

BancorpSouth, Inc.
Audit Committee Charter

BANCORPSOUTH, INC.

**AMENDED AND RESTATED CHARTER OF THE
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

I. Audit Committee Purpose

The Audit Committee (the “Committee”) is appointed by the BancorpSouth, Inc. (the “Company”) Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee’s primary duties and responsibilities are to:

- A. Monitor the integrity of (i) the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, and (iii) the Company’s financial reporting process and systems of internal controls.
- B. Monitor the work of the Audit/Loan Review Committee of BancorpSouth Bank (the “Bank”) and review that Committee’s compliance with its Charter.
- C. Evaluate the independence and qualifications of the Company’s independent auditors and the performance of the Company’s independent auditors and Internal Auditing Department.
- D. Provide an avenue of communication among the independent auditors, management, the Internal Audit Department, the subsidiaries of the Company (including the Bank), and the Board of Directors.
- E. Select, engage, oversee, evaluate and determine the compensation of the Company’s independent auditors.
- F. Prepare the Audit Committee report required to be included in the Company’s annual proxy statement.
- G. Carry out the other duties and responsibilities enumerated in Article V of this Charter.

The Committee’s job is one of oversight, while the Company’s management is responsible for preparing the Company’s financial statements and the Company’s independent auditors are responsible for auditing those financial statements. Additionally, management, including the Company’s accounting and financial reporting and controls staff, as well as the Company’s independent auditors, have more time, knowledge and more detailed information with respect to the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company’s financial statements or any professional certification as to the outside auditor’s work.

II. Authority of Audit Committee

The Committee has the authority to conduct any investigation that it deems appropriate to fulfilling its responsibilities contained in this Charter. It has the right and authority to communicate directly with the Company’s independent auditors, as well as with anyone associated with the Company or any subsidiary thereof. The Committee has the authority to engage and retain, at the Company’s expense, special or independent legal, accounting, or other advisors, consultants or experts that it deems necessary for the performance of its duties, without seeking prior approval of the Board or management.

III. Audit Committee Composition

- A. The Committee shall be comprised of no less than three Company directors, the exact number to be determined by the Board. The members of the Committee shall be selected and removed by the Board. Upon recommendation by the Nominating Committee in consultation with the Chief Executive Officer of the Company as outlined in the Nominating Committee Charter, the membership of the Audit Committee and the Chairman of the Audit Committee shall be presented to the Board of Directors of the Company for approval at the annual meeting of the Board, or at any duly called meeting of the Board to address any vacancies. No member of the Committee may serve on more than three public company audit committees, including the Company.
- B. Committee members shall meet the requirements of the Securities and Exchange Commission (“SEC”) and the New York Stock Exchange (“NYSE”). Each Committee member shall meet the independence requirements of the SEC and the NYSE and other applicable law, as from time to time in effect. The Board shall determine the independence of each member in its business judgment.
- C. Each member of the Committee must be financially literate, as such qualification is interpreted by the Board from time to time in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee.
- D. At least one member of the Committee must be an “audit committee financial expert” within the meaning of Item 401(h) of Regulation S-K promulgated by the SEC pursuant to Section 407(a) of the Sarbanes-Oxley Act of 2002, as the Board interprets such qualification in its business judgment.

Pursuant to Item 401(h) of Regulation S-K, an “audit committee financial expert” means a person who has the following attributes:

- (i) An understanding of generally accepted accounting principles and financial statements;
- (ii) The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (iii) Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more persons engaged in such activities;
- (iv) An understanding of internal controls and procedures for financial reporting; and
- (v) An understanding of audit committee functions.

Such person shall have acquired such attributes through:

- (i) Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

- (ii) Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- (iii) Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- (iv) Other relevant experience.

The designation or identification of a person as an audit committee financial expert shall not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation or identification. The designation or identification of a person as an audit committee financial expert does not affect the duties, obligations or liability of any other member of the Committee or Board. The Board shall determine the person designated an audit committee financial expert to have accounting or related financial management expertise, as required pursuant to Section 303A of the NYSE Listed Company Manual.

IV. Conduct of Meetings

- A. The Committee shall meet as frequently as circumstances dictate, but shall meet at least quarterly. Meetings of the Committee may be called by the Chairman of the Committee or two or more members of the Committee. Normally, the Committee will meet jointly with the Bank's Audit/Loan Review Committee, unless the Committee otherwise determines. In cases of such joint meetings, the Chairman of this Committee shall preside. The Committee may set its own rules of procedure and may delegate authority to subcommittees of its members.
- B. An agenda shall be prepared by the General Auditor in consultation with the Committee Chairman and distributed to members of the Committee in advance of each regularly scheduled meeting.
- C. The Committee periodically shall meet privately in separate executive session with management, the General Auditor and the senior executive of the Audit/Loan Review Division, and the independent auditors to discuss any matters that the Committee or any of these persons believe should be discussed privately. The Committee shall confer with the Company's independent auditors out of the presence of management about internal controls and the completeness and accuracy of the Company's financial statements. In addition, the Committee, or the Chair on behalf of the Committee, prior to the filing with the SEC of the Company's Annual Report on Form 10-K, shall discuss certain matters with management and/or the independent auditors to the extent required by American Institute of Certified Public Accountants ("AICPA") Statements on Auditing Standards No. 61 ("SAS 61"), as well as the results of the audit of the financial statements included in such Annual Report. If the Chair performs that function, the Chair shall report such matters to the full Committee at the next meeting.

V. Functions of the Audit Committee

While the fundamental responsibility for the Company's financial statements and disclosures rests with management and the independent auditor, the Committee must review: (1) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (2) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial

statements, including analyses of the effects of alternative GAAP methods on the financial statements; (3) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, if any, on the financial statements of the Company; and (4) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of “pro forma,” or “adjusted” non-GAAP, information), as well as review any financial information and earnings guidance provided to analysts and rating agencies.

To fulfill its responsibilities and duties, the Committee will perform the following functions.

Preparation and Review of Filings, Reports and Documents

- A. The Committee shall discuss the Company’s annual audited financial statements with management and the independent auditor, including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” prior to filing or distribution. Prior to filing of each of the Company’s Annual Reports on Form 10-K with the SEC, the Committee shall advise the Board of Directors as to whether the Committee recommends that the Company’s audited annual financial statements be included in such Annual Report on Form 10-K.
- B. On an annual basis, the Committee shall review and discuss with the independent auditors their audit plan, including scope, staffing, reliance upon management and internal audit, and general audit approach. The Committee shall discuss the results of the audit with the independent auditors, as well as any matters required to be communicated to audit committees in accordance with AICPA SAS 61. The Committee shall consider and evaluate the independent auditors’ judgments about the quality and appropriateness of the Company’s accounting principles as applied in its financial reporting and report any significant matters relating thereto to the Board. The Committee shall consider and approve, if appropriate, significant changes to the Company’s auditing and accounting principles and practices as suggested by the independent auditors or management. The Committee shall review with the independent auditor any audit problems or difficulties encountered in the course of the audit work, including any restrictions on the scope of the independent auditors’ activities or on access to requested information, and management’s response to encountered problems or difficulties. The Committee shall also review with the independent auditor any significant disagreements with management. The Committee may consider reviewing with the auditor any accounting adjustments that were noted or proposed by the independent auditor but were not approved; any communications between the audit team and the independent auditor’s national office respecting auditing or accounting issues presented by the engagement; and any “management” or “internal control” letter issued, or proposed to be issued, by the audit firm to the Company. The review shall also include discussion of the responsibilities, budget and staffing of the Company’s Internal Audit Department.
- C. With respect to quarterly financial results, the Committee shall discuss with the independent auditors: (1) any significant changes to the Company’s accounting principles, (2) any significant disagreements between management and the independent auditors in connection with the preparation of the interim quarterly financial statements, and (3) any items required to be communicated by the independent auditors in accordance with AICPA SAS 61. The Chair of the Committee may represent the entire Committee for purposes of this discussion. In addition, the Committee shall review and discuss with management and the independent auditors the quarterly financial statements, including the Company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” If the Chair performs these functions, the Chair shall report such matters to the full Committee at the next meeting.

- D. The Committee shall discuss the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee's responsibility to discuss earnings releases, as well as financial information and earnings guidance, may be done generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made). The Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.
- E. Annually, the Committee shall prepare, in conjunction with the Company's legal counsel, a report of the Committee for inclusion in the Company's annual proxy statement as required by the SEC. This report shall include the Committee's activities relating to review and discussion of the audited financial statements with management, discussions with the independent auditors concerning any matters required by SAS 61, receipt from the independent auditors of the written disclosures and letter regarding the auditors' independence as required by Independence Standards Board Statement No. 1 and discussions with the independent auditors about the auditors' independence; and based on the review and discussions noted above, whether the Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for filing with the SEC. In addition, the Committee shall cooperate with management, the Board and the Company's legal counsel to ensure that a written filing is made with the NYSE with the required affirmations.
- F. The Committee shall cooperate with management, the Board and the Company's legal counsel to ensure that the Company discloses in its proxy statement for its annual meeting of shareholders whether the Committee members are independent as discussed in Article III of this Charter, and disclose certain information regarding any member of the Committee who is not independent.
- G. The Committee shall also cooperate with management, the Board and the Company's legal counsel to ensure that this Charter is filed with the SEC at least every three years as an appendix to the Company's proxy statement for its annual meeting of shareholders in accordance with SEC rules and regulations.

Independent Auditors

- H. The Committee shall annually select the Company's independent auditors, and approve any proposed dismissal of the independent auditors when circumstances warrant. The Committee has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent auditors, or to nominate the auditors to be submitted for shareholder approval. The Committee also shall be directly responsible for the oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditors shall report directly to the Committee. The Committee shall determine and approve the fees and other compensation to be paid to the independent auditors. The Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the independent auditors or approve any discharge of auditors when circumstances warrant.
- I. The Committee shall, at least annually, receive and review a report by the independent auditor describing: the audit firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the audit firm, and any steps taken to

deal with any such issues; and (to assess the audit firm's independence) all relationships between the independent auditor and the Company.

- J. After reviewing the foregoing report and the independent auditor's work throughout the year, the Committee will be in a position to evaluate the auditor's qualifications, performance and independence. This evaluation should include the review and evaluation of the lead partner of the independent auditor. In making its evaluation, the Committee should take into account the opinions of management and the Company's Internal Audit Department. In addition to assuring the regular rotation of the lead audit partner as required by law, the Committee should further consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm itself. The Committee should present its conclusions with respect to the independent auditor to the full Board.
- K. Employees and former employees of the independent auditors who are or were members of the Company's audit engagement team may not be hired until after the required "cooling off period" (as described in Rule 2-01 of Regulation S-X promulgated by the SEC under the Securities Exchange Act of 1934, as amended).

Financial Reporting Process

- L. The Committee, in consultation with management, the independent auditors, and the Internal Audit Department, shall consider the integrity of the Company's financial reporting processes and controls, both internal and external. The Committee shall also periodically review and discuss with management and the independent auditors the Company's internal controls regarding finance, accounting and legal compliance. In addition, it shall discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. The Committee shall review significant findings prepared by the independent auditors and Internal Audit Department, together with management's responses. In addition, the Committee shall meet periodically with the Risk Management Committee of the Bank and shall discuss guidelines and policies with respect to risk assessment and risk management activities of the Company and the Bank.
- M. The Committee shall receive reports from the Bank's Audit/Loan Review Committee as to the functions of that Committee and conduct quarterly meetings with that Committee.
- N. In conjunction with the Audit/Loan Review Committee of the Bank, the Committee shall review the budget, plan, activities, organizational structure and qualifications of the Internal Audit Department.
- O. The Committee shall review significant reports relating to the Company prepared by the Internal Audit Department, together with management's response, along with such reports relating to the Bank as the Audit/Loan Review Committee of the Bank deems of a sufficient significance to refer to this Committee.
- P. In conjunction with the Audit/Loan Review Committee of the Bank, the Committee shall review the Internal Audit Department's risk assessment process.
- Q. The Committee shall review the appointment, performance, compensation and replacement of the senior executives of the Internal Audit Department; provided, however, that the compensation of the senior executives of the Internal Audit Department shall be determined by the Executive Compensation and Stock Incentive Committee of the Board of Directors.

Other Responsibilities

- R. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. The Committee shall also establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- S. The Committee shall conduct its activities in accordance with the policies and principles set forth in the Company's Corporate Governance Principles. The Committee shall review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval.
- T. The Committee shall perform any other activities consistent with this Charter, the Company's Restated Certificate of Incorporation, Amended and Restated Bylaws and governing law, as the Committee or the Board deems necessary or appropriate. The Committee shall also have any and all additional authority to conduct such other actions or responsibilities delegated to it by the Board of Directors.
- U. The Committee shall maintain minutes of meetings of the Committee and regularly report to the Board of Directors on significant results of the foregoing activities, including with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors or the performance of the Internal Audit Department.

VI. Funding

The Company shall provide for appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment of:

- A. Compensation to any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Company;
- B. Compensation to any independent counsel and other advisors engaged by the Committee, as it determines necessary to carry out its duties; and
- C. Ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

VII. Annual Performance Evaluation

The Committee will conduct an annual self-evaluation to determine whether it is functioning effectively. The Committee will receive comments from all directors and report annually to the Board with an assessment of its performance. This assessment will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Committee's contribution to the Company and specifically focus on areas in which the Board or senior management believes the Committee could improve. In addition, the Committee shall receive and review an annual report from the General Auditor which assesses compliance with this charter and shall provide a summary report to the Board as to such compliance.

This Amended and Restated Charter was recommended by the Audit Committee on March 10, 2004 and adopted by the Board of Directors on March 18, 2004.