Corporation shareholders, however, there may not be, without further approval of the Business Holding Corporation 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 on behalf of BancorpSouth and Business Holding Corporation.

Waiver

Prior to the merger, BancorpSouth and Business Holding Corporation 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, except that all expenses of printing and mailing this Proxy Statement/Prospectus shall be paid by BancorpSouth.

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. Business Holding Corporation 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. The Business Bank will merge with and into BancorpSouth Bank. The surviving subsidiary bank will operate under the name BancorpSouth Bank.

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BancorpSouth common stock is listed on the New York Stock Exchange under the symbol BXS. As of November 4, 2004, BancorpSouth common stock was held of record by approximately 8,642 holders. On September 16, 2004, the last full trading day prior to the public announcement of the merger, the closing sales price of BancorpSouth common stock was \$23.15 per share. On November 17, 2004, the last practicable trading day before the distribution of this Proxy Statement/Prospectus, the closing sales price of BancorpSouth common stock was \$24.70 per share. You should obtain current market quotations for the shares of 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:

	<u>Sale Prices</u>		<u>Cash Dividends Per Share</u>
	<u>High</u>	<u>Low</u>	
2004			
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 (through November 17, 2004)	25.00	22.85	0.19*
2003			
First Quarter	\$20.30	\$17.50	\$ 0.16
Second Quarter	22.76	18.31	0.16
Third Quarter	22.23	20.29	0.16
Fourth Quarter	24.50	21.92	0.18
2002			
First Quarter	\$20.00	\$15.90	\$ 0.15
Second Quarter	22.21	19.37	0.15
Third Quarter	21.10	16.61	0.15
Fourth Quarter	20.19	17.43	0.16

* Declared and payable to shareholders of record as of December 15, 2004.

Business Holding Corporation

There is no established public trading market for shares of Business Holding Corporation common stock, which is inactively traded in private transactions. Therefore, reliable information is not available about the prices at which shares of Business Holding Corporation common stock have been bought and sold. As of November 18, 2004, Business Holding Corporation common stock was held of record by approximately 294 persons. Business Holding Corporation has never paid any cash dividends on its common stock.

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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 87 of this Proxy Statement/Prospectus.

Table of Contents**INFORMATION ABOUT BUSINESS HOLDING CORPORATION****Business**

Business Holding Corporation is a bank holding company established in 1998 the principal activity of which is the ownership and management of its wholly-owned subsidiary, The Business Bank, which opened in 1998 as a denovo bank. The Business Bank operates under a state bank charter subject to regulation by the Louisiana Office of Financial Institutions and the Federal Deposit Insurance Corporation. Through its subsidiary companies, The Business Bank Mortgage and Services Company, LLC and The Business Bank Financial Benefits and Planning, LLC, The Business Bank provides financial products and services to its customers in the form of mortgage loan origination and insurance and 401(k) products.

Most of the revenue of Business Holding Corporation comes from its principal operating subsidiary, The Business Bank. Providing full banking services in East Baton Rouge and four contiguous parishes, The Business Bank focuses primarily on serving the business community. Since the end of 1999, assets of Business Holding Corporation have grown by 169%, loans have grown by 243% and deposits have grown by 149%. Profitable since its eleventh month of operation, The Business Bank has made more than \$500 million in loans to the local community.

Market Price of and Dividends on Common Equity

There is no established public trading market for shares of Business Holding Corporation common stock, which is inactively traded in private transactions. Therefore, reliable information is not available about the prices at which shares of Business Holding Corporation common stock have been bought and sold. As of November 18, 2004, Business Holding Corporation common stock was held of record by approximately 294 persons. Business Holding Corporation has never paid any cash dividends on its common stock.

Supplementary Financial Information

Business Holding Corporation
Selected Quarterly Financial Data
(Unaudited)

	Quarter of 2004			Quarter of 2003			Quarter of 2002				
	3rd	2nd	1st	4th	3rd	2nd	1st	4th	3rd	2nd	1st
(Dollars in Thousands, Except Per Share Amounts)											
Earnings Summary:											
Interest revenue	\$2,187	\$1,932	\$1,866	\$1,769	\$1,803	\$1,866	\$1,767	\$1,761	\$1,813	\$1,722	\$1,709
Interest Expense	601	599	588	531	576	637	607	617	690	714	682
	1,586	1,333	1,278	1,238	1,227	1,229	1,160	1,144	1,123	1,008	1,027

Net Interest Revenue											
Provision for credit losses	255	225	198	183	180	149	150	124	103	105	104
Other revenue	145	171	197	147	170	153	135	131	130	121	129
Other expense	1,103	1,002	952	850	855	816	756	884	706	662	635
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income before income tax	373	277	325	352	362	417	389	267	444	362	417
Applicable income taxes	117	85	98	113	115	133	113	84	136	112	133
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income (loss)	<u>256</u>	<u>192</u>	<u>227</u>	<u>239</u>	<u>247</u>	<u>284</u>	<u>276</u>	<u>183</u>	<u>308</u>	<u>250</u>	<u>284</u>
Per Share Data:											
Basic Earnings	\$ 0.20	\$ 0.15	\$ 0.17	\$ 0.21	\$ 0.21	\$ 0.25	\$ 0.24	\$ 0.16	\$ 0.27	\$ 0.22	\$ 0.24

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

Overview

Business Holding Corporation's assets consist solely of its investment in The Business Bank. Its primary activities are conducted through The Business Bank. The Business Bank is committed to providing quality services in a constantly changing interest rate environment. At September 30, 2004, Business Holding Corporation's

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consolidated total assets were \$169.2 million, its total deposits were \$122.8 million and its total shareholders' equity was \$16.4 million. At December 31, 2003, Business Holding Corporation's consolidated total assets were \$152.7 million, its total deposits were \$110.0 million and its total shareholders' equity was \$14.1 million.

Business Holding Corporation's results of operations depend primarily on The Business Bank's net interest income, which is the difference between the income earned on The Business 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 Business Bank's provision for loan losses, noninterest income and noninterest expense. Noninterest income consists primarily of fees and service charges. The Business Bank's noninterest expense consists principally of compensation and employee benefits, occupancy, equipment and 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 Business Holding Corporation's results of operations and financial condition.

The accompanying tables and the discussion and financial information are presented to aid in understanding Business Holding Corporation's financial condition and results of operations. The emphasis of this discussion will be on the years 2003 and 2002; however, financial information for prior years will also be discussed where appropriate. This discussion should be read in conjunction with the consolidated financial statements and the notes to consolidated financial statements attached to this Proxy Statement/Prospectus as Annex D.

Critical Accounting Policies and Estimates

The accounting principles followed by Business Holding Corporation and its wholly-owned subsidiary, The Business 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 Business Holding Corporation and its wholly-owned subsidiary, The Business Bank, as well as The Business Bank's subsidiaries, The Business Bank Mortgage and Services Company, LLC and The Business Bank Financial Benefits and Planning, LLC. All significant intercompany accounts and transactions are eliminated. Certain reclassifications to previously published financial statements are made to comply with current reporting requirements where appropriate.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with management's determination of the estimated losses on loans, management obtains independent appraisals for collateral that it deems significant.

Securities classified as available-for-sale are those debt securities and equity securities with readily determinable fair values that The Business Bank intends to hold for an indefinite period of time but not necessarily until maturity. Any decision to sell a security classified as available-for-sale is based on various factors, including significant movements in interest rates, changes in the maturity mix of The Business Bank's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Securities available-for-sale are recorded

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Securities

at fair value. Unrealized gains or losses are reported as a component of comprehensive income in shareholders' equity, net of the related deferred tax effect.

Purchased premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Realized gains or losses on the sale of securities are recorded in earnings and are determined using the specific identification method.

Loans Held for Sale

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

Loans

Loans are stated at their outstanding unpaid principal balances adjusted for the allowance for loan losses. Interest on commercial and individual loans is accrued daily based on the outstanding principal. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield over the life of the loan, which approximates the interest method.

Generally, The Business Bank discontinues the accrual of interest income when a loan becomes 90 days past due as to principal or interest. When a loan is placed on non-accrual status, previously recognized but uncollected interest is reversed to income or charged to the allowance for loan losses. Subsequent cash receipts on non-accrual loans are accounted for on the cost recovery method until the loans qualify for return to accrual status.

The Business Bank classifies loans as impaired if, based on current information and events, it is probable that The Business Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. The measurement of an impaired loan is based on the present value of the expected future cash flows discounted at the loan's effective interest rate or the loan's observable market price, or based on the fair value of the collateral if the loan is collateral dependent.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent in The Business Bank's loan portfolio and is based upon management's review and evaluation of the loan portfolio.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is provided at rates based upon estimated useful service lives (three to ten years) using the straight-line method for financial reporting purposes and accelerated methods for income tax reporting purposes.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are included in current operations.

Expenditures for maintenance and repairs are charged to operations as incurred. Costs of major additions and improvements are capitalized.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are a form of secured borrowing where an institution (The Business Bank) sells a security to a counterparty (customer) and agrees to repurchase the security at a specified date, generally within one to four days. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction. The Business Bank may be required to provide additional collateral based on the fair value of the underlying securities.

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Income Taxes

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes in recognition of the timing differences of certain transactions.

Deferred taxes are provided utilizing a liability method pursuant to which deferred tax assets are recognized for deductible temporary differences, and operating loss, tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Business Holding Corporation and The Business Bank file a consolidated federal income tax return. In addition, Business Holding Corporation and The Business Bank individually file state income tax returns in accordance with state statutes.

Stock Options

Financial Accounting Standards Board Statement No. 123, Accounting for Stock-Based Compensation, encourages all entities to adopt a fair value based method of accounting for employee stock compensation plans, pursuant to which compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, pursuant to which compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. Stock options issued by Business Holding Corporation have no intrinsic value at the grant date, and under Opinion No. 25 no compensation cost is recognized for them. Business Holding Corporation has elected to continue with the accounting methodology in Opinion No. 25.

Earnings Per Share

Basic earnings per share is computed by dividing income applicable to common shares by the weighted average number of shares outstanding. Dilution for any potentially convertible shares is not included in the calculation. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that, consequently, share in the earnings of Business Holding Corporation.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Junior Subordinated Debt Securities

On January 30, 2004, Business Holding Corporation issued \$6,186,000 in floating rate (LIBOR + 2.8%) junior subordinated debt securities to Business Holding Corporation Trust I, a business trust. The trust used the proceeds

from the issuance of these floating rate (LIBOR + 2.8%) trust preferred securities to acquire the junior subordinated debt securities. Both the junior subordinated debt securities and the trust preferred securities mature on January 30, 2034 and are callable at the option of Business Holding Corporation after January 30, 2009. The net proceeds to Business Holding Corporation from the issuance of its junior subordinated debt securities were allocated to expansion opportunities for Business Holding Corporation. Business Holding Corporation accounts for the special-purpose trust entity under FASB Interpretation No. 46, Consolidation of Variable Interest Entities.

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Changes in Critical Accounting Policies

During the nine months ended September 30, 2004, there was no significant change in Business Holding Corporation's critical accounting policies and no significant change in the application of critical accounting policies for the year ended December 31, 2003.

Results of Operations for Nine Months Ended September 30, 2004 Compared to Nine Months Ended September 30, 2003

Net Interest Revenue

Net interest revenue, the difference between interest revenue earned on assets and interest expense paid on liabilities, generates Business Holding Corporation's largest revenue source. Net interest revenue was \$4.2 million for the nine months ended September 30, 2004, compared to \$3.6 million for the same period of 2003, representing an increase of \$0.6 million or 16.7%. The improvement in net interest revenue reflects the increase in the volume of earning assets along with reductions in interest costs on liabilities from 2003 to 2004.

Interest revenue increased \$0.6 million or 10.1% while average earning assets increased \$9.6 million or 6.7% for the nine months ended September 30, 2004 compared to the nine months ended September 30, 2003.

Interest expense decreased \$32,000 or 1.8% while average interest-bearing liabilities increased \$3.9 million or 3.2% for the nine months ended September 30, 2004 compared to the nine months ended September 30, 2003.

Net interest margin, which is calculated by dividing fully taxable equivalent net interest revenue by average earning assets, measures Business Holding Corporation's lending and fund-raising functions. The net interest margin for the first nine months of 2004 and the first nine months of 2003 was 3.49% and 3.46%, respectively, representing an increase of three basis points. The increase in net interest margin was primarily a result of lower cost of funds from the prior period.

Provision for Credit Losses and Allowance for Credit Losses

The Business Bank's loans are generally secured by specific items of collateral, including real property, consumer assets and business assets. Although The Business 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 Business 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 Business Bank uses information from relationship managers, the loan committee of The Business Bank's 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 based 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 would include current general economic conditions affecting key lending areas, credit quality trends, collateral values, loan volumes and concentrations, seasoning of the loan portfolio and the findings of internal credit administration.

The following table provides an analysis of the allowance for credit losses for the periods indicated:

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	Nine months ended September 30,		Year ended December 31,
	2004	2003	2003
Balance, beginning of period	\$ 1,586,516	\$ 1,430,872	\$ 1,430,872
Loans charged off	854,028	382,779	521,283
Recoveries	102,469	6,450	15,169
	<hr/>	<hr/>	<hr/>
Net charge-offs	751,559	376,329	506,114
Provision charged to operating expense	678,000	478,758	661,758
	<hr/>	<hr/>	<hr/>
Balance, end of period	\$ 1,512,957	\$ 1,533,301	\$ 1,586,516
	<hr/>	<hr/>	<hr/>
Average loans for period	\$127,934,739	\$103,391,374	\$106,372,008
Net charge-offs to average loans-annualized	0.587%	0.364%	0.476%

Noninterest Revenue

Business Holding Corporation's noninterest income was \$513,348 for the nine months ended September 30, 2004, \$55,756 or 12.18% more than the \$457,592 earned for the same period in 2003. The primary source of this increase was overdraft charges on deposit accounts. Decreases in the value of bank-owned life insurance policies resulted in lower investment yields for the nine months ended September 30, 2004 compared to the same period for 2003. Mortgage origination and sales income of \$35,185 for the nine months ended September 30, 2004 reflect the slower refinance market compared to \$48,672 for the same period for 2003. Additionally, The Business Bank's mortgage subsidiary has been inactive since April&n