

BANCORPSOUTH INC  
Form 11-K  
June 28, 2006

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 11-K**

(Mark One)

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

**For the fiscal year ended December 31, 2005**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 1-12991**

**A. Full title of the plan and the address of the plan, if different from that of the issuer named below:**

**BancorpSouth, Inc. Amended and Restated Salary Deferral-Profit Sharing  
Employee Stock Ownership Plan**

**B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:**

**BancorpSouth, Inc.  
One Mississippi Plaza  
201 South Spring Street  
Tupelo, Mississippi 38804**

**REQUIRED INFORMATION**

|  | Page |
|--|------|
| <u>Report of Independent Registered Public Accounting Firm</u>         | 1    |
| <u>Statements of Net Assets Available for Plan Benefits</u>            | 2    |
| <u>Statements of Changes in Net Assets Available for Plan Benefits</u> | 3    |
| <u>Notes to Financial Statements and Schedules</u>                     | 4    |
| <u>Schedule H, Line 4i Schedule of Assets</u>                          | 9    |
| <u>Schedule H, Line 4j Schedule of Reportable Transactions</u>         | 10   |

EX-23 CONSENT OF KPMG LLP

Ex-23 Consent of KPMG LLP

2

---

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Retirement Committee of the Board of Directors

BancorpSouth, Inc.:

We have audited the accompanying statements of net assets available for plan benefits of BancorpSouth, Inc. Amended and Restated Salary Deferral Profit Sharing Employee Stock Ownership Plan as of December 31, 2005 and 2004, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of BancorpSouth, Inc. Amended and Restated Salary Deferral Profit Sharing Employee Stock Ownership Plan at December 31, 2005 and 2004, and the changes in net assets available for plan benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules, Schedule H, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2005, and Schedule H, Line 4j Schedule of Reportable Transactions for the year ended December 31, 2005, are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules are the responsibility of the Plan's management and have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Memphis, Tennessee

June 21, 2006

**Table of Contents**

**BANCORPSOUTH, INC. AMENDED AND RESTATED  
SALARY DEFERRAL  
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Statements of Net Assets Available for Plan Benefits  
December 31, 2005 and 2004

|   | <b>2005</b>    | <b>2004</b> |
|---|----------------|-------------|
| Investments, at fair value:               |                |             |
| Investments in mutual funds               | \$ 49,004,181  | 40,110,463  |
| Common stock of BancorpSouth, Inc.        | 141,620,917    | 153,950,359 |
| Participant loans                         | 368,963        | 266,227     |
|   | 190,994,061    | 194,327,049 |
| Contributions receivable:                 |                |             |
| Employer                                  | 394,768        | 522,229     |
| Employee salary deferral                  | 295,068        | 262,409     |
| Accrued interest and dividends receivable | 1,278,036      | 1,228,245   |
| Cash                                      | 65,951         | 546,774     |
| Net assets available for plan benefits    | \$ 193,027,884 | 196,886,706 |

See accompanying notes to financial statements and supplemental schedules.

**Table of Contents**

**BANCORPSOUTH, INC. AMENDED AND RESTATED  
SALARY DEFERRAL  
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**  
Statements of Changes in Net Assets Available for Plan Benefits  
Years ended December 31, 2005 and 2004

|   | <b>2005</b>     | <b>2004</b> |
|---|-----------------|-------------|
| Investment income:  |                 |             |
| Net appreciation (depreciation) in fair value of investments (note 3) | \$ (16,620,898) | 3,756,800   |
| Interest and dividends  | 7,234,836       | 5,501,513   |
| <br>  |                 |             |
| Total investment income (loss)  | (9,386,062)     | 9,258,313   |
| <br>  |                 |             |
| Contributions:  |                 |             |
| Employer  | 6,297,564       | 6,106,641   |
| Employee salary deferral  | 10,995,706      | 9,856,652   |
| <br>  |                 |             |
| Total contributions   | 17,293,270      | 15,963,293  |
| <br>  |                 |             |
| Benefits paid to participants   | 11,766,030      | 10,771,557  |
| <br>  |                 |             |
| Net increase (decrease)   | (3,858,822)     | 14,450,049  |
| <br>  |                 |             |
| Net assets available for plan benefits:                               |                 |             |
| Beginning of year   | 196,886,706     | 182,436,657 |
| <br>  |                 |             |
| End of year   | \$ 193,027,884  | 196,886,706 |

See accompanying notes to financial statements and supplemental schedules.

**Table of Contents**

**BANCORPSOUTH, INC. AMENDED AND RESTATED  
SALARY DEFERRAL  
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Notes to Financial Statements and Supplemental Schedules  
December 31, 2005 and 2004

**(1) Description of Plan**

The following description of BancorpSouth, Inc. Amended and Restated Salary Deferral Profit Sharing Employee Stock Ownership Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

**(a) General**

The Plan was adopted by BancorpSouth, Inc. (the Company) effective January 1, 1984. It is a defined contribution plan covering substantially all full-time employees who have one year of service and who have attained age eighteen. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

**(b) Contributions**

Plan participants contribute to the Plan by electing to defer 1% or more of their pretax annual compensation, in whole percentages, up to the maximum allowable by law. The Company matches 100% of amounts contributed by the participants to the Plan up to 5% of their annual compensation.

Company contributions are invested in common stock of the Company (nonparticipant-directed), while participant contributions can be invested in the common stock of the Company or in any of the other investment mutual funds. After age 55 and 10 years of service, a participant can, with some limitations, redirect the nonparticipant-directed investments in Company common stock to any of the other investment options.

**(c) Investment Programs**

The investment programs of the Plan as of December 31, 2005 include the following mutual funds: ABN AMRO/Montag & Caldwell Growth Fund; Alger Mid Cap Growth Institutional Fund; American Century Income & Growth Fund; Baron Small Cap Fund; Federated Capital Appreciation Fund; Federated Capital Preservation Fund; Federated Conservative Allocation Fund; Federated Growth Allocation Fund; Federated International Equity Fund; Federated Kaufmann Fund; Federated Max-Cap Index Fund; Federated Moderate Allocation Fund; Federated Stock Trust; Federated Total Return Bond Fund; Federated Total Return Government Bond Fund; Goldman Sachs Small Cap Value Fund; and Janus Fund. The investment programs also include common stock of BancorpSouth, Inc.

**(d) Administration**

The Plan is administered by a committee appointed by the board of directors of the Company (the plan administrator). The plan administrator is responsible for general administration of the Plan and interpretation and execution of the Plan's provisions. BancorpSouth Bank is the Plan trustee.

**Table of Contents**

**BANCORPSOUTH, INC. AMENDED AND RESTATED  
SALARY DEFERRAL  
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Notes to Financial Statements and Supplemental Schedules

December 31, 2005 and 2004

**(e) *Participants Accounts***

Two separate accounts are maintained for each participant. All amounts contributed by the participant, together with earnings or losses thereon, are maintained in an employee deferral account. Matching amounts contributed by the Company are maintained in a separate employer contribution account, together with earnings or losses thereon.

**(f) *Participant Loans***

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum of \$50,000 or 50% of their account balance, whichever is less. The loans are secured by the balance in the participant's account and bear interest at commercially reasonable rates as determined under the Plan. At December 31, 2005, interest rates on outstanding participant loans ranged from 4.5% to 10.5%.

**(g) *Vesting***

Both employee and employer contributions and the earnings or losses thereon are 100% vested and nonforfeitable at all times.

**(h) *Payment of Benefits***

Upon termination of service, death or permanent disability, a participant may elect to receive either a lump-sum amount equal to the value of his or her account, or monthly installments over a 5 to 15-year period. The monthly benefits cannot be paid over a period longer than a participant's life expectancy or for more than 5 years following his or her death. For distributions from a participant's holdings of BancorpSouth, Inc. common stock, the participant may elect to receive common stock of the Company or cash equal to the fair value of the common stock that otherwise would have been distributed. In addition, a participant may elect to receive a distribution of cash dividends that are paid on the Company's common stock allocated to the participant's account in the Plan.

**(i) *Plan Termination***

Although the Company has not expressed any intent to do so, it has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

**(j) *Expenses***

Administrative expenses of the Plan were paid directly by BancorpSouth, Inc., which is the Plan sponsor.

**(2) *Summary of Significant Accounting Policies***

**(a) *Basis of Presentation***

The financial statements of the Plan are prepared under the accrual method of accounting.



**Table of Contents**

**BANCORPSOUTH, INC. AMENDED AND RESTATED  
SALARY DEFERRAL  
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Notes to Financial Statements and Supplemental Schedules

December 31, 2005 and 2004

**(b) *Investments***

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Quoted market prices are used to value investments. Participant loans are recorded at their outstanding loan balance, which approximates fair value.

**(c) *Payment of Benefits***

Benefits are recorded when paid.

**(d) *Income Taxes***

The Plan is exempt from federal income taxes in accordance with the provisions of the Internal Revenue Code of 1986, as amended (IRC). A favorable determination letter, dated May 6, 2003, was received from the Internal Revenue Service. The Plan has been amended since receiving the determination letter. The plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Accordingly, no provision has been made for federal income taxes. Amounts contributed by the Company are not taxed to the employee until a distribution from the Plan is received.

**(e) *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 income and expenses during the period. Actual results could differ from those estimates.

**(3) *Investments***

The following investment represents 5% or more of the Plan's net assets available for plan benefits:

|                                    | <b>December 31</b> |             |
|------------------------------------|--------------------|-------------|
|                                    | <b>2005</b>        | <b>2004</b> |
| Common stock of BancorpSouth, Inc. | \$ 141,620,917     | 153,950,359 |

---

**Table of Contents**

**BANCORPSOUTH, INC. AMENDED AND RESTATED  
SALARY DEFERRAL  
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Notes to Financial Statements and Supplemental Schedules  
December 31, 2005 and 2004

The Plan's investments, including investments bought, sold, and held during the year appreciated (depreciated) in fair value during the years ended December 31, 2005 and 2004, respectively, as follows:

|  | <b>2005</b>     | <b>2004</b> |
|--|-----------------|-------------|
| Net appreciation (depreciation) in fair value: |                 |             |
| Mutual funds                                   | \$ (273,719)    | 1,567,235   |
| Common stock of BancorpSouth, Inc.             | (16,347,179)    | 2,189,565   |
| Net appreciation (depreciation) in fair value  | \$ (16,620,898) | 3,756,800   |

Dividend income earned from the investment in common stock of BancorpSouth, Inc., a related party, was \$4,884,456 and \$4,593,301 in 2005 and 2004, respectively.

**(4) Nonparticipant-Directed Investments**

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

|   | <b>December 31</b>                              |   |
|---|---|---|
|   | <b>2005</b>                                     | <b>2004</b>                                     |
| Net assets:                                   |   |   |
| Common stock of BancorpSouth, Inc.            | \$ 79,823,438                                   | 84,346,360                                      |
| Employer contribution receivable              | 394,768   | 522,229   |
|   | \$ 80,218,206                                   | 84,868,589                                      |
|   |   |   |
|   | <b>Year ended<br/>December<br/>31,<br/>2005</b> | <b>Year ended<br/>December<br/>31,<br/>2004</b> |
| Changes in net assets:                        |   |   |
| Contributions                                 | \$ 6,297,564                                    | 6,106,641                                       |
| Dividends                                     | 2,994,567                                       | 2,211,260                                       |
| Net appreciation (depreciation) in fair value | (8,010,788)                                     | 2,471,752                                       |
| Benefits paid to participants                 | (5,233,662)                                     | (5,632,670)                                     |
| Transfers to participant-directed investments | (698,064)                                       | (491,090)                                       |
|   | \$ (4,650,383)                                  | 4,665,893                                       |

**Table of Contents**

**BANCORPSOUTH, INC. AMENDED AND RESTATED  
SALARY DEFERRAL  
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Notes to Financial Statements and Supplemental Schedules  
December 31, 2005 and 2004

**(5) Reconciliation Between Financial Statement Amounts and Form 5500**

The following is a reconciliation of net assets available for Plan benefits per the financial statements to the Form 5500 filed for 2004 and the Form 5500 expected to be filed for 2005:

|  | <b>December 31</b> |             |
|--|--------------------|-------------|
|  | <b>2005</b>        | <b>2004</b> |
| Net assets available for benefits per the financial statements | \$ 193,027,884     | 196,886,706 |
| Amounts allocated to withdrawing participants                  | (1,903,432)        | (1,084,622) |
| Net assets available for benefits as filed in Form 5500        | \$ 191,124,452     | 195,802,084 |

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500 filed for 2004 and the Form 5500 expected to be filed for 2005:

|  | <b>2005</b>   | <b>2004</b> |
|--|---------------|-------------|
| Benefits paid to participants per the financial statements                       | \$ 11,766,030 | 10,771,557  |
| Add amounts allocated to withdrawing participants at December 31, 2005 and 2004  | 1,903,432     | 1,084,622   |
| Less amounts allocated to withdrawing participants at December 31, 2004 and 2003 | (1,084,622)   | (1,190,411) |
| Benefits paid to participants per the Form 5500                                  | \$ 12,584,840 | 10,665,768  |

**(6) Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

---

**Table of Contents**

**BANCORPSOUTH, INC. AMENDED AND RESTATED  
SALARY DEFERRAL  
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Schedule H, Line 4i Schedule of Assets (Held at End of Year)  
December 31, 2005

| <b>Issuer</b>                                      | <b>Description</b>    | <b>Par/number<br/>of shares</b> | <b>Coupon</b> | <b>Maturity</b>                                 | <b>Cost</b>   | <b>Current<br/>value</b> |
|--|-----------------------|---------------------------------|---------------|---|---------------|--------------------------|
| BancorpSouth,<br>Inc.*                             | Common stock          | 6,416,897                       |               |   | \$ 93,851,716 | 141,620,917              |
| Participant<br>loans*                              | Loans to participants |                                 | 4.50          | 10.50%<br>January 17, 2006<br>December 14, 2010 |               | 368,963                  |
| ABN<br>AMRO/Montag<br>&<br>Caldwell<br>Growth Fund | Mutual Fund           | 203,150                         |               |   | 4,814,189     | 4,834,968                |
| Alger Mid Cap<br>Growth<br>Institutional<br>Fund   | Mutual Fund           | 250,526                         |               |   | 3,964,935     | 4,188,787                |
| American<br>Century<br>Income &<br>Growth Fund     | Mutual Fund           | 35,108                          |               |   | 1,015,973     | 1,064,113                |
| Baron Small<br>Cap Fund                            | Mutual Fund           | 65,376                          |               |   | 1,402,323     | 1,514,766                |
| Federated<br>Capital<br>Appreciation<br>Fund       | Mutual Fund           | 117,044                         |               |   | 2,771,034     | 2,935,456                |
| Federated<br>Capital<br>Preservation<br>Fund       | Mutual Fund           | 747,494                         |               |   | 7,460,938     | 7,474,938                |
| Federated<br>Conservative<br>Allocation Fund       | Mutual Fund           | 504,195                         |               |   | 5,206,744     | 5,566,310                |
| Federated<br>Growth<br>Allocation Fund             | Mutual Fund           | 44,838                          |               |   | 522,336       | 577,961                  |
| Federated<br>International<br>Equity<br>Fund       | Mutual Fund           | 44,223                          |               |   | 726,666       | 846,876                  |
| Federated<br>Kaufmann Fund                         | Mutual Fund           | 734,963                         |               |   | 3,703,000     | 4,115,792                |
| Federated<br>Max-Cap                               | Mutual Fund           | 71,200                          |               |   | 1,619,550     | 1,759,341                |

|                 |             |         |                |             |
|-----------------|-------------|---------|----------------|-------------|
| Index Fund      |             |         |                |             |
| Federated       |             |         |                |             |
| Moderate        |             |         |                |             |
| Allocation Fund | Mutual Fund | 37,826  | 440,881        | 461,100     |
| Federated Stock |             |         |                |             |
| Trust           | Mutual Fund | 107,755 | 3,613,388      | 3,367,329   |
| Federated Total |             |         |                |             |
| Return          |             |         |                |             |
| Bond Fund       | Mutual Fund | 510,480 | 5,495,248      | 5,385,563   |
| Federated Total |             |         |                |             |
| Return          |             |         |                |             |
| Government      |             |         |                |             |
| Bond Fund       | Mutual Fund | 286,216 | 3,098,960      | 3,071,100   |
| Goldman Sachs   |             |         |                |             |
| Small           |             |         |                |             |
| Cap Value Fund  | Mutual Fund | 28,300  | 1,151,028      | 1,140,763   |
| Janus Fund      | Mutual Fund | 27,380  | 645,938        | 699,018     |
|                 |             |         |                |             |
|                 |             |         | \$ 141,504,847 | 190,994,061 |

\* BancorpSouth, Inc. and participants in the Plan are parties-in-interest to the Plan.

See accompanying independent auditors report.

**Table of Contents**

**SALARY DEFERRAL  
PROFIT SHARING EMPLOYEE STOCK OWNERSHIP PLAN**

Schedule H, Line 4j Schedule of Reportable Transactions

Year ended December 31, 2005

| Identity of party involved | Description of asset | Purchase price | Selling price | Lease rental | Expense incurred with transaction | Cost of asset | Current value of asset on transaction date | Net gain  |
|----------------------------|----------------------|----------------|---------------|--------------|-----------------------------------|---------------|--|-----------|
| BancorpSouth, Inc.*        | Common stock         | \$17,585,325   |               |              |                                   | 17,585,325    |  |           |
| BancorpSouth, Inc.*        | Common stock         |                | 11,264,758    |              |                                   | 7,128,375     | 11,264,758                                 | 4,136,383 |

\* BancorpSouth, Inc. is a party-in-interest to the Plan.

See accompanying independent auditors report.

**Table of Contents**

**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**BancorpSouth, Inc. Amended and Restated Salary  
Deferral Profit Sharing Employee Stock Ownership  
Plan**

June 28, 2006

By: BancorpSouth Bank, as Trustee

By: /s/ Bill Malone

Name: Bill Malone

Title: First VP and Trust Officer