

TRUSTMARK CORP  
Form 10-K  
February 21, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
for the fiscal year ended December 31, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

Commission file number 000-3683

TRUSTMARK CORPORATION

(Exact name of Registrant as specified in its charter)

MISSISSIPPI	64-0471500
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

248 East Capitol Street, Jackson, Mississippi	39201
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:	(601) 208-5111
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Securities registered pursuant to Section 12(b) of the Act:

Common Stock, no par value	NASDAQ Stock Market
(Title of Class)	(Name of Exchange on Which Registered)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act.) Yes No

Based on the closing sales price at June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the shares of common stock held by nonaffiliates of the registrant was approximately \$1.189 billion.

As of February 9, 2017, there were issued and outstanding 67,688,126 shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Trustmark's 2016 Annual Meeting of Shareholders to be held April 25, 2017 are incorporated by reference into Part III of the Form 10-K report.

TRUSTMARK CORPORATION

ANNUAL REPORT ON FORM 10-K

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## Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by words such as “may,” “hope,” “will,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” “could,” “future” or the negative of those terms or other words of similar meaning. You should read statements that contain these words carefully because they discuss our future expectations or state other “forward-looking” information. These forward-looking statements include, but are not limited to, statements relating to anticipated future operating and financial performance measures, including net interest margin, credit quality, business initiatives, growth opportunities and growth rates, among other things, and encompass any estimate, prediction, expectation, projection, opinion, anticipation, outlook or statement of belief included therein as well as the management assumptions underlying these forward-looking statements. You should be aware that the occurrence of the events described under the caption Item 1A. Risk Factors in this report could have an adverse effect on our business, results of operations and financial condition. Should one or more of these risks materialize, or should any such underlying assumptions prove to be significantly different, actual results may vary significantly from those anticipated, estimated, projected or expected.

Risks that could cause actual results to differ materially from current expectations of Management include, but are not limited to, changes in the level of nonperforming assets and charge-offs, local, state and national economic and market conditions, including conditions in the housing and real estate markets in the regions in which Trustmark operates and the extent and duration of the current volatility in the credit and financial markets as well as crude oil prices, changes in our ability to measure the fair value of assets in our portfolio, material changes in the level and/or volatility of market interest rates, the performance and demand for the products and services we offer, including the level and timing of withdrawals from our deposit accounts, the costs and effects of litigation and of unexpected or adverse outcomes in such litigation, our ability to attract noninterest-bearing deposits and other low-cost funds, competition in loan and deposit pricing, as well as the entry of new competitors into our markets through de novo expansion and acquisitions, economic conditions, including the potential impact of issues relating to the European financial system and monetary and other governmental actions designed to address the level and volatility of interest rates and the volatility of securities, currency and other markets, the enactment of legislation and changes in existing regulations or enforcement practices or the adoption of new regulations, changes in accounting standards and practices, including changes in the interpretation of existing standards, that affect our consolidated financial statements, changes in consumer spending, borrowings and savings habits, technological changes, changes in the financial performance or condition of our borrowers, changes in our ability to control expenses, changes in our compensation and benefit plans, including those associated with the planned termination of our noncontributory tax-qualified defined benefit pension plan, greater than expected costs or difficulties related to the integration of acquisitions or new products and lines of business, cyber-attacks and other breaches which could affect our information system security, natural disasters, environmental disasters, acts of war or terrorism, and other risks described in our filings with the Securities and Exchange Commission.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Except as required by law, we undertake no obligation to update or revise any of this information, whether as the result of new information, future events or developments or otherwise.

## PART I

### ITEM 1. BUSINESS

## The Corporation

### Description of Business

Trustmark Corporation (Trustmark), a Mississippi business corporation incorporated in 1968, is a bank holding company headquartered in Jackson, Mississippi. Trustmark's principal subsidiary is Trustmark National Bank (TNB), initially chartered by the State of Mississippi in 1889. At December 31, 2016, TNB had total assets of \$13.350 billion, which represented approximately 99.99% of the consolidated assets of Trustmark.

Through TNB and its subsidiaries, Trustmark operates as a financial services organization providing banking and other financial solutions through 193 offices and 2,788 full-time equivalent associates (measured at December 31, 2016) located in the states of Alabama (primarily in the central and southern regions of that state, which are collectively referred to herein as Trustmark's Alabama market), Florida (primarily in the northwest or "Panhandle" region of that state, which is referred to herein as Trustmark's Florida market), Mississippi, Tennessee (in Memphis and the Northern Mississippi regions, which are collectively referred to herein as Trustmark's Tennessee market), and Texas (primarily in Houston, which is referred to herein as Trustmark's Texas market). The principal products produced and services rendered by TNB and Trustmark's other subsidiaries are as follows:

#### Trustmark National Bank

**Commercial Banking** – TNB provides a full range of commercial banking services to corporations and other business customers. Loans are provided for a variety of general corporate purposes, including financing for commercial and industrial projects, income producing commercial real estate, owner-occupied real estate and construction and land development. TNB also provides deposit services, including checking, savings and money market accounts and certificates of deposit as well as treasury management services.

**Consumer Banking** – TNB provides banking services to consumers, including checking, savings, and money market accounts as well as certificates of deposit and individual retirement accounts. In addition, TNB provides consumer customers with installment and real estate loans and lines of credit.

**Mortgage Banking** – TNB provides mortgage banking services, including construction financing, production of conventional and government insured mortgages, secondary marketing and mortgage servicing.

**Insurance** – TNB provides a competitive array of insurance solutions for business and individual risk management needs. Business insurance offerings include services and specialized products for medical professionals, construction, manufacturing, hospitality, real estate and group life and health plans. Individual customers are also provided life and health insurance, and personal line policies. TNB provides these services through Fisher Brown Bottrell Insurance, Inc. (FBBi), a Mississippi corporation and a wholly-owned subsidiary of TNB, which is based in Jackson, Mississippi.

**Wealth Management and Trust Services** – TNB offers specialized services and expertise in the areas of wealth management, trust, investment and custodial services for corporate and individual customers. These services include the administration of personal trusts and estates as well as the management of investment accounts for individuals, employee benefit plans and charitable foundations. TNB also provides corporate trust and institutional custody, securities brokerage, financial and estate planning and retirement plan services. TNB's wealth management division is also assisted by Trustmark Investment Advisors, Inc. (TIA), a Securities and Exchange Commission (SEC)-registered investment adviser and a wholly-owned subsidiary of TNB. TIA provides customized investment management services to TNB's Wealth Management Division, which in turn relies upon that advice to provide investment management services to TNB's wealth management customers.

**New Market Tax Credits (NMTC)** – TNB provides an intermediary vehicle for the provision of loans or investments in Low-Income Communities (LICs) through its subsidiary Southern Community Capital, LLC (SCC). SCC is a Mississippi single member limited liability company, a certified Community Development Entity (CDE) and a wholly-owned subsidiary of TNB. The primary mission of SCC is to provide investment capital for LICs, as defined by Section 45D of the Internal Revenue Code, or for Low-Income Persons (LIPs). As a certified CDE, SCC is able to apply to the Community Development Financial Institutions Fund (CDFI Fund) to receive NMTC allocations to offer investors in exchange for equity investments in qualified projects.

#### Capital Trust

Trustmark Preferred Capital Trust I (the Trust) is a Delaware trust affiliate and a wholly-owned subsidiary of Trustmark formed in 2006 to facilitate a private placement of \$60.0 million in trust preferred securities. As defined in applicable accounting standards, the Trust is considered a variable interest entity for which Trustmark is not the primary beneficiary. Accordingly, the accounts of the Trust are not included in Trustmark's consolidated financial statements.

### Strategy

Trustmark seeks to be a premier diversified financial services company in its markets, providing a broad range of banking, wealth management and insurance solutions to its customers. Trustmark's products and services are designed to strengthen and expand customer relationships and enhance the organization's competitive advantages in its markets as well as to provide cross-selling opportunities that will enable Trustmark to continue to diversify its revenue and earnings streams.

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The following table sets forth summary data regarding Trustmark's securities, loans, assets, deposits, equity and revenue over the past five years (\$ in thousands). Summary information at and for the year ended December 31, 2013, and each year thereafter, include the results of the merger with BancTrust Financial Group, Inc. (BancTrust) on February 15, 2013.

December 31,	2016	2015	2014	2013	2012
Securities	\$3,515,325	\$3,533,240	\$3,545,252	\$3,362,882	\$2,699,933
Total securities growth (decline)	\$(17,915 )	\$(12,012 )	\$182,370	\$662,949	\$173,235
Total securities growth (decline)	-0.51 %	-0.34 %	5.42 %	24.55 %	6.86 %
Loans *	\$8,123,460	\$7,481,796	\$6,998,878	\$6,603,087	\$5,726,318
Total loans growth (decline)	\$641,664	\$482,918	\$395,791	\$876,769	\$(207,970 )
Total loans growth (decline)	8.58 %	6.90 %	5.99 %	15.31 %	-3.50 %
Assets	\$13,352,333	\$12,678,896	\$12,250,633	\$11,790,383	\$9,828,667
Total assets growth	\$673,437	\$428,263	\$460,250	\$1,961,716	\$101,660
Total assets growth	5.31 %	3.50 %	3.90 %	19.96 %	1.05 %
Deposits	\$10,056,012	\$9,588,230	\$9,698,358	\$9,859,902	\$7,896,517
Total deposits growth (decline)	\$467,782	\$(110,128 )	\$(161,544 )	\$1,963,385	\$330,154
Total deposits growth (decline)	4.88 %	-1.14 %	-1.64 %	24.86 %	4.36 %
Equity	\$1,520,208	\$1,473,057	\$1,419,940	\$1,354,953	\$1,287,369
Total equity growth	\$47,151	\$53,117	\$64,987	\$67,584	\$72,332
Total equity growth	3.20 %	3.74 %	4.80 %	5.25 %	5.95 %
Years Ended December 31,					
Revenue **	\$561,476	\$564,914	\$578,478	\$562,346	\$516,179
Total revenue growth (decline)	\$(3,438 )	\$(13,564 )	\$16,132	\$46,167	\$7,382
Total revenue growth (decline)	-0.61 %	-2.34 %	2.87 %	8.94 %	1.45 %

\* Includes loans held for investment and acquired loans

\*\* Consistent with Trustmark's audited financial statements, revenue is defined as net interest income plus noninterest income

For additional information regarding the general development of Trustmark's business, see Part II. Item 6. – Selected Financial Data and Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations – of this report.

### Geographic Information

The following table shows Trustmark's percentage of loans, deposits and revenue for each of the geographic regions in which it operates as of and for the year ended December 31, 2016 (\$ in thousands):

	Loans (1)			Deposits			Revenue (2)	
	Amount	%		Amount	%		Amount	%
Alabama	\$1,060,710	13.0 %		\$1,351,529	13.4 %		\$66,063	11.8 %



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Florida	380,147	4.7	%	612,589	6.1	%	42,496	7.6	%
Mississippi	4,555,542	56.1	%	6,316,714	62.8	%	363,796	64.8	%
Tennessee	739,230	9.1	%	1,307,743	13.0	%	42,638	7.5	%
Texas	1,387,831	17.1	%	467,437	4.7	%	46,483	8.3	%
Total	\$8,123,460	100.0	%	\$10,056,012	100.0	%	\$561,476	100.0	%

(1)Includes loans held for investment and acquired loans

(2)Consistent with Trustmark's audited financial statements, revenue is defined as net interest income plus noninterest income

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## Segment Information

For the year ended December 31, 2016, Trustmark operated through three operating segments: General Banking Division, Insurance Division and Wealth Management Division. The table below presents a summary of segment financial data for each segment for the last three years (\$ in thousands):

	Years Ended December 31,		
	2016	2015	2014
<b>General Banking</b>			
Net interest income	\$386,596	\$391,092	\$404,214
Provision for loan losses, net	14,714	11,800	7,382
Noninterest income	107,059	105,477	107,457
Net income	99,083	106,738	114,870
Average assets	12,872,123	12,196,144	11,957,761
<b>Wealth Management</b>			
Net interest income	\$726	\$337	\$851
Noninterest income	30,117	31,245	32,209
Net income	4,124	3,850	4,222
Average assets	6,087	4,034	1,821
<b>Insurance</b>			
Net interest income	\$211	\$336	\$271
Noninterest income	36,767	36,427	33,476
Net income	5,204	5,450	4,470
Average assets	59,810	70,017	68,448

For more information on Trustmark's operating segments, please see the section captioned "Results of Segment Operations" in Part II. Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 21 - Segment Information included in Part II. Item 8. - Financial Statements and Supplementary Data – of this report.

## Overview of Lending Business

Trustmark categorizes loans on its balance sheet into four categories. These categories are described in more detail in Note 1 – Significant Accounting Policies included in Part II. Item 8. - Financial Statements and Supplementary Data – of this report.

• **Loans Held for Investment (LHFI)** – Loans originally underwritten by Trustmark that do not constitute loans held for sale, acquired loans or covered loans.

• **Loans Held for Sale (LHFS)** – Mortgage loans purchased from wholesale customers or originated in Trustmark's General Banking Division, other than mortgage loans that are retained in the LHFI portfolio based on banking relationships or certain investment strategies.

• **Acquired Loans** – Loans acquired by Trustmark, either pursuant to the acquisition of another bank or pursuant to an acquisition of some or all of another bank's loan portfolio.

• **Covered Loans** – Acquired loans that Trustmark acquired in a Federal Deposit Insurance Corporation (FDIC)-assisted transaction and that are covered under a loss-share agreement with the FDIC.

The following discussion briefly summarizes Trustmark's lending business by focusing on LHFI and LHFS, and includes a discussion of the risks inherent in these loans, Trustmark's underwriting policies for its loans and the characteristics of the real estate loan component of these loans. Acquired loans and covered loans are excluded from

this summary, as Trustmark did not underwrite those loans at inception. Discussion of Trustmark's acquired loans, including covered loans, is contained elsewhere in this report.

As a general matter, extending credit to businesses and consumers exposes Trustmark to credit risk, which is the risk that the principal balance and any related interest may not be collected according to the original terms due to the inability or unwillingness of the borrower to repay the loan. Trustmark mitigates credit risk through a set of internal controls, which includes adherence to conservative lending practices and underwriting guidelines, collateral monitoring, and oversight of its borrower's financial performance and collateral. The risks inherent in specific subsets of lending are discussed below.

LHFI Secured by Construction, Land Development, and Other Land – Construction and land development loans include loans for both commercial and residential properties to builders/developers and to consumers. This category also includes loans secured by vacant

land, except land known to be used or usable for agricultural purposes, such as crop and livestock production. Repayment is normally derived from the sale of the underlying property or from permanent financing, which refinances Trustmark's initial loan. Trustmark's engagement in this type of lending is generally extended to those builders and developers exhibiting the highest credit quality with significant equity invested in the project and is primarily restricted to projects within its geographic markets. The underwriting process for these loans includes analysis of the financial position and strength of both the borrower and guarantor, experience with similar projects in the past, market demand and prospects for successful completion of the proposed project within the established budget and schedule, values of underlying collateral and availability of permanent financing. Risk within this portfolio is mitigated through adherence to policies and lending limits, periodic target credit reviews of the different segments of this portfolio, inspection of projects throughout the life of the loan and routine monitoring of financial information and collateral values as they are updated.

Inherent in real estate construction lending is the risk that the full value of the collateral does not exist at the time the loan is granted. Construction lending also inherently includes the risk associated with a borrower's ability to successfully complete a proposed project on time and within budget. Further, adverse changes in the market occurring between the start of construction and completion of the projects can result in slower sales rates and lower sales prices than originally anticipated which could impact the underlying real estate collateral values and timely and full repayment of these loans. Rising interest rates can adversely affect the cost of construction and the financial viability of real estate projects. Higher interest rates may also result in higher capitalization rates, thereby reducing a property's value. As a result of this risk profile, LHFI secured by construction, land development and other land are considered to be higher risks than other real estate loans.

**LHFI and LHFS Secured by Residential Properties** – Residential real estate loans consist of first and junior liens on residential properties that are extended in the geographic markets in which Trustmark operates as well as mortgage products, originated and purchased, that are underwritten to secondary market standards. Credit underwriting standards include verification of income, valuation of collateral and evaluation of the borrower's credit history and repayment capacity. Portfolio performance is continuously evaluated through updated credit bureau scores and monitoring of repayment performance.

Credit performance of consumer residential real estate loans is highly dependent on housing values and household income which, in turn are highly dependent on national, regional and local economic factors. Rising interest rates, rising unemployment rates and other adverse changes in these economies may have a negative effect on the ability of Trustmark's borrowers to repay these loans and negatively affect value of the underlying residential real estate collateral.

**LHFI Secured by Nonfarm, Nonresidential Properties** – Trustmark provides financing for both owner-occupied commercial real estate as well as income-producing commercial real estate. Trustmark seeks to maintain a balance of owner-occupied and income-producing real estate loans that moderates its risk to the specific risks of each type of loan. Commercial real estate term loans are typically collateralized by liens on real property. Both types of commercial real estate loans are underwritten to lending policies that include maximum loan-to-value ratios, minimum equity requirements, acceptable amortization periods and minimum debt service coverage requirements, based on property type. Income-producing commercial real estate loans also generally require cash equity and are subject to exposure limits for a single project. All exceptions to established guidelines are subject to stringent internal review and require specific approval. As with commercial loans, the borrower's financial strength and capacity to repay their obligations remain the primary focus of underwriting. Financial strength is evaluated based upon analytical tools that consider historical and projected cash flows and performance in addition to analysis of the proposed project for income-producing properties. Additional support offered by guarantors is also considered.

Risk for owner-occupied commercial real estate is driven by the creditworthiness of the underlying borrowers, particularly cash flow from the borrowers' business operations as well as the risk of a shortfall in collateral. Credit performance of loans secured by commercial income-producing real estate can be negatively affected by national,

regional and local economic conditions, which may result in deteriorating tenant credit profiles, tenant losses, reduced rental/lease rates and higher than anticipated vacancy rates, all contributing to declines in value or liquidity of the underlying real estate collateral. Other factors, such as increasing interest rates, may result in higher capitalization rates, thereby reducing a property's value.

Commercial and Industrial LHFI – Commercial loans (other than commercial loans related to real estate assets, which are summarized above) are made to many types of businesses for various purposes, such as short-term working capital loans that are usually secured by accounts receivable and inventory, equipment and fixed asset purchases that are secured by those assets and term financing for those within Trustmark's geographic markets. Trustmark's credit underwriting process for commercial loans includes analysis of historical and projected cash flows and performance, evaluation of financial strength of both borrowers and guarantors as reflected in current and detailed financial information and evaluation of underlying collateral to support the credit. Credit risk within the commercial loan portfolio is managed through adherence to specific commercial lending policies and internally established lending authorities, diversification within the portfolio and monitoring of the portfolio on a continuing basis.

Credit risk in commercial and industrial loans can arise due to fluctuations in borrowers' financial condition, deterioration in collateral values and changes in market conditions. The credit risk inherent in these loans depends on, to a significant degree, the general

economic conditions of these areas. Further, credit risk can increase if Trustmark's loans are concentrated to borrowers engaged in the same or similar activities, or to groups of borrowers who may be uniquely or disproportionately affected by market or economic conditions.

**Consumer LHFI** – Consumer credit includes loans to individuals for household and personal items, automobile purchases, unsecured loans, personal lines of credit and credit cards. All consumer loans are subject to a standardized underwriting process through Trustmark's consumer loan center, which uses a custom credit scoring model with emphasis placed upon the borrower's credit evaluation and historical performance, income evaluation and valuation of collateral (where applicable). Updated credit bureau scores are obtained on all existing consumer loans/lines on a periodic basis in order to monitor portfolio credit quality changes and mitigate risk.

Similar to residential real estate loan portfolios, an inherent risk factor in consumer loans is that they are dependent on national, regional and local economic factors that affect employment in the markets where these loans are originated. Generally, consumer loan portfolios consist of a large number of relatively small-balance loans, some of which are originated as unsecured credit (credit cards and some personal lines of credit), and as such, do not have collateral as a secondary source of repayment. Consumer loans generally pose heightened risks of collectability and loss when compared to other loan types.

**Other LHFI** – Other loans primarily consist of loans to non-depository financial institutions, such as mortgage companies, finance companies and other financial intermediaries, loans to state and political subdivisions, and loans to non-profit and charitable organizations. These loans are underwritten based on the specific nature or purpose of the loan and underlying collateral with special consideration given to the specific source of repayment for the loan.

Similar to commercial and industrial loans, inherent risk in other loans can arise due to fluctuations in borrowers' financial condition, deterioration in collateral values and changes in market and economic conditions. Loans to state and political subdivisions have the added inherent risk of being somewhat dependent on the ability and capacity of those entities to generate tax and other revenue to repay the loans. Loans to non-profit and charitable organizations are dependent on those organizations' ability to generate revenue through their fundraising efforts and other forms of financial support, which can be susceptible to economic downturns.

#### Recent Economic and Industry Developments

The economy showed moderate signs of improvement in 2016; however, economic concerns remain as a result of the cumulative weight of continued soft labor markets in the United States, volatility in crude oil prices, slowing growth in markets in Western Europe, Japan, China, Russia and other emerging markets, combined with uncertainty regarding anticipated further tightening of the monetary policy by the Board of Governors of the Federal Reserve System (FRB), the consequences of the decision of the United Kingdom to exit the European Union, and the recent presidential election. Doubts surrounding the near-term direction of global markets, and the potential impact of these trends on the United States economy, are expected to persist for some time. While Trustmark's customer base is wholly domestic, international economic conditions affect domestic conditions, and thus may have an impact upon Trustmark's financial condition or results of operations.

In the January 2017 "Summary of Commentary on Current Economic Conditions by Federal Reserve Districts," the twelve Federal Reserve Districts' reports suggested national economic activity continued to expand at a modest pace through the end of 2016, and noted increased manufacturing and non-auto retail sales, mixed reports on residential construction and sales as well as growth in the energy industry, improvements in labor markets, stable financial conditions and positive outlooks for growth in 2017. Reports by the three Federal Reserve Districts covering the southeast United States, which include Trustmark's five key market regions, suggested that economic activity increased at a modest pace, with most businesses reporting improved sales and positive outlooks for the near term. The Federal Reserve's Sixth District, Atlanta (which includes Trustmark's Alabama, Florida and Mississippi market regions), reported that economic activity expanded at a modest pace with optimistic outlooks for the first half

of 2017, tightening labor markets and steady wage growth and increased retail and manufacturing sales. The Federal Reserve's Sixth District also reported that construction and sales of residential real estate was slightly higher than one year earlier, sales of existing homes were mixed and commercial real estate demand continued to improve, but cautioned that the rate of improvement varied by metropolitan area, submarket, and property type. The Federal Reserve's Eighth District, St. Louis (which includes Trustmark's Tennessee market region), reported modest expansion in economic conditions, moderate growth in employment and wages, improvements in commercial real estate activity, increased commercial construction and increased loan demand with moderate growth noted across all lending categories. The Federal Reserve's Eleventh District, Dallas (which includes Trustmark's Texas market region), reported economic activity expanded moderately, and noted improvements in manufacturing activity and demand for non-financial services as well as growth in housing demand and commercial leasing activity despite continued weakness in leasing activity in Houston. The Federal Reserve's Eleventh District also reported drilling activity and demand for oil field services improved modestly at the end of 2016 and outlooks for 2017 were more optimistic due to expected increases in oil prices and activity; however, broader uncertainty surrounding regulation and global economic developments remains.

In December 2015, the FRB increased the target range for the federal funds rate for the first time in over seven years. The FRB increased the target range for the federal funds rate again in December 2016, and indicated that it may further increase rates during 2017, depending on economic conditions. It is not possible to predict the timing or amount of any such additional increases. Low interest rates will continue to place pressure on net interest margins for Trustmark (as well as its competitors), as older, higher-yielding assets that mature or default and can only be replaced with lower-yielding instruments and as any increases in interest rates place competitive pressures on the deposit cost of funds.

For additional discussion of the impact of the current economic environment on the financial condition and results of operations of Trustmark and its subsidiaries, see Part II. Item 7. – Management’s Discussion and Analysis of Financial Condition and Results of Operations – of this report.

## Competition

There is significant competition within the banking and financial services industry in the markets in which Trustmark operates. Changes in regulation, technology and product delivery systems have resulted in an increasingly competitive environment. Trustmark expects to continue to face increasing competition from online and traditional financial institutions seeking to attract customers by providing access to similar services and products.

Trustmark and its subsidiaries compete with national and state chartered banking institutions of comparable or larger size and resources and with smaller community banking organizations. Trustmark has numerous local, regional and national nonbank competitors, including savings and loan associations, credit unions, mortgage companies, insurance companies, finance companies, financial service operations of major retailers, investment brokerage and financial advisory firms and mutual fund companies. Because nonbank financial institutions are not subject to the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures. Currently, Trustmark does not face meaningful competition from international banks in its markets, although that could change in the future.

At June 30, 2016, Trustmark’s deposit market share ranked within the top three positions in 57% of the 53 counties served and within the top five positions in 74% of the counties served. The table below presents FDIC deposit data regarding TNB’s deposit market share by state as of June 30, 2016. The FDIC deposit market share data presented below does not align with Trustmark’s reported geographic market regions, which in some instances cross state lines, and Trustmark’s geographic coverage within certain states presented below is not statewide (see the sections captioned “Description of Business” and “Geographic Information” above).

State	Deposit Market Share
Alabama	1.37%
Florida	0.12%
Mississippi	13.07%
Tennessee	0.37%
Texas	0.06%

Services provided by the Wealth Management Division face competition from many national, regional and local financial institutions. Companies that offer broad services similar to those provided by Trustmark, such as other banks, trust companies and full service brokerage firms, as well as companies that specialize in particular services offered by Trustmark, such as investment advisors and mutual fund providers, all compete with Trustmark’s Wealth Management Division.



Trustmark's insurance subsidiary faces competition from local, regional and national insurance companies, independent insurance agencies as well as from other financial institutions offering insurance products.

Trustmark's ability to compete effectively is a result of providing customers with desired products and services in a convenient and cost effective manner. Customers for commercial, consumer and mortgage banking as well as wealth management and insurance services are influenced by convenience, quality of service, personal contacts, availability of products and services and competitive pricing. Trustmark continually reviews its products, locations, alternative delivery channels, and pricing strategies to maintain and enhance its competitive position. While Trustmark's position varies by market, Management believes it can compete effectively as a result of the quality of Trustmark's products and services, local market knowledge and awareness of customer needs.

#### Supervision and Regulation

The following discussion sets forth material elements of the regulatory framework applicable to bank holding companies and their subsidiaries and provides specific information relevant to Trustmark. The discussion is a summary of detailed statutes, regulations and policies. The descriptions are not intended to be complete summaries of the statutes, regulations and policies referenced therein.

Such statutes, regulations and policies are continually under the review of the United States Congress and state legislatures as well as federal and state regulatory agencies. A change in statutes, regulations or policies could have a material impact on the business of Trustmark and its subsidiaries.

#### Regulation of Trustmark

Trustmark is a registered bank holding company under the Bank Holding Company Act of 1956 (BHC Act). Trustmark and its nonbank subsidiaries are therefore subject to the supervision, examination and reporting requirements of the BHC Act, the Federal Deposit Insurance Act (FDI Act), the regulations of the FRB and certain of the requirements imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

#### Federal Oversight Over Mergers and Acquisitions, Investments and Branching

The BHC Act requires every bank holding company to obtain the prior approval of the FRB before: (i) it may acquire direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, the bank holding company will directly or indirectly own or control 5.0% or more of the voting shares of the bank; (ii) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank; or (iii) it may merge or consolidate with any other bank holding company. The BHC Act further provides that the FRB may not approve any such transaction that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any section of the United States, or the effect of which may be substantially to lessen competition or to tend to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The FRB is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned and the convenience and needs of the community to be served. Consideration of financial resources generally focuses on capital adequacy, and consideration of convenience and needs issues includes the parties' performance under the Community Reinvestment Act of 1977.

The BHC Act also generally requires FRB approval for a bank holding company's acquisition of a company that is not an insured depository institution. Bank holding companies generally may engage, directly or indirectly, only in banking and such other activities as are determined by the FRB to be closely related to banking. The FRB must generally consider whether performance of the activity by a bank holding company can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. The FRB has express statutory authority to also consider the "risk to the stability of the United States banking or financial system" when reviewing the acquisition of such a company by a bank holding company.

The BHC Act, as amended by the interstate banking provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Riegle-Neal Act) permits Trustmark to acquire a bank located in any other state, regardless of state law to the contrary, subject to certain deposit-percentage, aging requirements, and other restrictions. The Riegle-Neal Act also generally permits national and state-chartered banks to branch interstate through acquisitions of banks in other states. Bank holding companies must be well-capitalized and well-managed to obtain federal bank regulatory approval of an interstate acquisition without regard to state law prohibiting the transaction.

Under provisions of the BHC Act referred to as the "Volcker Rule," limitations are placed on the ability of insured depository institutions, insured depository institution holding companies and their affiliates ("Banking Entities") to acquire or retain ownership interests in, or act as sponsor to, certain investment funds, including hedge funds and private equity funds. The Volcker Rule also places restrictions on proprietary trading by a Banking Entity.

The Office of the Comptroller of the Currency (OCC) has the authority to approve applications by national banks to establish de novo branches in states other than the bank's home state if the law of the State in which the branch is located, or is to be located, would permit establishment of the branch if the bank were a State bank chartered by such State.

#### Source of Strength

Under the FDI Act, Trustmark is expected to act as a source of financial and managerial strength to TNB. Under this policy, a bank holding company is expected to commit resources to support its bank subsidiary, including at times when the holding company may not be in a financial position to provide it.

## Capital Adequacy

Bank holding companies and banks are subject to various regulatory capital requirements administered by state and federal bank regulatory agencies. Capital adequacy regulations and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors. United States capital regulations were substantially revised in 2013 as a result of changes in the Dodd-Frank Act and the Basel Committee on Banking Supervision's December 2010 final capital framework, referred to as "Basel III." The FRB and the OCC, the primary regulators of Trustmark and TNB, respectively, have substantially similar risk-based capital ratio and leverage ratio requirements.

Under capital requirements applicable to Trustmark and TNB as of January 1, 2015, Trustmark and TNB are required to meet a common equity Tier 1 capital to risk-weighted assets ratio of 7.0% (a minimum of 4.5% plus a capital conservation buffer of 2.5%, which will be fully phased in by January 1, 2019), a Tier 1 capital to risk-weighted assets ratio of 8.5% (a minimum of 6.0% plus a phased-in capital conservation buffer of 2.5%), a total capital to risk-weighted assets ratio of 10.5% (a minimum of 8% plus a phased-in capital conservation buffer of 2.5%), and a leverage ratio of Tier 1 capital to total consolidated assets of 4.0%. In addition, for an insured depository institution to be "well-capitalized" under the banking agencies' prompt corrective action framework, it must have a common equity Tier 1 capital ratio of 6.5%, Tier 1 capital ratio of 8.0%, a total capital ratio of 10.0%, and a leverage ratio of 5.0%, and must not be subject to any written agreement, order or capital directive, or prompt corrective action directive issued by its primary federal regulator to meet and maintain a specific capital level for any capital measure.

For purposes of calculating the denominator of the risk-based capital ratios, a banking institution's assets and some of its specified off-balance sheet commitments and obligations are assigned to various risk categories. For purposes of calculating the numerator of the capital ratios, capital, at both the holding company and bank level, is classified in one of three tiers depending on the "quality" and loss-absorbing features of the capital instrument. Common equity Tier 1 capital is predominantly comprised of common stock instruments (including related surplus) and retained earnings, net of treasury stock, and after making necessary capital deductions and adjustments. Tier 1 capital is comprised of common equity Tier 1 capital and additional Tier 1 capital, which includes non-cumulative perpetual preferred stock and similar instruments meeting specified eligibility criteria (including related surplus) and "TARP" preferred stock and other instruments issued under the Emergency Economic Stabilization Act of 2008. Newly issued trust preferred securities and cumulative perpetual preferred stock may not be included in Tier 1 capital. However, smaller depository institution holding companies (those with assets less than \$15 billion as of year-end 2009) and most mutual holding companies are allowed to continue to count as Tier 1 capital most outstanding trust preferred securities and other non-qualifying securities that were issued prior to May 19, 2010 (up to a limit of 25% of Tier 1 capital, excluding non-qualifying capital instruments) rather than phasing such securities out of regulatory capital. Trustmark currently has outstanding trust preferred securities that is permitted to continue to count as Tier 1 capital up to the regulatory limit. Total capital is comprised of Tier 1 capital and Tier 2 capital, which includes certain subordinated debt with a minimum original maturity of five years (including related surplus) and a limited amount of allowance for loan losses. Newly issued trust preferred securities and cumulative perpetual preferred stock generally may be included in Tier 2 capital, provided they do not include features that are disallowed by the capital rules, such as the acceleration of principal other than in the event of a bankruptcy, insolvency, or receivership of the issuer.

Failure to meet minimum capital requirements could subject a bank to a variety of enforcement remedies. The FDI Act identifies five capital categories for insured depository institutions: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. An insured depository institution is subject to differential regulation corresponding to the capital category within which the institution falls. The FDI Act requires banking regulators to take prompt corrective action whenever financial institutions do not meet minimum capital requirements. Failure to meet the capital guidelines could also subject an insured depository institution to capital raising requirements. In addition, an insured depository institution is generally prohibited from making capital distributions, including paying dividends, or paying management fees to a holding company, if the institution would

thereafter be undercapitalized. In addition, the FDI Act requires the various regulatory agencies to prescribe certain noncapital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation, and permits regulatory action against an insured depository institution that does not meet such standards.

An institution's failure to exceed the capital conservation buffer with common equity Tier 1 capital would result in limitations on an institution's ability to make capital distributions and discretionary bonus payments. The capital conservation buffer is being phased in until January 1, 2019.

At December 31, 2016, Trustmark exceeded its minimum capital requirements with common equity Tier 1 capital, Tier 1 capital and total capital equal to 12.16%, 12.76% and 13.59% of its total risk-weighted assets, respectively. At December 31, 2016, TNB also exceeded these requirements with common equity Tier 1 capital, Tier 1 capital and total capital equal to 12.58%, 12.58% and 13.41% of its total risk-weighted assets, respectively. At December 31, 2016, the leverage ratios for Trustmark and TNB were 9.90% and 9.77%, respectively. As of December 31, 2016, the most recent notification from the OCC categorized TNB as well-capitalized based

on the ratios and guidelines described above. Management will continue to evaluate the impact of the capital rules on Trustmark and TNB as they are phased in.

### Stress Testing

Bank holding companies and national banks with average total consolidated assets between \$10 billion and \$50 billion must conduct annual company-run stress tests using data as of December 31 of each year under one baseline and at least two stress scenarios as provided by the FRB and the OCC, respectively. Stress test results must be provided to the FRB and OCC by July 31 of the following year. Trustmark has been subject to annual company-run stress test requirements since September 2014.

Trustmark anticipates that capital ratios, as reflected in the stress test calculations under the required stress test scenarios, will be an important factor considered by the agencies in evaluating the capital adequacy of Trustmark and TNB and whether proposed payments of dividends or stock repurchases are consistent with prudential expectations.

### Payment of Dividends and Stock Repurchases

Trustmark is limited in its ability to pay dividends or repurchase its stock by the FRB, including on the basis that doing so would be an unsafe or unsound banking practice. Where a bank holding company intends to declare or pay a dividend, it generally will be required to inform and consult with the FRB in advance to ensure that such dividend does not raise supervisory concerns. It is the policy of the FRB that a bank holding company should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the company's capital needs and overall current and prospective financial condition.

According to guidance from the FRB, a bank holding company's dividend policies will be assessed against, among other things, its ability to achieve applicable capital ratio requirements. If a bank holding company does not achieve applicable capital ratio requirements, it may not be able to pay dividends. Although Trustmark currently expects to meet applicable capital ratio requirements, inclusive of the capital conservation buffer when it is fully phased in by the FRB, Trustmark cannot be sure that it will meet those requirements or that even if it does, it will be able to pay dividends.

Trustmark also is required to obtain the approval of the FRB in advance of redeeming or repurchasing its stock. In evaluating the appropriateness of a proposed redemption or repurchase of stock, the FRB will consider, among other things, the potential loss that a bank holding company may suffer from the prospective need to increase reserves and write down assets as a result of continued asset deterioration, and its ability to raise additional common equity and other capital to replace the stock that will be redeemed or repurchased. The FRB also will consider the potential negative effects on the bank holding company's capital structure of replacing common stock with any lower-tier form of regulatory capital issued.

### Anti-Money Laundering Initiatives and Sanctions Compliance

Trustmark and TNB are subject to extensive regulations aimed at combatting money laundering and terrorist financing. The USA Patriot Act of 2001 (USA Patriot Act) substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. United States Department of the Treasury regulations implementing the USA Patriot Act impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and financial consequences for the institution.

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) is responsible for helping to insure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and Acts of Congress. OFAC publishes lists of persons, organizations, and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. OFAC administers and enforces applicable economic and trade sanctions programs. These sanctions are usually targeted against foreign countries, terrorists, international narcotics traffickers and those believed to be involved in the proliferation of weapons of mass destruction. These regulations generally require either the blocking of accounts or other property of specified entities or individuals, but they may also require the rejection of certain transactions involving specified entities or individuals. Trustmark maintains policies, procedures and other internal controls designed to comply with these sanctions programs.

## Other Federal Regulation of Trustmark

In addition to being regulated as a bank holding company, Trustmark is subject to regulation by the State of Mississippi under its general business corporation laws. Trustmark is also subject to the disclosure and other regulatory requirements of the Securities Act of 1933 and the Securities Exchange Act of 1934, as administered by the SEC.

## Regulation of TNB

TNB is a national bank and, as such, is subject to extensive regulation by the OCC and, to a lesser extent, by the FDIC. In addition, as a large provider of consumer financial services, TNB is subject to regulation, supervision and examination by the Consumer Financial Protection Bureau (CFPB). Almost every area of the operations and financial condition of TNB is subject to extensive regulation and supervision and to various requirements and restrictions under federal and state law including loans, reserves, investments, issuance of securities, establishment of branches, capital adequacy, liquidity, earnings, dividends, management practices and the provision of services. TNB is subject to supervision, examination and reporting requirements under the National Bank Act, the Federal Reserve Act, the FDI Act, regulations of the OCC and certain of the requirements imposed by the Dodd-Frank Act. Trustmark and TNB are also subject to a wide range of consumer protection laws and regulations.

## Restrictions on Lending, Insider Transactions and Affiliate Transactions

National banks are limited in the amounts they may lend to one borrower and the amount they may lend to insiders. These single counterparty and insider lending limits extend to loans, derivative transactions, repurchase agreements, reverse repurchase agreements and securities lending or borrowing transactions. In addition, the FDI Act imposes restrictions on insured depository institutions' purchases of assets from insiders.

Sections 23A and 23B of the Federal Reserve Act establish parameters for an insured bank to conduct "covered transactions" with its affiliates, generally (i) limiting the extent to which the bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10 percent of the bank's capital stock and surplus, and limiting the aggregate of all such transactions with all affiliates to an amount equal to 20 percent of the bank's capital stock and surplus, and (ii) requiring that all such transactions be on terms substantially the same, or at least as favorable, to the bank or subsidiary as those that would be provided to a non-affiliate. In addition, an insured bank's loans to affiliates must be fully collateralized. The term "covered transaction" includes the making of loans to the affiliate, purchase of assets from the affiliate, issuance of a guarantee on behalf of the affiliate and several other types of transactions.

## Payment of Dividends

The principal source of Trustmark's cash revenue is dividends from TNB. There are various legal and regulatory provisions that limit the amount of dividends TNB can pay to Trustmark without regulatory approval. Under the National Bank Act, approval of the OCC is required if the total of all dividends declared in any calendar year exceeds the total of TNB's net income for that year combined with its retained net income from the preceding two years. TNB will have available in 2017 approximately \$98.3 million plus its net income for that year to pay to Trustmark as dividends. Also under the National Bank Act, TNB may not pay any dividends in excess of undivided profits (retained earnings). In addition, subsidiary banks of a bank holding company are subject to certain restrictions imposed by the Federal Reserve Act on extensions of credit to the bank holding company or any of its subsidiaries. Further, subsidiary banks of a bank holding company are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of any services to the bank holding company. Moreover, an institution's failure to exceed the capital conservation buffer set forth in the capital rules with common equity Tier 1 capital would result in limitations on an institution's ability to make capital distributions and discretionary bonus payments.



CFPB

The Dodd-Frank Act established the CFPB within the Federal Reserve System as an independent bureau with responsibility for consumer financial protection. The CFPB is responsible for issuing rules, orders and guidance implementing federal consumer financial laws. The CFPB has primary enforcement authority over “very large” insured depository institutions or insured credit unions and their affiliates. An insured depository institution is deemed “very large” if it reports assets of more than \$10 billion in its quarterly Call Report for four consecutive quarters. The CFPB has near exclusive supervision authority, including examination authority, over these “very large” institutions and their affiliates to assess compliance with federal consumer financial laws, to obtain information about the institutions’ activities and compliance systems and procedures, and to detect and assess risks to consumers and markets. The CFPB has broad authority to prevent “unfair, deceptive or abusive acts or practices” and ensure consistent enforcement of laws so that all consumers have access to markets for consumer financial products and services that are fair, transparent and competitive. The CFPB has rulemaking and interpretive authority under the Dodd-Frank Act and other federal consumer financial services laws, as well as broad supervisory, examination and enforcement authority over large providers of consumer financial products and services, such

as TNB. TNB's total assets were \$13.350 billion at December 31, 2016, and \$12.677 billion at December 31, 2015, and therefore, TNB is subject to CFPB supervision.

#### Other Federal and State Laws

Banking organizations are subject to numerous laws and regulations intended to protect consumers in addition to those discussed above. These laws include, among others: the Truth in Lending Act (TILA); Truth in Savings Act; Electronic Funds Transfer Act (EFTA); Expedited Funds Availability Act; Equal Credit Opportunity Act; Fair and Accurate Credit Transactions Act; Fair Housing Act; Fair Credit Reporting Act; Fair Debt Collection Act; Gramm-Leach-Bliley Act; Home Mortgage Disclosure Act; Right to Financial Privacy Act; Real Estate Settlement Procedures Act; laws regarding unfair and deceptive acts and practices; and usury laws.

Many states and local jurisdictions have consumer protection laws analogous, and in addition to, those listed above. While TNB's activities are governed primarily by federal law, the Dodd-Frank Act potentially narrowed National Bank Act preemption of state consumer financial laws, thereby making TNB and other national banks potentially subject to increased state regulation. The Dodd-Frank Act also codified the Supreme Court's decision in *Cuomo v. Clearing House Association*. As a result, State Attorneys General may enforce in a court action "an applicable law" against federally-chartered depository institutions like TNB. In addition, under the Dodd-Frank Act, State Attorneys General are authorized to bring civil actions against federally-chartered institutions, like TNB, to enforce regulations prescribed by the CFPB or to secure other remedies.

Finally, the Dodd-Frank Act potentially expanded state regulation over banks by eliminating National Bank Act preemption for national bank operating subsidiaries, including operating subsidiaries of TNB.

#### Mortgage Regulation

The Dodd-Frank Act imposed new standards for mortgage loan originations on lenders. The statute amended TILA to restrict the payment of fees to real-estate mortgage originators. Furthermore, the statute amended TILA to impose minimum underwriting standards on real-estate mortgage creditors (including nonbanks as well as bank creditors) and verifications to check borrowers' income and their ability to pay.

#### Financial Privacy Laws

The Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (GLB Act) imposed requirements related to the privacy of customer financial information. In accordance with the GLB Act, federal bank regulators adopted rules that limit the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. Trustmark recognizes the need for its customers' privacy.

#### Debit Interchange Regulation

The FRB has issued rules under the EFTA, as amended by the Dodd-Frank Act, to limit interchange fees that an issuer may receive or charge for an electronic debit card transaction. Under the FRB's rules, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is the sum of 21 cents per transaction and five basis points multiplied by the value of the transaction. In addition, the FRB's rules allow for an upward adjustment of no more than one cent to an issuer's debit card interchange fee if the issuer develops and implements policies and procedures reasonably designed to achieve the fraud-prevention standards set out in the rule.

Issuers that, together with their affiliates, have assets of less than \$10.0 billion on the annual measurement date (December 31) are exempt from the debit card interchange fee standards. At the December 31, 2013 annual measurement date, Trustmark had assets greater than \$10.0 billion; and, therefore, was required to comply with the debit card interchange fee standards by July 1, 2014.

#### FDIC Deposit Insurance Assessments

The deposits of TNB are insured by the Deposit Insurance Fund (DIF), as administered by the FDIC, and, accordingly, are subject to deposit insurance assessments to maintain the DIF at minimum levels required by statute. The Dodd-Frank Act increased the minimum reserve ratio requirement for the DIF to 1.35 percent of total estimated insured deposits or the comparable percentage of the deposit assessment base.

The FDIC uses a risk based assessment system that imposes insurance premiums as determined by multiplying an insured bank's assessment base by its assessment rate. The Dodd-Frank Act revised the deposit insurance assessment base to be equal to a bank's total assets minus the sum of (1) its average tangible equity during the assessment period, and (2) any additional amount the FDIC determines is warranted for custodial and banker's banks.

The FDIC determines a bank's assessment rate within a range of base assessment rates using a risk scorecard that takes into account the bank's financial ratios and supervisory rating (the CAMELS composite rating), among other factors. The CAMELS rating system is a supervisory rating system developed to classify a bank's overall condition by taking into account capital adequacy, assets, management capability, earnings, liquidity and sensitivity to market and interest rate risk.

Under a rule adopted by the FDIC in 2011, the range of base assessment rates for all banks is to decrease in phases as the DIF's reserve ratio grows to 1.15 percent, 2.00 percent and 2.50 percent. The reserve ratio reached 1.17 percent as of June 30, 2016. In March 2016, the Board of Directors of the FDIC approved a final rule to impose a surcharge of 4.5 cents per \$100 of the assessment base, after making certain adjustments, on banks with \$10.0 billion or more in assets. The FDIC expects the DIF's reserve ratio will likely reach the statutorily required minimum level of 1.35 percent after approximately two years of payments of these surcharges. The surcharges became effective and began on July 1, 2016. Following the effectiveness of the decrease in base assessment rates and surcharges on July 1, 2016, the total base assessment rate for an institution with \$10.0 billion or more in assets ranges from a minimum of 1.5 basis points to a maximum of 40.0 basis points, plus applicable surcharges, but this range is subject to change as the DIF's reserve ratio continues to grow.

TNB's FDIC assessment expenses declined as of July 1, 2016 as the lower regular assessment rates and the allowable adjustments more than offset the surcharge of 4.5 cents per \$100 of assessment base. In 2016, TNB's expenses related to deposit insurance premiums totaled \$10.6 million.

TNB also paid approximately \$643 thousand in Financing Corporation (FICO) assessments related to outstanding FICO bonds for which the FDIC serves as collection agent. The bonds issued by FICO are due to mature from 2017 through 2019. For the quarter ended December 31, 2016, the FICO assessment rate was equal to 0.56 basis points.

The Dodd-Frank Act permanently increased the deposit insurance level to \$250,000 per depositor for each insured depository institution.

#### TNB Subsidiaries

TNB's nonbanking subsidiaries are subject to a variety of state and federal laws and regulations. TIA, a registered investment adviser, is subject to regulation by the SEC under the Investment Advisers Act of 1940 and by the State of Mississippi. FBBI is subject to the insurance laws and regulations of the states in which its divisions are active. SCC is subject to the supervision and regulation of the CDFI Fund and the State of Mississippi.

The GLB Act authorizes national banks to own or control a "financial subsidiary" that engages in activities that are not permissible for national banks to engage in directly. The GLB Act contains a number of provisions dealing with insurance activities by bank subsidiaries. Generally, the GLB Act affirms the role of the states in regulating insurance activities, including the insurance activities of financial subsidiaries of banks, but the GLB Act also preempts certain state laws. As a result of the GLB Act, TNB elected for predecessor subsidiaries that now constitute FBBI to become financial subsidiaries. This enables FBBI to engage in insurance agency activities at any location.

#### Available Information

Trustmark's internet address is [www.trustmark.com](http://www.trustmark.com). Information contained on this website is not a part of this report. Trustmark makes available through this address, free of charge, its Annual Report on Form 10-K, Quarterly

## Edgar Filing: TRUSTMARK CORP - Form 10-K

Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such material is electronically filed, or furnished to, the SEC.

### Employees

At December 31, 2016, Trustmark employed 2,788 full-time equivalent associates, none of which are represented by a collective bargaining agreement. Trustmark believes its employee relations to be satisfactory.

Executive Officers of the Registrant

The executive officers of Trustmark (the Registrant) and its primary bank subsidiary, TNB, including their ages, positions and principal occupations for the last five years are as follows:

R. Michael Summerford, 68

Trustmark Corporation

Chairman of the Board since January 2017

Trustmark National Bank

Chairman of the Board since January 2017

Daniel A. Grafton, 70

Trustmark Corporation

Chairman of the Board from May 2011 to December 2016

Trustmark National Bank

Chairman of the Board from May 2011 to December 2016

Gerard R. Host, 62

Trustmark Corporation

President and Chief Executive Officer since January 2011

Trustmark National Bank

President and Chief Executive Officer since January 2011

Louis E. Greer, 62

Trustmark Corporation

Treasurer and Principal Financial Officer since January 2007

Trustmark National Bank

Executive Vice President and Chief Financial Officer since February 2007

Granville Tate, Jr., 60

Trustmark Corporation

Secretary since December 2015

Trustmark National Bank

General Counsel since December 2015

Chief Risk Officer since June 2016

Brunini, Grantham, Grower & Hewes, PLLC

Partner from January 2010 to December 2015

Board of Directors from January 2010 to November 2015

Chairman of the Board of Directors from January 2010 to May 2015

Duane A. Dewey, 58

Trustmark National Bank

President – Corporate Banking since September 2011

George C. Gunn, 65

Trustmark National Bank

Executive Vice President and Real Estate Banking Manager since September 2008

Robert Barry Harvey, 57

Trustmark National Bank

Executive Vice President and Chief Credit Officer since March 2010

Donald Glynn Ingram, 65

Trustmark National Bank

Executive Vice President and Chief Information Officer since September 2008

James M. Outlaw, Jr., 63

Trustmark National Bank

Executive Vice President and Chief Administrative Officer since August 2014

President and Chief Operating Officer – Texas from August 2006 to August 2014

Thomas C. Owens, 52

Trustmark National Bank

Executive Vice President and Bank Treasurer since September 2013

Webster Financial Corporation – Waterbury, Connecticut

Assistant Treasurer – Asset Liability Management from 2008 to September 2013

Douglas H. Ralston, 52

Trustmark National Bank

President – Wealth Management since November 2009

President – Trustmark Investment Advisors since June 2002

W. Arthur Stevens, 52

Trustmark National Bank

President – Retail Banking since September 2011

Breck W. Tyler, 58

Trustmark National Bank

President – Mortgage Services since March 2012

Executive Vice President and Mortgage Services Manager from June 2006 to March 2012

C. Scott Woods, 60

Trustmark National Bank

President – Insurance Services since March 2012

Executive Vice President and Insurance Services Manager from June 2006 to March 2012

#### ITEM 1A. RISK FACTORS

Trustmark and its subsidiaries could be adversely impacted by various risks and uncertainties, which are difficult to predict. As a financial institution, Trustmark has significant exposure to market risks, including interest rate risk, liquidity risk and credit risk. This section includes a description of the risks, uncertainties and assumptions identified by Management that could, individually or in combination, materially affect Trustmark's financial condition and results of operations, as well as the value of Trustmark's financial instruments in general, and Trustmark common stock, in particular. Additional risks and uncertainties that Management currently deems immaterial or is unaware of may also impair Trustmark's financial condition and results of operations. This report is qualified in its entirety by the risk factors that are identified below.

Trustmark's largest source of revenue (net interest income) is subject to interest rate risk.



Trustmark's profitability depends to a large extent on net interest income, which is the difference between income on interest-earning assets, such as loans and investment securities, and expense on interest-bearing liabilities, such as deposits and borrowings. Trustmark is exposed to interest rate risk in its core banking activities of lending and deposit taking, since assets and liabilities reprice at different times and by different amounts as interest rates change. Trustmark is unable to predict changes in market interest rates, which are affected by many factors beyond Trustmark's control, including inflation, recession, unemployment, money supply, domestic and international events and changes in the United States and other financial markets. In December 2015 and again in December 2016, the FRB increased the target range for the federal funds rate by 25 basis points. The FRB also indicated that it may further increase rates in the future. It is not possible to predict the timing or amount of any further changes to the federal funds rate.

Financial simulation models are the primary tools used by Trustmark to measure interest rate exposure. Using a wide range of scenarios, Management is provided with extensive information on the potential impact to net interest income caused by changes in interest rates. Models are structured to simulate cash flows and accrual characteristics of Trustmark's balance sheet. Assumptions are made about the direction and volatility of interest rates, the slope of the yield curve and the changing composition of Trustmark's balance sheet, resulting from both strategic plans and customer behavior. In addition, the model incorporates Management's assumptions and expectations regarding such factors as loan and deposit growth, pricing, prepayment speeds and spreads between interest rates. Trustmark's simulation model using static balances at December 31, 2016, estimated that in the event of a hypothetical 200 basis point increase in interest rates, net interest income may decrease 0.12%, while a hypothetical 100 basis point increase in interest rates, may increase net interest income 0.04%. In the event of a hypothetical 100 basis point decrease in interest rates using static balances at December 31, 2016, it is estimated net interest income may decrease by 6.33%.

Net interest income is Trustmark's largest revenue source, and it is important to discuss how Trustmark's interest rate risk may be influenced by the various factors shown below:

In general, for a given change in interest rates, the amount of the change in value (positive or negative) is larger for assets and liabilities with longer remaining maturities. The shape of the yield curve may affect new loan yields, funding costs and investment income differently.

The remaining maturity of various assets or liabilities may shorten or lengthen as payment behavior changes in response to changes in interest rates. For example, if interest rates decline sharply, fixed-rate loans may pre-pay, or pay down, faster than anticipated, thus reducing future cash flows and interest income. Conversely, if interest rates increase, depositors may cash in their certificates of deposit prior to term (notwithstanding any applicable early withdrawal penalties) or otherwise reduce their deposits to pursue higher yielding investment alternatives. Repricing frequencies and maturity profiles for assets and liabilities may occur at different times. For example, in a falling rate environment, if assets reprice faster than liabilities, there will be an initial decline in earnings. Moreover, if assets and liabilities reprice at the same time, they may not be by the same increment. For instance, if the federal funds rate increased 50 basis points, rates on demand deposits may rise by 10 basis points, whereas rates on prime-based loans will instantly rise 50 basis points.

Financial instruments do not respond in a parallel fashion to rising or falling interest rates. This causes asymmetry in the magnitude of changes in net interest income, net economic value and investment income resulting from the hypothetical increases and decreases in interest rates. Therefore, Management monitors interest rate risk and adjusts Trustmark's investment, funding and hedging strategies to mitigate adverse effects of interest rate shifts on Trustmark's balance sheet.

Trustmark utilizes derivative contracts to hedge the mortgage servicing rights (MSR) in order to offset changes in fair value resulting from changes in interest rate environments. In spite of Trustmark's due diligence in regard to these hedging strategies, significant risks are involved that, if realized, may prove such strategies to be ineffective, which could adversely affect Trustmark's financial condition or results of operations. Risks associated with these strategies include the risk that counterparties in any such derivative and other hedging transactions may not perform; the risk that these hedging strategies rely on Management's assumptions and projections regarding these assets and general market factors, including prepayment risk, basis risk, market volatility and changes in the shape of the yield curve, and that these assumptions and projections may prove to be incorrect; the risk that these hedging strategies do not adequately mitigate the impact of changes in interest rates, prepayment speeds or other forecasted inputs to the hedging model; and the risk that the models used to forecast the effectiveness of hedging instruments may project expectations that differ from actual results. In addition, increased regulation of the derivative markets may increase the cost to Trustmark to implement and maintain an effective hedging strategy.

Trustmark closely monitors the sensitivity of net interest income and investment income to changes in interest rates and attempts to limit the variability of net interest income as interest rates change. Trustmark makes use of both on- and off-balance sheet financial instruments to mitigate exposure to interest rate risk.

Trustmark's business may be adversely affected by conditions in the financial markets and economic conditions in general.

The economy showed moderate signs of improvement in 2016; however, economic concerns remain as a result of the cumulative weight of continued soft labor markets in the United States, volatility in crude oil prices and slowing growth in markets in Western Europe, Japan, China, Russia and other emerging markets, combined with uncertainty regarding anticipated further tightening of monetary policy by the FRB, the consequences of the decision of the United Kingdom to exit the European Union and the recent presidential election. The U.S. and European economies and financial markets tend to be closely associated, and therefore significant weakness in Europe would likely dampen domestic growth prospects during 2017. While domestic demand for loans has improved, particularly for commercial loans, further meaningful gains will depend on sustained economic growth. Strategic risk, including threats to business models from low rates and sluggish economic growth, remains high. Management's ability to plan, prioritize

and allocate resources in this new environment will be critical to Trustmark's ability to sustain earnings that will attract capital. Because of the complexities presented by current economic conditions, Management will continue to be challenged in identifying alternative sources of revenue, prudently diversifying assets, liabilities and revenue and effectively managing the costs of compliance.

In December 2016, the FRB increased the target range for the federal funds rate and indicated that it may further increase rates in the future, depending on economic conditions. Continued low interest rates will continue to place pressure on net interest margins for Trustmark (as well as its competitors), as older, higher-yielding assets that mature or default and can only be replaced with lower-yielding instruments. In addition, Management must protect against an increased vulnerability to rapidly changing rates in coming years in the event the current low-rate environment is replaced by a more volatile environment, which could increase exposure to reduced revenue from tighter margins.

Despite recent optimism resulting from stabilization in the housing sector, improvement of unemployment data and credit quality improvement, Trustmark does not assume that current uncertain conditions in the economy will improve significantly in the near future. A further weakened economy could affect Trustmark in a variety of substantial and unpredictable ways. In particular, Trustmark may face the following risks in connection with these events:

• Market developments and the resulting economic pressure on consumers may affect consumer confidence levels and may cause increases in delinquencies and default rates, which, among other effects, could further affect Trustmark's charge-offs and provision for loan losses.

• Loan performance could experience a significantly extended deterioration or loan default levels could accelerate, foreclosure activity could significantly increase, or Trustmark's assets (including loans and investment securities) could materially decline in value, any one of which, or any combination of more than one of which, could have a material adverse effect on Trustmark's financial condition or results of operations.

• Management's ability to measure the fair value of Trustmark's assets could be adversely affected by market disruptions that could make valuation of assets more difficult and subjective. If Management determines that a significant portion of its assets have values that are significantly below their recorded carrying value, Trustmark could recognize a material charge to earnings in the quarter during which such determination was made, Trustmark's capital ratios would be adversely affected by any such charge, and a rating agency might downgrade Trustmark's credit rating or put Trustmark on credit watch.

• The price per barrel of crude oil remained volatile during 2016. As of December 31, 2016, energy-related LHFI represented approximately 3.5% of Trustmark's total LHFI portfolio, and consisted principally of loans within the oilfield services and midstream segments. Additionally, as of December 31, 2016, approximately 4.2% of Trustmark's energy-related LHFI, or 0.1% of Trustmark's total LHFI portfolio, were classified as nonperforming or nonaccrual. Trustmark has no loan exposure where the source of repayment, or the underlying security of such exposure, is tied to the realization of value from energy reserves. Nonetheless, if oil prices remain at low levels for an extended period, Trustmark could experience weaker energy-related loan demand or increased losses within its energy-related LHFI portfolio.

It is difficult to predict the extent to which these challenging economic conditions will persist or whether recent progress in the economic recovery will instead shift to the potential for further decline. If the economy does weaken in the future, it is uncertain how Trustmark's business would be affected and whether Trustmark would be able successfully to mitigate any such effects on its business. Accordingly, these factors in the United States (and, indirectly, global) economy could have a material adverse effect on Trustmark's financial condition and results of operations.

Trustmark is subject to lending risk, which could impact the adequacy of the allowance for loan losses and results of operations.

There are inherent risks associated with Trustmark's lending activities. While the housing and real estate markets have shown continued improvement, they remain at depressed levels in certain regions. If trends in the housing and real estate markets were to revert or further decline below recession levels, Trustmark may experience higher than normal delinquencies and credit losses. Moreover, if the United States economy returns to a recessionary state, Management expects that it could severely affect economic conditions in Trustmark's market areas and that Trustmark could experience significantly higher delinquencies and credit losses. In addition, bank regulatory agencies periodically review Trustmark's allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further charge-offs, based on judgments different from those of Management. As a result, Trustmark may elect, or be required to, to make further increases in its provision for loan losses in the future, particularly if economic conditions deteriorate.

Additionally, Trustmark may rely on information furnished by or on behalf of customers and counterparties in deciding whether to extend credit or enter into other transactions. This information could include financial statements, credit reports, business plans, and other information. Trustmark may also rely on representations of those customers, counterparties, or other third parties, such as independent auditors, as to the accuracy and completeness of that

information. Reliance on inaccurate or misleading financial statements, credit reports, or other information could have a material adverse impact on Trustmark's business, financial condition, and results of operations.

Trustmark is subject to liquidity risk, which could disrupt its ability to meet its financial obligations.

Liquidity refers to Trustmark's ability to ensure that sufficient cash flow and liquid assets are available to satisfy current and future financial obligations, including demand for loans and deposit withdrawals, funding operating costs and other corporate purposes. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ or when assets cannot be liquidated at fair market value as needed. Trustmark obtains funding through deposits and various short-term and long-term wholesale

borrowings, including federal funds purchased and securities sold under agreements to repurchase, the Federal Reserve Discount Window and Federal Home Loan Bank (FHLB) advances. Any significant restriction or disruption of Trustmark's ability to obtain funding from these or other sources could have a negative effect on Trustmark's ability to satisfy its current and future financial obligations, which could materially affect Trustmark's financial condition or results of operations.

In addition to the risk that one or more of the funding sources may become constrained due to market conditions unrelated to Trustmark, there is the risk that Trustmark's credit profile may decline such that one or more of these funding sources becomes partially or wholly unavailable to Trustmark.

Trustmark attempts to quantify such credit event risk by modeling bank specific and systemic scenarios that estimate the liquidity impact. Trustmark estimates such impact by attempting to measure the effect on available unsecured lines of credit, available capacity from secured borrowing sources and securitizable assets. To mitigate such risk, Trustmark maintains available lines of credit with the Federal Reserve Bank of Atlanta and the FHLB of Dallas that are secured by loans and investment securities. Management continuously monitors Trustmark's liquidity position for compliance with internal policies.

Trustmark is subject to extensive government regulation and supervision and possible enforcement and other legal actions.

Trustmark, primarily through TNB and certain nonbank subsidiaries, is subject to extensive federal and state regulation and supervision, which vests a significant amount of discretion in the various regulatory authorities. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not security holders. These regulations and supervisory guidance affect Trustmark's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations, and policies for possible changes. The Dodd-Frank Act instituted major changes to the banking and financial institutions regulatory regimes. Other changes to statutes, regulations or regulatory policies or supervisory guidance, including changes in interpretation or implementation of statutes, regulations, policies and supervisory guidance, could affect Trustmark in substantial and unpredictable ways. Such changes could subject Trustmark to additional costs, limit the types of financial services and products Trustmark may offer and/or increase the ability of nonbanks to offer competing financial services and products, among other things. Failure to comply with laws, regulations, policies or supervisory guidance could result in enforcement and other legal actions by Federal or state authorities, including criminal and civil penalties, the loss of FDIC insurance, the revocation of a banking charter, civil money penalties, other sanctions by regulatory agencies and/or reputational damage. In this regard, government authorities, including bank regulatory agencies, are pursuing aggressive enforcement agendas with respect to compliance and other legal matters involving financial activities, which heightens the risks associated with actual and perceived compliance failures. Any of the foregoing could have a material adverse effect on Trustmark's financial condition or results of operations.

Trustmark will be subject to increasingly stringent capital requirements.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced agreement on the calibration and phase-in arrangements for a strengthened set of capital requirements, known as Basel III. The FRB, OCC, and FDIC issued final rules establishing regulatory capital requirements consistent with Basel III and implementing the capital requirements in the Dodd-Frank Act in July 2013. These capital rules require, among other things, a minimum common equity Tier 1 capital ratio of 4.5%, net of regulatory deductions, and establish a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets above the regulatory minimum capital requirement, effectively establishing a minimum common equity Tier 1 ratio of 7%. In addition, the capital rules increased the minimum Tier 1 capital requirement from 4% to 6% of risk-weighted assets. The capital rules also specify that a bank with a capital conservation buffer that does not exceed 2.5% shall face limitations on capital distributions and bonus payments to executives.

The capital rules also include stringent criteria for capital instruments to qualify as Tier 1 or Tier 2 capital. For instance, the rules effectively disallow newly-issued trust preferred securities to be a component of a holding company's Tier 1 capital. Trustmark will continue to count \$60.0 million in outstanding trust preferred securities issued by the Trust as Tier 1 capital up to the regulatory limit, as permitted by the grandfather provision in the capital rules.

Trustmark and TNB were required to comply with the revised capital rules beginning January 1, 2015. Certain of the requirements of the revised capital rules, such as the capital conservation buffer, will be phased in until January 1, 2019. Once the revised capital requirements are fully phased in, it is expected that Trustmark and TNB will be required to hold a greater amount of capital and a greater amount of common equity than they were previously required to hold. Management does not expect the capital rules to have a significant impact on Trustmark or TNB; however, Management will continue to evaluate the impact of the capital rules on Trustmark and TNB as they are phased in.

Unfavorable results from ongoing stress test analyses conducted on Trustmark and TNB may adversely affect Trustmark's ability to approve, declare and pay dividends to shareholders or compete for new business opportunities.

The FRB and OCC require Trustmark and TNB to perform periodic stress tests and analysis to evaluate their ability to absorb losses in various economic and financial scenarios. This stress test analysis uses three economic and financial scenarios generated by the FRB and OCC, including baseline, adverse and severely adverse scenarios. Trustmark and TNB are required to make certain assumptions in modeling future performance and must support these assumptions through statistical analysis and observed market behavior where applicable. Results of the stress tests and analysis performed by Trustmark and TNB must be submitted to the FRB and the OCC annually to be used in the regulators' analysis.

The outcome of the FRB's analysis of Trustmark's projected performance (including capital, earnings and balance sheet changes) could hinder Trustmark's ability to pay cash dividends to shareholders at levels consistent with prior practice, or at all. The results of the stress tests could also impact decision making regarding future acquisitions by Trustmark as well as Trustmark's ability to effectively compete for new business opportunities.

Additionally, the FRB and OCC may require Trustmark and TNB to raise additional capital or take other actions, or may impose restrictions on its business, based on the results of the stress tests, including requiring revisions or changes to capital plans. Trustmark and TNB may not be able to raise additional capital if required to do so, or may not be able to do so on favorable terms. Any such capital raises, if required, may also be dilutive to existing shareholders.

There may be risks resulting from the extensive use of models in Trustmark's business.

Trustmark relies on quantitative models to measure risks and to estimate certain financial values. Models may be used in such processes as determining the pricing of various products, assessing potential acquisition opportunities, developing presentations made to market analysts and others, creating loans and extending credit, measuring interest rate and other market risks, predicting losses, assessing capital adequacy, conducting capital stress testing, calculating regulatory capital levels and estimating the fair value of financial instruments and balance sheet items. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If models for determining interest rate risk and asset-liability management are inadequate, Trustmark may incur increased or unexpected losses upon changes in market interest rates or other market measures. If models for determining probable loan losses are inadequate, the allowance for loan losses may not be sufficient to support future charge-offs. If models to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what Trustmark could realize upon sale or settlement of such financial instruments. Any such failure in the analytical or forecasting models could have a material adverse effect on Trustmark's financial condition or results of operations.

Also, information Trustmark provides to its regulators based on poorly designed or implemented models could be inaccurate or misleading. Certain decisions that the regulators make, including those related to capital distributions and dividends to Trustmark's shareholders, could be adversely affected due to the regulator's perception that the quality of Trustmark's models used to generate the relevant information is insufficient.

Trustmark could be required to write down goodwill and other intangible assets.

When Trustmark consummates an acquisition, a portion of the purchase price is generally allocated to goodwill and other identifiable intangible assets. The amount of the purchase price that is allocated to goodwill and other intangible assets is determined by the excess of the purchase price over the net identifiable assets acquired. At December 31, 2016, goodwill and other identifiable intangible assets were \$386.8 million. Under current accounting standards, if Trustmark determines goodwill or intangible assets are impaired, Trustmark would be required to write down the



carrying value of these assets. Trustmark's annual goodwill impairment evaluation performed during the fourth quarter of 2016 indicated no impairment of goodwill for any reporting segment. Management cannot provide assurance, however, that Trustmark will not be required to take an impairment charge in the future. Any impairment charge would have an adverse effect on Trustmark's shareholders' equity and financial condition and could cause a decline in Trustmark's stock price.

Trustmark holds a significant amount of other real estate and may acquire and hold significant additional amounts, which could lead to increased operating expenses and vulnerability to additional declines in real property values.

As business necessitates, Trustmark forecloses on and takes title to real estate serving as collateral for loans. At December 31, 2016, Trustmark held \$62.1 million of other real estate, compared to \$78.8 million at December 31, 2015. The amount of other real estate held by Trustmark may increase in the future as a result of, among other things, business combinations, increased uncertainties in the housing market or increased levels of credit stress in residential real estate loan portfolios. Increased other real estate balances could

lead to greater expenses as Trustmark incurs costs to manage, maintain and dispose of real properties as well as to remediate any environmental cleanup costs incurred in connection with any contamination discovered on real property on which Trustmark has foreclosed and to which Trustmark has taken title. As a result, Trustmark's earnings could be negatively affected by various expenses associated with other real estate owned, including personnel costs, insurance and taxes, completion and repair costs, valuation adjustments and other expenses associated with real property ownership, as well as by the funding costs associated with other real estate assets. The expenses associated with holding a significant amount of other real estate could have a material adverse effect on Trustmark's financial condition or results of operations.

Declines in asset values may result in impairment charges and adversely affect the value of Trustmark's investments.

Trustmark maintains an investment portfolio that includes, among other asset classes, obligations of states and municipalities, agency debt securities and agency mortgage-related securities. The market value of investments in Trustmark's investment portfolio may be affected by factors other than interest rates or the underlying performance of the issuer of the securities, such as ratings downgrades, adverse changes in the business climate and a lack of pricing information or liquidity in the secondary market for certain investment securities. In addition, government involvement or intervention in the financial markets or the lack thereof or market perceptions regarding the existence or absence of such activities could affect the market and the market prices for these securities.

On a quarterly basis, Trustmark evaluates investments and other assets for impairment indicators. As of December 31, 2016, gross unrealized losses on temporarily impaired securities totaled \$30.5 million. Trustmark may be required to record impairment charges if these investments suffer a decline in value that is other-than-temporary. If it is determined that a significant impairment has occurred, Trustmark would be required to charge against earnings the credit-related portion of the other-than-temporary impairment, which could have a material adverse effect on results of operations in the period in which a write-off, if any, occurs.

If Trustmark is required to repurchase a significant number of mortgage loans that it had previously sold, such repurchases could negatively affect earnings.

One of Trustmark's primary business operations is mortgage banking under which residential mortgage loans are sold in the secondary market under agreements that contain representations and warranties related to, among other things, the origination and characteristics of the mortgage loans. Trustmark may be required to either repurchase the outstanding principal balance of a loan or make the purchaser whole for the anticipated economic benefits of a loan if it is determined that the loan sold was in violation of representations or warranties made by Trustmark at the time of the sale, herein referred to as mortgage loan servicing putback expenses. Such representations and warranties typically include those made regarding loans that had missing or insufficient file documentation, loans that do not meet investor guidelines, loans in which the appraisal does not support the value and/or loans obtained through fraud by the borrowers or other third parties. Generally, putback requests may be made until the loan is paid in full. However, mortgage loans delivered to the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) on or after January 1, 2013 are subject to the Lending and Selling Representations and Warranties Framework updated in May 2014, which provides certain instances in which FNMA and FHLMC will not exercise their remedies, including a putback request, for breaches of certain selling representations and warranties, such as payment history and quality control review.

Trustmark operates in a highly competitive financial services industry.

Trustmark faces substantial competition in all areas of its operations from a variety of different competitors, many of which are larger and may have greater financial resources. Such competitors primarily include national and regional banks, as well as community banks within the various markets in which Trustmark operates. At this time, major international banks do not compete directly with Trustmark in its markets, although they may do so in the future. Trustmark also faces competition from many other types of financial institutions, including savings and loans,

credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. Additionally, fintech developments, such as distributed ledger technology (or blockchain), have the potential to disrupt the financial industry and change the way banks do business. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation.

Some of Trustmark's competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many of Trustmark's larger competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than Trustmark.

Trustmark's ability to compete successfully depends on a number of factors, including: the ability to develop, maintain and build upon long-term customer relationships based on top quality service, high ethical standards and safe, sound assets; the ability to continue to expand Trustmark's market position through organic growth and acquisitions; the scope, relevance and pricing of products and services offered to meet customer needs and demands; the rate at which Trustmark introduces new products and services relative to its competitors; and industry and general economic trends. Failure to perform in any of these areas could significantly weaken Trustmark's competitive position, which could adversely affect Trustmark's financial condition or results of operations.

Potential acquisitions by Trustmark may disrupt Trustmark's business and dilute shareholder value.

Trustmark seeks merger or acquisition partners that are culturally similar and have experienced management and possess either significant market presence or have potential for improved profitability through financial management, economies of scale or expanded services, and Trustmark will likely continue to seek to acquire such businesses in the future. Acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including: potential exposure to unknown or contingent liabilities of the target company, exposure to potential asset quality issues of the target company, difficulty and expense of integrating the operations and personnel of the target company, potential disruption to Trustmark's business, potential diversion of Trustmark's Management's time and attention, the possible loss of key employees and customers of the target company, difficulty in estimating the value of the target company and potential changes in banking or tax laws or regulations that may affect the target company. Acquisitions may involve the payment of a premium over book and market values, and, therefore, some dilution of Trustmark's tangible book value and net income per share of common stock may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue projections, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have a material adverse effect on Trustmark's financial condition or results of operations.

In addition, the acquisition of an insured depository institution that subsequently fails could significantly adversely affect an affiliated insured depository institution. Under cross-guarantee provisions of the FDI Act, the FDIC may recoup losses to the DIF by assessing a claim against insured depository institutions under common control for losses caused by the failure of an affiliated insured depository institution.

The soundness of other financial institutions could adversely affect Trustmark.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. As a result, defaults by, or questions or rumors about, one or more financial services institutions or the financial services industry in general, could lead to market-wide liquidity problems, which could, in turn, lead to defaults or losses by Trustmark and by other institutions. Trustmark has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, mutual funds, and other institutional clients. Many of these transactions expose Trustmark to credit risk in the event of default of its counterparty or client. In addition, Trustmark's credit risk may be exacerbated when the collateral it holds cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure owed to Trustmark. Losses related to these credit risks could materially and adversely affect Trustmark's results of operations.

Trustmark may experience disruptions of its operating systems or breaches in its information system security.

Trustmark is dependent upon communications and information systems to conduct business as such systems are used to manage virtually all aspects of Trustmark's business. Trustmark's operations rely on the secure processing, storage and transmission of confidential and other information within its computer systems and networks. Trustmark has taken protective measures, which are continuously monitored and modified as warranted; however, Trustmark's computer systems, software and networks may fail to operate properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond Trustmark's control. There could be sudden increases in customer transaction volume; electrical, telecommunications or other major physical infrastructure outages; natural disasters; and events arising from local or larger scale political or social matters, including terrorist acts. Further, Trustmark's operational and security systems and infrastructure may be vulnerable to breaches, unauthorized access, misuse, computer viruses or other malicious codes and cyber-attacks that could affect their information system security. If one or more of these events were to occur, Trustmark's or its customers' confidential and other information would be jeopardized, or such an event could cause interruptions or malfunctions in Trustmark's or its customers' or counterparties' operations. Trustmark may be required to expend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures in its computer

systems and networks, and Trustmark may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by Trustmark. Any such losses, which may be difficult to detect, could adversely affect Trustmark's financial condition or results of operations. In addition, the occurrence of such a loss could expose Trustmark to reputational risk, the loss of customer business and additional regulatory scrutiny.

Security breaches in Trustmark's internet and mobile banking activities (myTrustmark<sup>SM</sup>) could further expose Trustmark to possible liability and reputational risk. Any compromise in security could deter customers from using Trustmark's internet and mobile banking services that involve the transmission of confidential information. Trustmark relies on standard internet security systems to provide the security and authentication necessary to effect secure transmission of data. However, these precautions may not protect Trustmark's systems from compromise or breaches of security, which could result in significant legal liability and significant damage to Trustmark's reputation and business.

Trustmark relies upon certain third-party vendors to provide products and services necessary to maintain day-to-day operations. Accordingly, Trustmark's operations are exposed to the risk that these vendors might not perform in accordance with applicable contractual arrangements or service level agreements or that the security of the third-party vendors' computer systems, software and networks may be vulnerable to compromises that could impact information system security. Trustmark maintains a system of policies and procedures designed to monitor vendor risks. While Trustmark believes these policies and procedures effectively mitigate risk, the failure of an external vendor to perform in accordance with applicable contractual arrangements or service level agreements or any compromise in the security of an external vendor's information systems could be disruptive to Trustmark's operations, which could have a material adverse effect on its financial condition or results of operations.

Trustmark must utilize new technologies to deliver its products and services, which could require significant resources and expose Trustmark to additional risks, including cyber-security risks.

In order to deliver new products and services and to improve the productivity of existing products and services, the banking industry relies on rapidly evolving technologies. Trustmark's ability to effectively utilize new technologies to address customer needs and create operating efficiencies could materially affect future prospects. Management cannot provide any assurances that Trustmark will be successful in utilizing such new technologies. Incorporation of new products and services, such as internet and mobile banking services, may require significant resources and expose Trustmark to additional risks, including cyber-security risks.

Trustmark's use of third-party service providers and Trustmark's other ongoing third-party business relationships are subject to increasing regulatory requirements and attention.

Trustmark regularly uses third-party service providers and subcontractors as part of its business. Trustmark also has substantial ongoing business relationships with partners and other third-parties, and relies on certain third-parties to provide products and services necessary to maintain day-to-day operations. These types of third-party relationships are subject to increasingly demanding regulatory requirements and attention by regulators, including the FRB, the OCC and the FDIC. Under regulatory guidance, Trustmark is required to apply stringent due diligence, conduct ongoing monitoring and maintain effective control over third-party service providers and subcontractors and other ongoing third-party business relationships. Trustmark expects that the regulators will hold Trustmark responsible for deficiencies in its oversight and control of its third-party relationships and in the performance of the parties with which Trustmark has these relationships. Trustmark maintains a system of policies and procedures designed to ensure adequate due diligence is performed and to monitor vendor risks. While Trustmark believes these policies and procedures effectively mitigate risk, if the regulators conclude that Trustmark has not exercised adequate oversight and control over third-party service providers and subcontractors or other ongoing third-party business relationships or that such third-parties have not performed appropriately, Trustmark could be subject to enforcement actions, including civil monetary penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation.

Trustmark's controls and procedures may fail or be circumvented.

Trustmark's internal controls, disclosure controls and procedures, and corporate governance policies and procedures are based in part on assumptions, and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of Trustmark's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on Trustmark's business, financial condition and results of operations.

The stock price of financial institutions, like Trustmark, can be volatile.

The volatility in the stock prices of companies in the financial services industry, such as Trustmark, may make it more difficult for shareholders to resell Trustmark common stock at attractive prices in a timely manner. Trustmark's stock

price can fluctuate significantly in response to a variety of factors, including factors affecting the financial industry as a whole. The factors affecting financial stocks generally and Trustmark's stock price in particular include:

- actual or anticipated variations in earnings;
- changes in analysts' recommendations or projections;
- operating and stock performance of other companies deemed to be peers;
- perception in the marketplace regarding Trustmark, its competitors and/or the industry as a whole;
- significant acquisitions or business combinations involving Trustmark or its competitors;
- provisions in Trustmark's by-laws and articles of incorporation that may discourage takeover attempts, which may make Trustmark less attractive to a potential purchaser;
- changes in government regulation;

- failure to integrate acquisitions or realize anticipated benefits from acquisitions; and
- volatility affecting the financial markets in general.

General market fluctuations, the potential for breakdowns on electronic trading or other platforms for executing securities transactions, industry factors and general economic and political conditions could also cause Trustmark's stock price to decrease regardless of operating results.

Changes in accounting standards may affect how Trustmark reports its financial condition and results of operations.

Trustmark's accounting policies and methods are fundamental to how Trustmark records and reports its financial condition and results of operations. From time to time, the Financial Accounting Standards Board (FASB) changes the financial accounting and reporting standards that govern the preparation of Trustmark's financial statements. The recent economic recession resulted in increased scrutiny of accounting standards by regulators and legislators, particularly as they relate to fair value accounting principles. In addition, ongoing efforts to achieve convergence between U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards may result in changes to GAAP. Any such changes can be difficult to predict and can materially affect how Trustmark records and reports its financial condition or results of operations.

Trustmark may not be able to attract or retain key employees.

Trustmark's success depends substantially on its ability to attract and retain skilled, experienced personnel. Competition for qualified candidates in the activities and markets that Trustmark serves is intense. While Trustmark invests significantly in the training and developments of its employees, it is possible that Trustmark may not be able to retain key employees. If Trustmark were unable to retain its most qualified employees, its performance and competitive positioning could be materially adversely affected.

Natural disasters, such as hurricanes, could have a significant negative impact on Trustmark's business.

Many of Trustmark's loans are secured by property or are made to businesses in or near the Gulf Coast regions of Alabama, Florida, Mississippi and Texas, which are often in the path of seasonal hurricanes. Natural disasters, such as hurricanes, could have a significant negative impact on the stability of Trustmark's deposit base, the ability of borrowers to repay outstanding loans and the value of collateral securing loans, and could cause Trustmark to incur material additional expenses. Although Management has established disaster recovery policies and procedures, the occurrence of a natural disaster, especially if any applicable insurance coverage is not adequate to enable Trustmark's borrowers to recover from the effects of the event, could have a material adverse effect on Trustmark's financial condition or results of operations.

Trustmark may be subject to increased claims and litigation, which could result in legal liability and reputational damage.

Trustmark has been named from time to time as a defendant in litigation relating to its businesses and activities. Litigation may include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages.

In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders.

Substantial legal liability against Trustmark, including its subsidiaries, could materially adversely affect Trustmark's business, financial condition or results of operations, or cause significant harm to our reputation.



Damage to Trustmark's reputation could have a significant negative impact on Trustmark's business.

Trustmark's ability to attract and retain customers, clients, investors, and highly-skilled management and employees is affected by its reputation. Public perception of the financial services industry declined as a result of the economic downturn and related government response. Trustmark faces increased public and regulatory scrutiny resulting from the financial crisis and economic downturn. Significant harm to Trustmark's reputation can also arise from other sources, including employee misconduct, actual or perceived unethical behavior, litigation or regulatory outcomes, failing to deliver minimum or required standards of service and quality, compliance failures, disclosure of confidential information, significant or numerous failures, interruptions or breaches of its information systems and the activities of its clients, customers and counterparties, including vendors. Actions by the financial services industry generally or by certain members or individuals in the industry may have a significant adverse effect on Trustmark's reputation. Trustmark could also suffer significant reputational harm if it fails to properly identify and manage potential conflicts of interest. Management of potential conflicts of interests has become increasingly complex as Trustmark expands its business activities

through more numerous transactions, obligations and interests with and among its clients. The actual or perceived failure to adequately address conflicts of interest could affect the willingness of clients to deal with Trustmark, which could adversely affect Trustmark's businesses.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS

None

#### ITEM 2. PROPERTIES

Trustmark's principal offices are housed in its complex located in downtown Jackson, Mississippi and owned by TNB. Approximately 235,000 square feet, or 89%, of the available space in the main office building is allocated to bank use with the remainder occupied or available for occupancy by tenants on a lease basis. As of December 31, 2016, Trustmark, through TNB, also operated 174 full-service branches, 19 limited-service branches and an ATM network, which included 176 ATMs at on-premise locations and 69 ATMs located at off-premise sites. In addition, Trustmark's Mortgage Banking Group utilized four off-site locations, the Wealth Management Division utilized one off-site location and the Insurance Division utilized four off-site locations. Trustmark leases 86 of its 271 locations with the remainder being owned. Trustmark believes its properties are suitable and adequate to operate its financial services business.

#### ITEM 3. LEGAL PROCEEDINGS

Trustmark's wholly-owned subsidiary, TNB, has been named as a defendant in three lawsuits related to the collapse of the Stanford Financial Group. The first is a purported class action complaint that was filed on August 23, 2009 in the District Court of Harris County, Texas, by Peggy Roif Rotstain, Guthrie Abbott, Catherine Burnell, Steven Queyrouze, Jaime Alexis Arroyo Bornstein and Juan C. Olano (collectively, Class Plaintiffs), on behalf of themselves and all others similarly situated, naming TNB and four other financial institutions unaffiliated with Trustmark as defendants. The complaint seeks to recover (i) alleged fraudulent transfers from each of the defendants in the amount of fees and other monies received by each defendant from entities controlled by R. Allen Stanford (collectively, the Stanford Financial Group) and (ii) damages allegedly attributable to alleged conspiracies by one or more of the defendants with the Stanford Financial Group to commit fraud and/or aid and abet fraud on the asserted grounds that defendants knew or should have known the Stanford Financial Group was conducting an illegal and fraudulent scheme. Plaintiffs have demanded a jury trial. Plaintiffs did not quantify damages.

In November 2009, the lawsuit was removed to federal court by certain defendants and then transferred by the United States Panel on Multidistrict Litigation to federal court in the Northern District of Texas (Dallas) where multiple Stanford related matters are being consolidated for pre-trial proceedings. In May 2010, all defendants (including TNB) filed motions to dismiss the lawsuit. In August 2010, the court authorized and approved the formation of an Official Stanford Investors Committee (OSIC) to represent the interests of Stanford investors and, under certain circumstances, to file legal actions for the benefit of Stanford investors. In December 2011, the OSIC filed a motion to intervene in this action. In September 2012, the district court referred the case to a magistrate judge for hearing and determination of certain pretrial issues. In December 2012, the court granted the OSIC's motion to intervene, and the OSIC filed an Intervenor Complaint against one of the other defendant financial institutions. In February 2013, the OSIC filed a second Intervenor Complaint that asserts claims against TNB and the remaining defendant financial institutions. The OSIC seeks to recover: (i) alleged fraudulent transfers in the amount of the fees each of the defendants allegedly received from Stanford Financial Group, the profits each of the defendants allegedly made from Stanford Financial Group deposits, and other monies each of the defendants allegedly received from Stanford Financial Group; (ii) damages attributable to alleged conspiracies by each of the defendants with the Stanford Financial Group to commit fraud and/or aid and abet fraud and conversion on the asserted grounds that the defendants knew or should have known the Stanford Financial Group was conducting an illegal and fraudulent scheme; and (iii) punitive damages. The OSIC did not quantify damages.

In July 2013, all defendants (including TNB) filed motions to dismiss the OSIC's claims. In March 2015, the court entered an order authorizing the parties to conduct discovery regarding class certification and setting a deadline for the

parties to complete briefing on class certification issues. In April 2015, the court granted in part and denied in part the defendants' motions to dismiss the Class Plaintiffs' claims and the OSIC's claims. The court dismissed all of the Class Plaintiffs' fraudulent transfer claims and dismissed certain of the OSIC's claims. The court denied the motions by TNB and the other financial institution defendants to dismiss the OSIC's constructive fraudulent transfer claims.

On June 23, 2015, the court allowed the Class Plaintiffs to file a Second Amended Class Action Complaint (SAC), which asserted new claims against TNB and certain of the other defendants for (i) aiding, abetting and participating in a fraudulent scheme, (ii) aiding, abetting and participating in violations of the Texas Securities Act, (iii) aiding, abetting and participating in breaches of fiduciary duty, (iv) aiding, abetting and participating in conversion and (v) conspiracy. On July 14, 2015, the defendants (including TNB) filed

motions to dismiss the SAC and to reconsider the court's prior denial to dismiss the OSIC's constructive fraudulent transfer claims against TNB and the other financial institutions that are defendants in the action. On July 27, 2016, the court denied the motion by TNB and the other financial institution defendants to dismiss the SAC and also denied the motion by TNB and the other financial institution defendants to reconsider the court's prior denial to dismiss the OSIC's constructive fraudulent transfer claims. On August 24, 2016, TNB filed its answer to the SAC. There has been no new activity related to the SAC.

The second Stanford-related lawsuit was filed on December 14, 2009 in the District Court of Ascension Parish, Louisiana, individually by Harold Jackson, Paul Blaine, Carolyn Bass Smith, Christine Nichols, and Ronald and Ramona Hebert naming TNB (misnamed as Trust National Bank) and other individuals and entities not affiliated with Trustmark as defendants. The complaint seeks to recover the money lost by these individual plaintiffs as a result of the collapse of the Stanford Financial Group (in addition to other damages) under various theories and causes of action, including negligence, breach of contract, breach of fiduciary duty, negligent misrepresentation, detrimental reliance, conspiracy, and violation of Louisiana's uniform fiduciary, securities, and racketeering laws. The complaint does not quantify the amount of money the plaintiffs seek to recover. In January 2010, the lawsuit was removed to federal court by certain defendants and then transferred by the United States Panel on Multidistrict Litigation to federal court in the Northern District of Texas (Dallas) where multiple Stanford related matters are being consolidated for pre-trial proceedings. On March 29, 2010, the court stayed the case. TNB filed a motion to lift the stay, which was denied on February 28, 2012. In September 2012, the district court referred the case to a magistrate judge for hearing and determination of certain pretrial issues.

On April 11, 2016, Trustmark learned that a third Stanford-related lawsuit had been filed on that date in the Superior Court of Justice in Ontario, Canada, by The Toronto-Dominion Bank ("TD Bank"), naming TNB and three other financial institutions not affiliated with Trustmark as defendants. The complaint seeks a declaration specifying the degree to which each of TNB and the other defendants are liable in respect of any loss and damage for which TD Bank is found to be liable in a litigation commenced against TD Bank brought by the Joint Liquidators of Stanford International Bank Limited in the Superior Court of Justice, Commercial List in Ontario, Canada (the "Joint Liquidators' Action"), as well as contribution and indemnity in respect of any judgment, interest and costs TD Bank is ordered to pay in the Joint Liquidators' Action. To date, TNB has not been served in connection with this action.

TNB's relationship with the Stanford Financial Group began as a result of Trustmark's acquisition of a Houston-based bank in August 2006, and consisted of correspondent banking and other traditional banking services in the ordinary course of business. All Stanford-related lawsuits are in pre-trial stages.

TNB has been named as a defendant in two separately filed but now consolidated lawsuits involving two testamentary trusts created in the will of Kathleen Killebrew Paine for her two children, Carolyn Paine Davis and W.K. Paine. TNB is named as the Trustee in both trusts. The lawsuits were filed on June 30, 2014 in the Chancery Court of the First Judicial District of Hinds County, Mississippi by Jennifer Davis Michael, Elizabeth Paine Lindigrin, Wilmer Harrison Paine, Kenneth Whitworth Paine, Robert Harvey Paine and Nathan Davis, who are all children of Mrs. Davis and Mr. Paine. The complaints allege that the plaintiffs are vested current beneficiaries of the respective trusts; that the plaintiffs should have been entitled to be considered for distributions of trust income; and that the interests of Mrs. Davis and Mr. Paine were favored over plaintiffs' interest in both the distribution of income and in the making of trust investments. Plaintiffs seek compensatory damages, refund of trust fees and sweep fees, punitive damages, attorneys' fees and pre- and post-judgment interest. On March 9, 2015, the court granted TNB's motion to add Mrs. Davis and Mr. W.K. Paine as cross-defendants. Following a bench trial that concluded on January 20, 2016, the judge ordered the parties to enter into mandatory mediation. On February 22, 2016, the mediator reported to the judge that the mediation had failed to resolve the matter. All post-trial briefings have been completed by the parties and submitted to the court. The judge will consider those submissions and then enter a ruling on the case at some point in the future.

Trustmark and its subsidiaries are also parties to other lawsuits and other claims that arise in the ordinary course of business. Some of the lawsuits assert claims related to the lending, collection, servicing, investment, trust and other

business activities, and some of the lawsuits allege substantial claims for damages.

All pending legal proceedings described above are being vigorously contested. In accordance FASB Accounting Standards Codification (ASC) Topic 450-20, "Loss Contingencies," Trustmark will establish an accrued liability for litigation matters when those matters present loss contingencies that are both probable and reasonably estimable. At the present time, Management believes, based on the advice of legal counsel and Management's evaluation, that a loss in any such proceeding is not probable and reasonably estimable. All matters will continue to be monitored for further developments that would make such loss contingency both probable and reasonably estimable. In view of the inherent difficulty of predicting the outcome of legal proceedings, Trustmark cannot predict the eventual outcomes of the currently pending matters or the timing of their ultimate resolution. Management currently believes, however, based upon the advice of legal counsel and Management's evaluation and after taking into account its current insurance coverage, that the legal proceedings currently pending should not have a material adverse effect on Trustmark's consolidated financial condition.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

ITEM MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS  
5. AND ISSUER PURCHASES OF EQUITY SECURITIES

## Common Stock Prices and Dividends

Trustmark's common stock is listed on the NASDAQ Stock Market and is traded under the symbol TRMK. The table below represents, for each quarter of 2016 and 2015, the high and low intra-day sales price per share of Trustmark's common stock and the cash dividends declared per common share.

Sales Price Per Share	2016		2015	
	High	Low	High	Low
First quarter	\$23.64	\$19.75	\$24.70	\$21.05
Second quarter	25.29	21.93	25.55	23.27
Third quarter	28.70	23.67	25.46	21.95
Fourth quarter	36.79	26.81	26.04	21.98

Dividends Per Share	2016	2015
First quarter	\$0.23	\$0.23
Second quarter	0.23	0.23
Third quarter	0.23	0.23
Fourth quarter	0.23	0.23
Total	\$0.92	\$0.92

At January 31, 2017, there were approximately 3,900 registered shareholders of record and approximately 34,000 beneficial account holders of shares in nominee name of Trustmark's common stock. Other information required by this item can be found in Note 18 - Shareholders' Equity included in Part II. Item 8. - Financial Statements and Supplementary Data – of this report.

## Stock Repurchase Program

On March 11, 2016, the Board of Directors of Trustmark authorized a stock repurchase program under which \$100.0 million of Trustmark's outstanding common stock may be acquired through March 31, 2019. The shares may be purchased from time to time at prevailing market prices, through open market or privately negotiated transactions, depending on market conditions. Trustmark repurchased approximately 34 thousand shares of its common stock valued at approximately \$750 thousand during the year ended December 31, 2016.

## Performance Graph

The following graph compares Trustmark's annual percentage change in cumulative total return on common shares over the past five years with the cumulative total return of companies comprising the NASDAQ market value index and the Morningstar Banks – Regional – US index. The Morningstar Banks – Regional – US index is an industry index published by Morningstar and consists of 1,000 large, regional, diverse financial institutions serving the corporate, government and consumer needs of retail banking, investment banking, trust management, credit cards and mortgage banking in the United States. This presentation assumes that \$100 was invested in shares of the relevant issuers on December 31, 2011, and that dividends received were immediately invested in additional shares. The graph plots the value of the initial \$100 investment at one-year intervals for the fiscal years shown.

Company	2011	2012	2013	2014	2015	2016
Trustmark	100.00	96.13	119.09	113.18	110.43	176.83
Morningstar Banks - Regional - US	100.00	118.79	164.82	177.71	186.29	252.37
NASDAQ	100.00	117.45	164.57	188.84	201.98	219.89

## ITEM 6. SELECTED FINANCIAL DATA

The following unaudited consolidated financial data is derived from Trustmark's audited financial statements as of and for the five years ended December 31, 2016 (\$ in thousands, except per share data). The data should be read in conjunction with Part II. Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. - Financial Statements and Supplementary Data.

Years Ended December 31,	2016	2015	2014	2013	2012
<b>Consolidated Statements of Income</b>					
Total interest income	\$412,080	\$412,225	\$426,882	\$414,346	\$371,659
Total interest expense	24,547	20,460	21,546	25,859	30,669
Net interest income	387,533	391,765	405,336	388,487	340,990
Provision for loan losses, LHFI	10,957	8,375	1,211	(13,421 )	6,766
Provision for loan losses, acquired loans	3,757	3,425	6,171	6,039	5,528
Noninterest income	173,943	173,149	173,142	173,859	175,189
Noninterest expense	407,298	401,662	409,005	415,731	344,502
Income before income taxes	139,464	151,452	162,091	153,997	159,383
Income taxes	31,053	35,414	38,529	36,937	42,100
Net Income	\$108,411	\$116,038	\$123,562	\$117,060	\$117,283
<b>Revenues (1)</b>					
Total revenue	\$561,476	\$564,914	\$578,478	\$562,346	\$516,179
<b>Per Share Data</b>					
Basic earnings per share	\$1.60	\$1.72	\$1.83	\$1.75	\$1.81
Diluted earnings per share	1.60	1.71	1.83	1.75	1.81
Cash dividends per share	0.92	0.92	0.92	0.92	0.92
<b>Performance Ratios</b>					
Return on average equity	7.14	% 7.94	% 8.83	% 8.75	% 9.30
Return on average tangible equity	9.99	% 11.36	% 12.97	% 13.09	% 12.55
Return on average assets	0.84	% 0.95	% 1.03	% 1.02	% 1.20
Average equity/average assets	11.73	% 11.90	% 11.63	% 11.60	% 12.87
Net interest margin (fully taxable equivalent)	3.53	% 3.78	% 4.03	% 4.01	% 4.09
Dividend payout ratio	57.50	% 53.49	% 50.27	% 52.57	% 50.83
<b>Credit Quality Ratios (2)</b>					
Net charge-offs/average loans	0.10	% 0.15	% -0.03	% -0.02	% 0.30
Provision for loan losses/average loans	0.14	% 0.12	% 0.02	% -0.23	% 0.11
Nonperforming loans/total loans (incl LHFS*)	0.61	% 0.76	% 1.21	% 1.10	% 1.41
Nonperforming assets/total loans (incl LHFS*)					
plus ORE**	1.38	% 1.81	% 2.57	% 2.84	% 2.71
Allowance for loan losses/total loans (excl LHFS*)	0.91	% 0.95	% 1.08	% 1.15	% 1.41



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December 31,	2016	2015	2014	2013	2012
<b>Consolidated Balance Sheets</b>					
Total assets	\$13,352,333	\$12,678,896	\$12,250,633	\$11,790,383	\$9,828,667
Securities	3,515,325	3,533,240	3,545,252	3,362,882	2,699,933
Total loans (incl LHFS* and acquired loans)	8,299,387	7,641,985	7,131,074	6,752,256	5,984,304
Deposits	10,056,012	9,588,230	9,698,358	9,859,902	7,896,517
Total shareholders' equity	1,520,208	1,473,057	1,419,940	1,354,953	1,287,369
<b>Stock Performance</b>					
Market value - close	\$35.65	\$23.04	\$24.54	\$26.84	\$22.46
Book value	22.48	21.80	21.04	20.11	19.86
Tangible book value	16.76	15.98	15.13	13.95	15.10
<b>Capital Ratios</b>					
Total equity/total assets	11.39	% 11.62	% 11.59	% 11.49	% 13.10
Tangible equity/tangible assets	8.74	% 8.79	% 8.62	% 8.26	% 10.28
Tangible equity/risk-weighted assets	11.39	% 11.68	% 12.17	% 11.88	% 14.56
Tier 1 leverage ratio	9.90	% 10.03	% 9.63	% 9.06	% 10.97
Tier 1 common risk-based capital ratio - BASEL I	—	—	12.75	% 12.21	% 14.63
Common equity tier 1 risk-based capital ratio - BASEL III	12.16	% 12.57	% —	—	—
Tier 1 risk-based capital ratio	12.76	% 13.21	% 13.47	% 12.97	% 15.53
Total risk-based capital ratio	13.59	% 14.07	% 14.56	% 14.18	% 17.22

(1) Consistent with Trustmark's audited financial statements, revenue is defined as net interest income plus noninterest income

(2) Excludes Acquired Loans and Covered Other Real Estate

\*LHFS is Loans Held for Sale

\*\*ORE is Other Real Estate

The following unaudited tables represent Trustmark's summary of quarterly operations for the years ended December 31, 2016 and 2015 (\$ in thousands, except per share data):

2016	1Q	2Q	3Q	4Q
Interest income	\$100,598	\$102,331	\$103,786	\$105,365
Interest expense	5,858	5,954	6,222	6,513
Net interest income	94,740	96,377	97,564	98,852
Provision for loan losses, LHFI	2,243	2,596	4,284	1,834
Provision for loan losses, acquired loans	1,309	607	691	1,150
Noninterest income	43,276	44,227	44,716	41,724
Noninterest expense	98,944	110,179	97,908	100,267
Income before income taxes	35,520	27,222	39,397	37,325
Income taxes	8,517	5,719	8,415	8,402
Net income	\$27,003	\$21,503	\$30,982	\$28,923
<b>Earnings per share</b>				
Basic	\$0.40	\$0.32	\$0.46	\$0.43
Diluted	0.40	0.32	0.46	0.43



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2015	1Q	2Q	3Q	4Q
Interest income	\$102,431	\$101,946	\$102,769	\$105,079
Interest expense	5,039	4,997	5,163	5,261
Net interest income	97,392	96,949	97,606	99,818
Provision for loan losses, LHFI	1,785	1,033	2,514	3,043
Provision for loan losses, acquired loans	347	825	1,256	997
Noninterest income	42,363	45,543	45,973	39,270
Noninterest expense	99,216	100,266	103,560	98,620
Income before income taxes	38,407	40,368	36,249	36,428
Income taxes	9,259	9,766	7,819	8,570
Net income	\$29,148	\$30,602	\$28,430	\$27,858
Earnings per share				
Basic	\$0.43	\$0.45	\$0.42	\$0.41
Diluted	0.43	0.45	0.42	0.41

## ITEM 7.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following provides a narrative discussion and analysis of Trustmark's financial condition and results of operations. This discussion should be read in conjunction with the consolidated financial statements and the supplemental financial data included in Part II. Item 8. – Financial Statements and Supplementary Data – of this report.

### Executive Overview

Trustmark continued to achieve solid financial results with total revenue of \$140.6 million and \$561.5 million for the three months and year ended December 31, 2016, respectively. Trustmark continued to maintain and expand customer relationships as reflected by growth across all five market regions in the LHFI portfolio, which increased \$352.0 million, or 4.7%, during the fourth quarter of 2016 and \$759.8 million, or 10.7%, during year ended December 31, 2016. Credit quality remained strong and continued to be an important contributor to Trustmark's financial success. During the second quarter of 2016, Trustmark completed a voluntary early retirement program (ERP) as a proactive measure to manage noninterest expense. The ERP resulted in non-routine expenses of \$9.8 million included in noninterest expense (\$9.6 million included in salaries and employee benefits expense and \$213 thousand included in other expense) during 2016. As a result of the ERP, Trustmark realized cost savings in salaries and employee benefits expense of \$2.1 million during the fourth quarter of 2016 and \$4.4 million during the second half of 2016. On July 26, 2016, the Board of Directors of Trustmark authorized the termination of the Trustmark Capital Accumulation Plan (the Plan), a noncontributory tax-qualified defined benefit pension plan, effective December 31, 2016. During the fourth quarter and second half of 2016, Trustmark incurred non-routine pension expense of \$664 thousand and \$1.3 million, respectively, as a result of the de-risking investment strategy for the plan assets implemented in anticipation of the Plan termination. Trustmark reported net income of \$28.9 million, or diluted earnings per share (EPS) of \$0.43, and \$108.4 million, or diluted EPS of \$1.60, for the three months and year ended December 31, 2016, respectively. Trustmark is committed to investments to support profitable revenue growth as well as reengineering and efficiency opportunities to enhance shareholder value. Trustmark's capital position remained solid, reflecting the consistent profitability of its diversified financial services businesses. Trustmark's Board of Directors declared a quarterly cash dividend of \$0.23 per share. The dividend is payable March 15, 2017, to shareholders of record on March 1, 2017.

### Financial Highlights

Trustmark reported net income of \$28.9 million, or basic and diluted EPS of \$0.43, in the fourth quarter of 2016, compared to \$27.9 million, or basic and diluted EPS of \$0.41, in the fourth quarter of 2015. The increase in net income when the fourth quarter of 2016 is compared to the same time period in 2015 was principally due to an increase in total revenue, which is defined as net interest income plus noninterest income, and a decline in the provision for loans losses, LHFI, partially offset by an increase in noninterest expense. Trustmark's performance during the quarter ended December 31, 2016, produced a return on average tangible equity of 10.41%, a return on average assets of 0.87%, an average equity to average assets ratio of 11.63% and a dividend payout ratio of 53.5%, compared to a return on average tangible equity of 10.61%, a return on average assets of 0.88%, an average equity to average assets ratio of 11.83% and a dividend payout ratio of 56.1% during the quarter ended December 31, 2015.

Revenue totaled \$140.6 million for the quarter ended December 31, 2016 compared to \$139.1 million for the quarter ended December 31, 2015, an increase of \$1.5 million, or 1.1%. The increase in total revenue for the fourth quarter of 2016 was principally the result of increases in interest and fees on LHFS and LHFI and noninterest income, partially offset by declines in interest and fees on acquired loans and interest on taxable securities and an increase in interest expense.

Interest and fees on LHFS and LHFI increased \$6.5 million, or 9.2%, when the fourth quarter of 2016 is compared to the same time period in 2015, primarily due to an increase in the LHFI portfolio. LHFI totaled \$7.851 billion at December 31, 2016, an increase of \$759.8 million, or 10.7%, when compared to December 31, 2015, as a result of net

growth across all of Trustmark's market regions and all categories in its LHFI portfolio, with the exception of other loans. Noninterest income for the fourth quarter of 2016 increased \$2.5 million, or 6.2%, when compared to the same time period in 2015, primarily due to increases in other income, net and mortgage banking, net. Other income, net increased \$2.6 million when the fourth quarter of 2016 is compared to the same time period in 2015, principally due to an increase in other miscellaneous income and the reduction of amortization related to the FDIC indemnification asset and the tax credit partnerships. Mortgage banking, net increased \$1.1 million, or 26.6%, when the fourth quarter of 2016 is compared to the same time period in 2015, principally due to a decrease in the negative net hedge ineffectiveness and an increase in the gain on sales of loans, net, partially offset by an increase in the negative net valuation adjustment for LHFS, interest rate lock commitments and forward sales contracts. Interest and fees on acquired loans decreased \$3.6 million, or 30.4%, when the fourth quarter of 2016 is compared to the same time period in 2015, in accordance with prior expectations. This was primarily due to a \$1.6 million decline in recoveries from the settlement of debt and a \$1.5 million decline in accretion income as acquired loans have continued to pay down as anticipated. Interest on taxable securities declined \$2.4 million, or 11.2%, when the fourth quarter of 2016 is compared to the same time period in 2015, principally due to declines in the yield maintenance payments on prepaid mortgage-backed securities and interest income on U.S. government agency securities as a result of calls and maturities during 2016 and an

increase in premium amortization on mortgage-back securities as a result of pay-downs of the loans underlying these securities. Interest expense for the three months ended December 31, 2016 increased \$1.3 million, or 23.8%, when compared to the same time period in 2015 principally due to increased interest expense for advances from the Federal Home Loan Bank (FHLB) of Dallas and federal funds purchased as a result of higher balances of and increased interest rates for these funding sources.

Noninterest expense for the fourth quarter of 2016 increased \$1.6 million, or 1.7%, when compared to the same time period in 2015, primarily due to increases in other real estate expense, services and fees and salaries and employee benefits expense, partially offset by decreases in other expense. Other real estate expense increased \$1.0 million when the fourth quarter of 2016 is compared to the same time period in 2015, principally due to a decline in the net gain on sales of other real estate. Services and fees increased \$1.0 million, or 7.5%, when the fourth quarter of 2016 is compared to the same time period in 2015, principally due to increases in data processing expenses related to software, advertising and other outside services and fees, partially offset by declines in legal and postage expenses. Salaries and employee benefit expense increased \$802 thousand, or 1.4%, when the fourth quarter of 2016 is compared to the same time period in 2015, primarily due to non-routine transaction expenses related to the ERP and Plan termination, an increase in commissions expense due to improvements in mortgage loan production and an increase in general incentive expense, partially offset by cost savings resulting from the ERP. Other expense decreased \$1.4 million, or 10.5%, when the fourth quarter of 2016 is compared to the same time period in 2015, principally due to declines in franchise taxes and loan expenses.

Trustmark's provision for loan losses, LHFI for the three months ended December 31, 2016 totaled \$1.8 million, a decrease of \$1.2 million, or 39.7%, when compared to a provision for loan losses, LHFI of \$3.0 million for the three months ended December 31, 2015. The decrease in the provision for loan losses, LHFI for the fourth quarter of 2016 when compared to the same time period in 2015 was primarily due to the additional provision expense recorded during the fourth quarter of 2015 as a result of revisions to the allowance for loan loss methodology for LHFI and a decline in the amount of specific reserve required for impaired LHFI, primarily in the Mississippi market region, during the fourth quarter of 2016. Please see the section captioned "Provision for Loan Losses, LHFI," for additional information regarding the provision for loan losses, LHFI. The provision for loan losses, acquired loans for the three months ended December 31, 2016 totaled \$1.2 million, an increase of \$153 thousand, or 15.3%, when compared to the same time period in 2015. Please see the section captioned "Provision for Loan Losses, Acquired Loans," for additional information regarding the provision for loan losses, acquired loans. In total, the provision for loan losses, net was \$3.0 million for the fourth quarter of 2016, a decrease of \$1.1 million, or 26.1%, when compared to the same time period in 2015.

For the year ended December 31, 2016, Trustmark reported net income of \$108.4 million, or basic and diluted EPS of \$1.60, compared to \$116.0 million, or basic and diluted EPS of \$1.72 and \$1.71, respectively, for the year ended December 31, 2015 and \$123.6 million, or basic and diluted EPS of \$1.83, for the year ended December 31, 2014. The decline in net income when 2016 is compared to 2015 was principally the result of an increase in noninterest expense, primarily due to the non-routine transaction expense resulting from the ERP and Plan termination, a decline in total revenue as discussed in the following paragraph and an increase in the provision for loan losses, LHFI. Trustmark's performance for the year ended December 31, 2016, produced a return on average tangible equity of 9.99%, a return on average assets of 0.84% and a dividend payout ratio of 57.5%, compared to a return on average tangible equity of 11.36%, a return on average assets of 0.95% and a dividend payout ratio of 53.5% for the year ended December 31, 2015 and a return on average tangible equity of 12.97%, a return on average assets of 1.03% and a dividend payout ratio of 50.3% for the year ended December 31, 2014. Trustmark's average equity to average assets ratio was 11.73%, 11.90% and 11.63% for the years ended December 31, 2016, 2015 and 2014, respectively.

Revenue totaled \$561.5 million for the year ended December 31, 2016, compared to \$564.9 million and \$578.5 million for the years ended December 31, 2015 and 2014, respectively. Revenue for 2016 decreased \$3.4 million, or 0.6%, compared to 2015 principally due to declines in interest and fees on acquired loans, interest on taxable

securities, service charges on deposit accounts and mortgage banking, net and an increase in other interest expense, which were partially offset by increases in interest and fees on LHFS and LHFI and other income, net.

Interest and fees on acquired loans decreased \$21.0 million, or 41.1%, when 2016 is compared to 2015, primarily due to a \$12.1 million decline in accretion income and a \$7.8 million decline in recoveries from the settlement of debt as acquired loans have continued to pay down as anticipated. Interest on taxable securities declined \$3.1 million, or 3.9%, when 2016 is compared to 2015, principally due to declines in the yield maintenance payments on prepaid mortgage-backed securities and interest income on U.S. government agency securities as a result of calls and maturities during 2016. Service charges on deposit accounts declined \$2.1 million, or 4.5%, when 2016 is compared to 2015, primarily due to a decrease in the number of customer transactions resulting in a non-sufficient funds (NSF) or overdraft charge for consumer demand deposit accounts. Mortgage banking, net declined \$2.0 million, or 6.5%, when 2016 is compared to 2015, principally due to a net negative hedge ineffectiveness of \$2.9 million in 2016 compared to a net positive hedge ineffectiveness of \$1.9 million in 2015 partially offset by a \$2.6 million increase in gain on sales of loans, net and a \$1.1 million increase in mortgage servicing income, net. Other interest expense increased \$3.0 million, or 42.8%, when 2016 is compared to 2015, primarily due to an increase in interest expense on FHLB advances with the FHLB of Dallas, which Trustmark uses as a liquidity source. Interest and fees on LHFS and LHFI increased \$25.2 million, or 9.2%, when 2016 is compared to 2015, primarily due to the \$759.8 million increase in the LHFI portfolio. Other income, net increased \$6.1 million when 2016 is compared

to 2015, primarily reflecting a decrease in the net reduction of the FDIC indemnification asset related to the acquired covered loans and covered other real estate, a net gain on the sale of premises and equipment as a result of the sale of a former bank branch during 2016 compared to a net loss on the sale of premises and equipment recorded during 2015 on the sale of a former bank branch acquired in the BancTrust merger and an increase in other miscellaneous income related to various vendor contract bonuses and settlements, a one-time arrangement fee and merchant service fees received during 2016.

Noninterest expense for 2016 increased \$5.6 million, or 1.4%, when compared to 2015 principally due to increases in salaries and employee benefits expense and services and fees, partially offset by declines in other real estate expense and other expense. Salaries and employee benefits expense increased \$9.4 million, or 4.1%, when 2016 is compared to 2015, primarily due to non-routine transaction expenses related to the ERP and Plan termination and higher commissions expense as a result of improvements in mortgage loan production, partially offset by cost savings realized related to the ERP. Services and fees expense increased \$1.2 million, or 2.0%, when 2016 is compared to 2015, primarily to due to increases in data processing expenses related to software, other outside services and fees and advertising, partially offset by declines in legal and communications expenses. Other real estate expense for 2016 declined \$4.3 million, or 88.0%, compared to 2015, principally due to an increase in the net gain on sales of other real estate and a decrease in other real estate carrying costs. Other expense declined \$1.2 million, or 2.4%, when 2016 is compared to 2015, primarily due to decreases in franchise taxes, the amortization of the non-taxable core deposit intangible asset and loan expenses, partially offset by increases in customer related fraud losses and a property valuation adjustment recorded during 2016 on assets held for sale.

Trustmark's provision for loan losses, LHFI, for 2016 totaled \$11.0 million, an increase of \$2.6 million, or 30.8%, when compared to a provision for loan losses, LHFI of \$8.4 million for 2015. The increase in the provision for loan losses, LHFI when 2016 is compared to 2015 primarily reflects the increase in the amount of required reserves for LHFI, partially offset by a decrease in net charge-offs and the additional provision expense recorded during 2015 as a result of revisions to the allowance for loan loss methodology. Please see the section captioned "Provision for Loan Losses, LHFI," for additional information regarding the provision for loan losses, LHFI. The provision for loan losses, acquired loans for 2016 totaled \$3.8 million, an increase of \$332 thousand, or 9.7%, when compared to 2015. Please see the section captioned "Provision for Loan Losses, Acquired Loans," for additional information regarding the provision for loan losses, acquired loans. In total, the provision for loan losses, net was \$14.7 million for 2016, an increase of \$2.9 million, or 24.7%, when compared to 2015.

At December 31, 2016, nonperforming assets, excluding acquired loans and covered other real estate, totaled \$111.3 million, a decrease of \$21.2 million, or 16.0%, compared to December 31, 2015 due to declines in both nonaccrual LHFI and other real estate, excluding covered other real estate. Total nonaccrual LHFI were \$49.2 million at December 31, 2016, representing a decrease of \$6.1 million, or 11.0%, relative to December 31, 2015 principally due to substandard credits that were paid off or foreclosed in the Mississippi market region, returned to accrual status in the Florida market region, and charged off in the Mississippi and Texas market regions partially offset by LHFI migrating to nonaccrual status in the Mississippi, Florida and Tennessee market regions during 2016. The percentage of loans, excluding acquired loans, that are 30 days or more past due and nonaccrual LHFI decreased in 2016 to 1.33% compared to 1.44% in 2015 and 2.12% in 2014. Other real estate, excluding covered other real estate, declined \$15.1 million, or 19.6%, during 2016 primarily due to properties sold as well as write-downs of properties in Trustmark's Florida, Mississippi, Alabama and Tennessee market regions partially offset by properties foreclosed in these four market regions.

LHFI totaled \$7.851 billion at December 31, 2016, an increase of \$759.8 million, or 10.7%, compared to December 31, 2015. The increase in LHFI during 2016 represented net growth across all five of Trustmark's market regions, primarily in loans secured by real estate, commercial and industrial loans and state and other political subdivision loans. For additional information regarding changes in LHFI and comparative balances by loan category, see the section captioned "LHFI."



While both classified and criticized LHFI balances remain at low levels and continue to reflect strong credit quality, both classified and criticized LHFI increased during the second half of 2016. As of December 31, 2016, classified LHFI balances increased \$68.2 million, or 43.2%, while criticized LHFI balances increased \$72.2 million, or 39.6%, when compared to balances at December 31, 2015. The increase in the volume of classified and criticized LHFI was primarily a result of downgrades to several commercial and industrial credits in the Texas and Mississippi market regions during the second half of 2016. The downgrades were primarily energy-related credits identified during Trustmark's ongoing quarterly assessment of its energy portfolio and have been reserved for appropriately.

Management has continued its practice of maintaining excess funding capacity to provide Trustmark with adequate liquidity for its ongoing operations. In this regard, Trustmark benefits from its strong deposit base, its highly liquid investment portfolio and its access to funding from a variety of external funding sources such as upstream federal funds lines, FHLB advances and, on a limited basis, brokered deposits.

Total deposits were \$10.056 billion at December 31, 2016, an increase of \$467.8 million, or 4.9% compared to December 31, 2015. During 2016, noninterest-bearing deposits decreased \$25.5 million, or 0.8%, while interest-bearing deposits increased \$493.2 million,

or 7.5%, primarily due to growth in interest-bearing demand deposit accounts, predominantly in public interest checking, and savings accounts partially offset by declines in certificates of deposits.

Trustmark uses short-term borrowings to fund growth of earning assets in excess of deposits growth. Other short-term borrowings totaled \$1.310 billion at December 31, 2016, an increase of \$455.9 million, or 53.4%, when compared with \$853.7 million at December 31, 2015 as a result of the increase in earning assets, principally LHFI, out-pacing the growth in deposits. The increase in other short-term borrowings was principally due to a \$350.0 million increase in outstanding short-term FHLB advances with the FHLB of Dallas, primarily as a result of a \$500.0 million outstanding FHLB advance which was reclassified from long-term to short-term during the fourth quarter of 2016, and a \$102.4 million increase in upstream federal funds purchased as Trustmark continues to utilize these attractively priced funding sources to fund the difference between loan and deposit growth.

Long-term FHLB advances totaled \$251.0 million at December 31, 2016, a decrease of \$250.1 million, or 49.9%, when compared to \$501.2 million at December 31, 2015. The decrease in long-term FHLB advances was primarily a result of the \$500.0 million long-term FHLB advance obtained in December 2015 being reclassified to short-term during the fourth quarter of 2016, as noted above. During the second quarter of 2016, Trustmark obtained a \$250.0 million long-term FHLB advance from the FHLB of Dallas. Similar to the long-term advance obtained in December 2015, the advance has a variable rate and a two-year maturity. Trustmark chose to utilize FHLB advances with the FHLB of Dallas as a funding source for loan growth due to the advantageous rates available in comparison to other sources of funding.

#### Critical Accounting Policies

Trustmark's consolidated financial statements are prepared in accordance with GAAP and follow general practices within the financial services industry. Application of these accounting principles requires Management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the consolidated financial statements; accordingly, as this information changes, actual financial results could differ from those estimates.

Certain policies inherently have a greater reliance on the use of estimates, assumptions and judgments and, as such, have a greater possibility of producing results that could be materially different than originally reported. These critical accounting policies are described below.

For additional information regarding the accounting policies discussed below, please see Note 1 – Significant Accounting Policies set forth in Part II. Item 8. – Financial Statements and Supplementary Data – of this report.

#### Allowance for Loan Losses, LHFI

The allowance for loan losses, LHFI is established through provisions for estimated loan losses charged against net income. The allowance reflects Management's best estimate of the probable loan losses related to specifically identified LHFI as well as probable incurred loan losses in the remaining loan portfolio and requires considerable judgment. The allowance is based upon Management's current judgments and the credit quality of the loan portfolio, including all internal and external factors that impact loan collectibility. Accordingly, the allowance is based upon both past events and current economic conditions.

A significant shift in one or more factors included in the allowance for loan loss methodology could result in a material change to Trustmark's allowance for loan losses, LHFI. For example, if there were changes in one or more of the estimates, assumptions or judgments used as they relate to a portfolio of commercial LHFI, Trustmark could find that it needs to increase the level of future provisions for possible loan losses with respect to that portfolio. Additionally, credit deterioration of specific borrowers due to changes in these factors could cause the

internally assigned risk rating to shift to a more severe category. As a result, Trustmark could find that it needs to increase the level of future provisions for possible loan losses with respect to these LHFI. Given the nature of many of these estimates, assumptions and judgments, it is not possible to provide meaningful estimates of the impact of any such potential shifts.

For a complete description of Trustmark's allowance for loan loss methodology, please see Note 5 – LHFI and Allowance for Loan Losses, LHFI included in Part II. Item 8. – Financial Statements and Supplementary Data – of this report.

#### Acquired Loans

Acquired loans are recorded at their estimated fair value as of the acquisition date. The fair value of acquired loans is determined using a discounted cash flow model based on assumptions regarding the amount and timing of principal and interest payments, estimated prepayments, estimated default rates, estimated loss severity in the event of defaults, and current market rates. Estimated

credit losses are included in the determination of fair value; therefore, an allowance for loan losses is not recorded on the acquisition date.

For acquired impaired loans, Trustmark (a) calculates the contractual amount and timing of undiscounted principal and interest payments (the undiscounted contractual cash flows) and (b) estimates the amount and timing of undiscounted expected principal and interest payments (the undiscounted expected cash flows). Under FASB ASC Topic 310-30, “Loans and Debt Securities Acquired with Deteriorated Credit Quality,” the difference between the undiscounted contractual cash flows and the undiscounted expected cash flows is the nonaccretable difference. The nonaccretable difference represents an estimate of the loss exposure of principal and interest related to the acquired impaired loan portfolio, and such amount is subject to change over time based on the performance of such loans. The excess of undiscounted expected cash flows at acquisition over the initial fair value of acquired impaired loans is referred to as the “accretable yield” and is recorded as interest income over the estimated life of the loans using the effective yield method if the timing and amount of the future cash flows is reasonably estimable. Under the effective yield method, the accretable yield is recorded as an accretion of interest income over the life of the loan.

As required by FASB ASC Topic 310-30, Trustmark periodically re-estimates the expected cash flows to be collected over the life of the acquired impaired loans. If, based on current information and events, it is probable that Trustmark will be unable to collect all cash flows expected at acquisition plus additional cash flows expected to be collected arising from changes in estimate after acquisition, the acquired loans are considered impaired. The decrease in the expected cash flows reduces the carrying value of the acquired impaired loans as well as the accretable yield and results in a charge-off through the allowance for loan losses, acquired loans or the establishment of an allowance for loan losses, acquired loans with a charge to income through the provision for loan losses, acquired loans. If, based on current information and events, it is probable that there is a significant increase in the cash flows previously expected to be collected or if actual cash flows are significantly greater than cash flows previously expected, Trustmark will reduce any remaining allowance for loan losses, acquired loans established on the acquired impaired loans for the increase in the present value of cash flows expected to be collected. The increase in the expected cash flows for the acquired impaired loans over those originally estimated at acquisition increases the carrying value of the acquired impaired loans as well as the accretable yield.

#### FDIC Indemnification Asset

Trustmark accounts for amounts receivable under a loss-share agreement as an indemnification asset in accordance with FASB ASC Topic 805, “Business Combinations.” A FDIC indemnification asset is initially recorded at fair value, based on the discounted value of expected future cash flows under the loss-share agreement. The difference between the present value at the acquisition date and the undiscounted cash flows Trustmark expects to collect from the FDIC is accreted into noninterest income over the life of the FDIC indemnification asset.

The FDIC indemnification asset is revalued concurrent with the loan re-estimation and adjusted for any changes in expected cash flows based on recent performance and expectations for future performance of covered loans and covered other real estate. These adjustments are measured on the same basis as the related covered loans and covered other real estate. Increases in the cash flows of the covered loans and covered other real estate over those expected reduce the FDIC indemnification asset, and decreases in the cash flows of the covered loans and covered other real estate under those expected increase the FDIC indemnification asset. Increases and decreases to the FDIC indemnification asset are recorded as adjustments to noninterest income.

#### Mortgage Servicing Rights (MSR)

Trustmark recognizes as assets the rights to service mortgage loans based on the estimated fair value of the MSR when loans are sold and the associated servicing rights are retained. Trustmark has elected to account for the MSR at fair value.

The fair value of the MSR is determined using a valuation model administered by a third party that calculates the present value of estimated future net servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds, discount rate, default rates, cost to service (including delinquency and foreclosure costs), escrow account earnings, contractual servicing fee income and other ancillary income such as late fees. Management reviews all significant assumptions quarterly. Mortgage loan prepayment speeds, a key assumption in the model, is the annual rate at which borrowers are forecasted to repay their mortgage loan principal. The discount rate used to determine the present value of estimated future net servicing income, another key assumption in the model, is an estimate of the required rate of return investors in the market would require for an asset with similar risk. Both assumptions can, and generally will, change as market conditions and interest rates change.

By way of example, an increase in either the prepayment speed or discount rate assumption will result in a decrease in the fair value of the MSR, while a decrease in either assumption will result in an increase in the fair value of the MSR. In recent years, there have been significant market-driven fluctuations in loan prepayment speeds and discount rates. These fluctuations can be rapid and may

continue to be significant. Therefore, estimating prepayment speed and/or discount rates within ranges that market participants would use in determining the fair value of the MSR requires significant management judgment.

At December 31, 2016, the MSR fair value was approximately \$80.2 million. The impact on the MSR fair value of a 10% adverse change in prepayment speeds or a 100 basis point increase in discount rates at December 31, 2016, would be a decline in fair value of approximately \$2.5 million and \$2.9 million, respectively. Changes of equal magnitude in the opposite direction would produce similar increases in fair value in the respective amounts.

#### Goodwill and Identifiable Intangible Assets

Trustmark records all assets and liabilities acquired in purchase acquisitions, including goodwill and other intangible assets, at fair value as required by FASB ASC Topic 805. The carrying amount of goodwill at December 31, 2016 totaled \$321.1 million for the General Banking Division and \$45.0 million for the Insurance Division, a consolidated total of \$366.2 million. Trustmark's goodwill is not amortized but is subject to annual tests for impairment or more often if events or circumstances indicate it may be impaired. Trustmark's identifiable intangible assets, which totaled \$20.7 million at December 31, 2016, are amortized over their estimated useful lives and are subject to impairment tests if events or circumstances indicate a possible inability to realize the carrying amount.

The initial recording and subsequent impairment testing of goodwill requires subjective judgments concerning estimates of the fair value of the acquired assets. The goodwill impairment test is performed in two phases. The first step compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, an additional procedure must be performed. That additional procedure, or a second step, compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. An impairment loss would be recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. Trustmark performed an annual impairment test of goodwill for reporting units contained in both the General Banking and Insurance Divisions as of October 1, 2016, 2015, and 2014, respectively, which indicated that no impairment charge was required. The impairment test for the General Banking Division utilized valuations based on comparable deal values for financial institutions while the test for the Insurance Division utilizes varying valuation scenarios for the multiple of earnings before interest, income taxes, depreciation and amortization method based on recent acquisition activity. Based on this analysis, Trustmark concluded that the fair value of the reporting units exceeded the carrying value for both the General Banking Division and the Insurance Division; therefore, no impairment charge was required. Significant changes in future profitability and value of our reporting units could affect Trustmark's impairment evaluation.

The carrying amount of Trustmark's identifiable intangible assets subject to amortization is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition. That assessment shall be based on the carrying amount of the intangible assets subject to amortization at the date it is tested for recoverability. Intangible assets subject to amortization shall be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Fair value may be determined using market prices, comparison to similar assets, market multiples and other determinants. Factors that may significantly affect the estimates include, among others, competitive forces, customer behavior and attrition, changes in revenue growth trends and specific industry or market sector conditions. Other key judgments in accounting for intangibles include determining the useful life of the particular asset and classifying assets as either goodwill (which does not require amortization) or identifiable intangible assets (which does require amortization).

#### Other Real Estate

Other real estate includes assets that have been acquired in satisfaction of debt through foreclosure and is recorded at the lower of cost or estimated fair value less the estimated cost of disposition. Fair value is based on independent appraisals and other relevant factors. Valuation adjustments required at foreclosure are charged to the allowance for loan losses. Other real estate is revalued on an annual basis or more often if market conditions necessitate. An other real estate specific reserve may be recorded through other real estate expense for declines in fair value subsequent to foreclosure based on recent appraisals or changes in market conditions. Subsequent to foreclosure, losses on the periodic revaluation of the property are charged against a reserve specific to other real estate or to noninterest expense in other real estate expense if a reserve does not exist. Significant judgments and complex estimates are required in estimating the fair value of other real estate, and the period of time within which such estimates can be considered current is significantly shortened during periods of market volatility. As a result, the net proceeds realized from sales transactions could differ significantly from appraisals, comparable sales, and other estimates used to determine the fair value of other real estate.

## Defined Benefit Plans

Trustmark's plan assets, projected benefit liabilities and pension cost are determined utilizing actuarially-determined present value calculations. The valuation of the projected benefit obligation and net periodic pension expense for the Plan and Trustmark's nonqualified supplemental retirement plans requires Management to make estimates regarding the amount and timing of expected cash outflows. Several variables affect these calculations, including (i) size and characteristics of the associate population, (ii) discount rate, (iii) expected long-term rate of return on plan assets and (iv) recognition of actual returns on plan assets. Below is a brief description of the variables that introduce material uncertainty into Management's estimates and the effect they have on estimated pension cost.

**Population and Characteristics of Associates.** Pension cost is directly related to the number of associates covered by the plan and characteristics such as salary, age, years of service and benefit terms. Benefit accruals under the Plan have been frozen since 2009. Associates have not earned additional benefits, except for interest as required by law, since the Plan was frozen. Current and former associates who participate in the Plan retain their right to receive benefits that accrued before the Plan was frozen. At December 31, 2016, the pension plan census totaled 1,965 current and former associates.

**Discount Rate.** The discount rate utilized in determining the present value of the future benefit obligation is currently 3.71% (as compared to 3.86% at December 31, 2015). The discount rate for the plans is determined by matching the expected cash flows of the plans to a yield curve based on long term, high quality fixed income debt instruments available as of the measurement date (December 31, 2016). The discount rate is reset annually on the measurement date to reflect current economic conditions. If Trustmark assumes a 1.00% increase or decrease in the discount rate for Trustmark's defined benefit pension plans and kept all other assumptions constant, the benefit cost associated with the plans would decrease or increase by approximately \$1.7 million and \$2.0 million, respectively.

**Expected Long-Term Rate of Return on Plan Assets.** Based on historical experience and market projection of the target asset allocation set forth in the investment policy for the Plan, the pre-tax expected rate of return on the plan assets used in 2016 was 6.00% for the first half of the year and 2.50% thereafter as a result of Trustmark's de-risking investment strategy for the Plan, versus 7.00% in 2015. This expected rate of return is dependent upon the asset allocation decisions made with respect to plan assets. Annual differences, if any, between expected and actual return are included in the unrecognized net actuarial gain or loss amount. Trustmark generally amortizes any cumulative unrecognized net actuarial gain or loss in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets. If Trustmark assumes a 1.00% increase or decrease in the expected long-term rate of return for the Plan, holding all other actuarial assumptions constant, the pension cost would decrease or increase by approximately \$682 thousand.

**Recognition of Actual Asset Returns.** Trustmark utilizes the provisions of FASB ASC Topic 715, "Compensation – Retirement Benefits," which allow for the use of asset values that smoothes investment gains and losses over a period of up to five years. This could partially mitigate the impact of short-term gains or losses on reported net income.

**Other Actuarial Assumptions.** To estimate the projected benefit obligation, actuarial assumptions are required to be made by Management, including mortality rate, retirement rate, disability rate and the rate of compensation increases.

On July 26, 2016, the Board of Directors of Trustmark authorized the termination of the Plan with a termination date of December 31, 2016. As disclosed in a Current Report on Form 8-K filed by Trustmark with the SEC on December 21, 2016, Trustmark estimates that it will incur a one-time pension settlement expense in connection with the termination of the Plan of approximately \$17.5 million upon the final distribution of plan assets during the second quarter of 2017. Trustmark does not expect this estimated amount to change materially between the date of this report and the final distribution of plan assets although if a material number of participants in the Plan elect to receive annuity payments rather than a lump sum cash payment pursuant to the termination of the Plan, Trustmark's costs in effecting the termination of the Plan would change, and would likely increase, perhaps materially. The Board of Directors of Trustmark reserved the right to defer or revoke the termination of the Plan if circumstances change such that deferral or revocation would be warranted, but has no intent to do so at this time.

## Contingent Liabilities



Trustmark estimates contingent liabilities based on Management's evaluation of the probability of outcomes and their ability to estimate the range of exposure. As stated in FASB ASC Topic 450, "Contingencies," a liability is contingent if the amount is not presently known but may become known in the future as a result of the occurrence of some uncertain future event. Accounting standards require that a liability be recorded if Management determines that it is probable that a loss has occurred, and the loss can be reasonably estimated. It is implicit in this standard that it must be probable that the loss will be confirmed by some future event. As part of the estimation process, Management is required to make assumptions about matters that are, by their nature, highly uncertain. The assessment of contingent liabilities, including legal contingencies and income tax liabilities, involves the use of critical estimates, assumptions and judgments. Management's estimates are based on their belief that future events will validate the current assumptions regarding the ultimate outcome of these exposures. However, there can be no assurance that future events, such as court decisions or

Internal Revenue Service (IRS) positions, will not differ from Management's assessments. Whenever practicable, Management consults with outside experts (attorneys, consultants, claims administrators, etc.) to assist with the gathering and evaluation of information related to contingent liabilities.

#### Recent Legislative and Regulatory Developments

For information regarding legislation and regulation applicable to Trustmark, see the section captioned "Supervision and Regulation" included in Part I. Item 1. – Business – of this report.

#### Non-GAAP Financial Measures

In addition to capital ratios defined by GAAP and banking regulators, Trustmark utilizes various tangible common equity measures when evaluating capital utilization and adequacy. Tangible common equity, as defined by Trustmark, represents common equity less goodwill and identifiable intangible assets.

Trustmark believes these measures are important because they reflect the level of capital available to withstand unexpected market conditions. Additionally, presentation of these measures allows readers to compare certain aspects of Trustmark's capitalization to other organizations. These ratios differ from capital measures defined by banking regulators principally in that the numerator excludes shareholders' equity associated with preferred securities, the nature and extent of which varies across organizations. In Management's experience, many stock analysts use tangible common equity measures in conjunction with more traditional bank capital ratios to compare capital adequacy of banking organizations with significant amounts of goodwill or other intangible assets, typically stemming from the use of the purchase accounting method in accounting for mergers and acquisitions.

These calculations are intended to complement the capital ratios defined by GAAP and banking regulators. Because GAAP does not include these capital ratio measures, Trustmark believes there are no comparable GAAP financial measures to these tangible common equity ratios. Despite the importance of these measures to Trustmark, there are no standardized definitions for them and, as a result, Trustmark's calculations may not be comparable with other organizations. Also, there may be limits in the usefulness of these measures to investors. As a result, Trustmark encourages readers to consider its audited consolidated financial statements and the notes related thereto in their entirety and not to rely on any single financial measure.

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The following table reconciles Trustmark's calculation of these measures to amounts reported under GAAP for the periods presented (\$ in thousands, except per share data):

	Years Ended December 31,		
	2016	2015	2014
<b>TANGIBLE EQUITY</b>			
<b>AVERAGE BALANCES</b>			
Total shareholders' equity	\$ 1,517,955	\$ 1,460,650	\$ 1,398,945
Less: Goodwill	(366,156 )	(365,613 )	(367,281 )
Identifiable intangible assets	(24,132 )	(30,686 )	(37,651 )
Total average tangible equity	\$ 1,127,667	\$ 1,064,351	\$ 994,013
<b>PERIOD END BALANCES</b>			
Total shareholders' equity	\$ 1,520,208	\$ 1,473,057	\$ 1,419,940
Less: Goodwill	(366,156 )	(366,156 )	(365,500 )
Identifiable intangible assets	(20,680 )	(27,546 )	(33,234 )
Total tangible equity (a)	\$ 1,133,372	\$ 1,079,355	\$ 1,021,206
<b>TANGIBLE ASSETS</b>			
Total assets	\$ 13,352,333	\$ 12,678,896	\$ 12,250,633
Less: Goodwill	(366,156 )	(366,156 )	(365,500 )
Identifiable intangible assets	(20,680 )	(27,546 )	(33,234 )
Total tangible assets (b)	\$ 12,965,497	\$ 12,285,194	\$ 11,851,899
Risk-weighted assets (c)	\$ 9,952,123	\$ 9,242,902	\$ 8,387,799
<b>NET INCOME ADJUSTED FOR INTANGIBLE AMORTIZATION</b>			
Net income	\$ 108,411	\$ 116,038	\$ 123,562
Plus: Intangible amortization net of tax	4,240	4,829	5,410
Net income adjusted for intangible amortization	\$ 112,651	\$ 120,867	\$ 128,972
Period end common shares outstanding (d)	67,628,618	67,559,128	67,481,992
<b>TANGIBLE EQUITY MEASUREMENTS</b>			
Return on average tangible equity (1)	9.99	% 11.36	% 12.97
Tangible equity/tangible assets (a)/(b)	8.74	% 8.79	% 8.62
Tangible equity/risk-weighted assets (a)/(c)	11.39	% 11.68	% 12.17
Tangible book value (a)/(d)*1,000	\$ 16.76	\$ 15.98	\$ 15.13
<b>TIER 1 COMMON RISK-BASED CAPITAL - BASEL I</b>			
Total shareholders' equity			\$ 1,419,940
Eliminate qualifying AOCI			42,484
Qualifying tier 1 capital			60,000
Disallowed goodwill			(365,500 )
Adjustment to goodwill allowed for deferred taxes			15,855
Other disallowed intangibles			(33,234 )
Disallowed servicing intangible			(6,436 )
Disallowed deferred taxes			(3,479 )
Total tier 1 capital			\$ 1,129,630
Less: Qualifying tier 1 capital			(60,000 )
Total tier 1 common capital (e)			\$ 1,069,630
Tier 1 common risk-based capital ratio (e)/(c)			12.75 %
<b>COMMON EQUITY TIER 1 CAPITAL (CET1) - BASEL III</b>			
Total shareholders' equity	\$ 1,520,208	\$ 1,473,057	

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AOCI-related adjustments		45,798		45,394	
CET1 adjustments and deductions:					
Goodwill net of associated deferred tax liabilities (DTLs)		(347,442 )		(348,873 )	
Other adjustments and deductions for CET1 (2)		(8,637 )		(7,980 )	
CET1 capital (f)		1,209,927		1,161,598	
Additional tier 1 capital instruments plus related surplus		60,000		60,000	
Less: Additional tier 1 capital deductions		(267 )		(1,063 )	
Additional tier 1 capital		59,733		58,937	
Tier 1 capital		\$ 1,269,660		\$ 1,220,535	
Common equity tier 1 risk-based capital ratio (f)/(c)		12.16	%	12.57	%

(1) Calculation = net income adjusted for intangible amortization/total average tangible equity

(2) Includes other intangible assets, net of DTLs, disallowed deferred tax assets, threshold deductions and transition adjustments, as applicable

Significant Non-routine Transactions

Trustmark discloses certain non-GAAP financial measures, including net income adjusted for significant non-routine transactions, because Management uses these measures for business planning purposes, including to manage Trustmark's business against internal

projected results of operations and to measure Trustmark's performance. Trustmark views net income adjusted for significant non-routine transactions as a measure of its core operating business, which excludes the impact of the items detailed below, as these items are generally not operational in nature. This non-GAAP measure also provides another basis for comparing period-to-period results as presented in the accompanying selected financial data table and the audited consolidated financial statements by excluding potential differences caused by non-operational and unusual or non-recurring items. Readers are cautioned that these adjustments are not permitted under GAAP. Trustmark encourages readers to consider its audited consolidated financial statements and the notes related thereto, included in Part II. Item 8. – Financial Statements and Supplementary Data – of this report, in their entirety, and not to rely on any single financial measure.

The following table presents adjustments to net income and select financial ratios as reported in accordance with GAAP resulting from significant non-routine items occurring during the periods presented (\$ in thousands, except per share data):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS
Net Income (GAAP)	\$108,411	\$ 1.599	\$116,038	\$ 1.714	\$123,562	\$ 1.828
Significant non-routine transactions (net of taxes):						
Non-routine early retirement program expense	6,049	0.089	—	—	—	—
Non-routine pension expense due to de-risking strategy in Plan assets portfolio	820	0.012	—	—	—	—
	6,869	0.101	—	—	—	—
Net Income adjusted for significant non-routine transactions (Non-GAAP)	\$115,280	\$ 1.700	\$116,038	\$ 1.714	\$123,562	\$ 1.828
	Reported	Adjusted	Reported	Adjusted	Reported	Adjusted
	(GAAP)	(Non-GAAP)	(GAAP)	(Non-GAAP)	(GAAP)	(Non-GAAP)
Return on average equity	7.14	%	7.59	%	7.94	% n/a
Return on average tangible equity	9.99	%	10.60	%	11.36	% n/a
Return on average assets	0.84	%	0.89	%	0.95	% n/a

#### Non-routine Early Retirement Program Expense

During the second quarter of 2016, Trustmark completed a voluntary ERP as a proactive measure to manage noninterest expense. Included in noninterest expense for the year ended December 31, 2016 were non-routine expenses related to the ERP totaling \$9.8 million, before taxes, (\$9.6 million included in salaries and employee benefits expense and \$213 thousand included in other expense).

#### Non-routine Pension Expense

On July 26, 2016, the Board of Directors of Trustmark authorized the termination of the Plan effective December 31, 2016. As a result of Trustmark's de-risking investment strategy for the Plan as of June 30, 2016, the expected rate of return on plan assets during the second half of 2016 decreased from 6.0% to 2.5%, which resulted in increased periodic benefit costs for the Plan. Included in salaries and employee benefits expense for the year ended December 31, 2016, were non-routine pension expenses related to the de-risking investment strategy for the plan assets totaling \$1.3 million, before tax.

#### Results of Operations

##### Net Interest Income

Net interest income is the principal component of Trustmark's income stream and represents the difference, or spread, between interest and fee income generated from earning assets and the interest expense paid on deposits and borrowed funds. Fluctuations in interest rates, as well as volume and mix changes in earning assets and interest-bearing liabilities, can materially impact net interest income. The net interest margin is computed by dividing fully taxable equivalent (FTE) net interest income by average interest-earning assets and measures how effectively Trustmark utilizes its interest-earning assets in relationship to the interest cost of funding them. The accompanying Yield/Rate Analysis Table shows the average balances for all assets and liabilities of Trustmark and the interest income or expense associated with earning assets and interest-bearing liabilities. The yields and rates have been computed based upon interest income and expense adjusted to a FTE basis using a 35% federal marginal tax rate for all periods shown. Loans on nonaccrual have been included in the average loan balances, and interest collected prior to these loans having been placed on

nonaccrual has been included in interest income. Loan fees included in interest associated with the average loan balances are immaterial.

Net interest income-FTE for 2016 decreased \$2.3 million, or 0.6%, when compared with 2015. The net interest margin decreased 25 basis points to 3.53% for 2016 when compared to 2015. The decrease in the net interest margin reflected the prolonged low interest rate environment in the United States, and was primarily the result of decreases in the yield on acquired loans principally due to declines in accretion income and recoveries on settlement of debt related to acquired loans, downward repricing of LHFI in response to increased competitive pricing pressures and decreases in the yield on taxable securities. The net interest margin excluding acquired loans, which equals the reported net interest income-FTE excluding interest and fees on acquired loans, as a percentage of average earning assets excluding average acquired loans, for 2016 was 3.37%, a decrease of 9 basis points when compared to 2015, due to similar factors as discussed above.

Average interest-earning assets for 2016 were \$11.485 billion compared to \$10.791 billion for 2015 an increase of \$693.4 million, or 6.4%. The growth in average earning assets during 2016 was primarily due to an increase in average loans (LHFS and LHFI) of \$846.3 million, or 12.5%, partially offset by a decrease in average acquired loans of \$130.9 million, or 28.3% and a decline in average total securities of \$38.7 million, or 1.1%. The increase in average loans (LHFS and LHFI) was primarily attributable to the \$759.8 million, or 10.7%, increase in the LHFI portfolio when balances at December 31, 2016 are compared to balances at December 31, 2015. This increase represented net growth across all of Trustmark's market regions and all categories in its LHFI portfolio, with the exception of other loans. The decline in average acquired loans during 2016 was primarily attributable to anticipated pay-offs of acquired loans, principally related to the BancTrust merger. The decline in average total securities during 2016 was primarily attributable to calls, maturities and pay-downs of the loans underlying these securities.

During 2016, interest and fees on LHFS and LHFI-FTE increased \$27.5 million, or 9.5%, when compared to 2015, due to growth in LHFI, while the yield on loans (LHFS and LHFI) fell 12 basis points to 4.16% as a result of downward repricing of LHFI due to the current interest rate environment and related competitive pressures. During 2016, interest and fees on acquired loans decreased \$21.0 million, or 41.1%, compared to 2015, due to declines in accretion income and recoveries on settlement of debt as acquired loans continue to pay-down as anticipated. As a result, the yield on acquired loans decreased to 9.09% compared to 11.06% during 2015. During 2016, interest on securities-taxable decreased \$3.1 million, or 3.9%, and the yield on taxable securities declined 8 basis points to 2.31% principally due to calls, maturities and pay-downs of the underlying loans of higher yielding securities being replaced with lower yielding securities reflecting the current interest rate environment as well as a decline in the yield maintenance payments on prepaid mortgage-backed securities. As a result of these factors, interest income-FTE increased \$1.8 million, or 0.4%, when 2016 is compared to 2015. The impact of these changes is also illustrated by the decline in the yield on total earning assets, which fell from 3.97% for 2015 to 3.75% for 2016, a decrease of 22 basis points.

Average interest-bearing liabilities for 2016 totaled \$8.281 billion compared to \$7.890 billion for 2015, an increase of \$391.0 million, or 5.0%. The increase in average interest-bearing liabilities was attributable to an increase in average long-term FHLB advances partially offset by declines in all other categories of average interest-bearing liabilities. Average long-term FHLB advances increased \$620.8 million during 2016, primarily due to the \$500.0 million long-term FHLB advance obtained from the FHLB of Dallas during December 2015 and the \$250.0 million long-term FHLB advance obtained from the FHLB of Dallas during May 2016. Average interest-bearing deposits for 2016 decreased \$174.5 million, or 2.5%, when compared to 2015, principally due to declines in average time deposits, reflecting Trustmark's continued efforts to reduce high-cost deposit balances and customers continued movement away from longer-term commitments as a result of the low interest rate environment. Average short-term borrowings decreased \$45.1 million, or 10.9%, when 2016 is compared to 2015, which was primarily attributable to a decrease in the amount of short-term FHLB advances obtained from the FHLB of Dallas during 2016 partially offset by the \$500.0 million FHLB advance with the FHLB of Dallas that was reclassified from long-term to short-term during December 2016.

Total interest expense during 2016 increased \$4.1 million, or 20.0%, when compared with 2015, principally due to the increase in other interest expense. Other interest expense increased \$3.0 million, or 42.8%, when 2016 is compared to 2015, primarily due to increases in interest expense on long-term FHLB advances and short-term borrowings. Interest expense on long-term FHLB advances increased \$2.1 million during 2016, while the rate on long-term FHLB advances increased 3 basis points to 0.33% for 2016, reflecting the increase in the outstanding long-term FHLB advances with the FHLB of Dallas. Interest expense on short-term borrowings increased \$836 thousand, or 29.2%, during 2016 primarily due to a \$1.1 million increase in interest expense on short-term FHLB advances, while the rate for short-term borrowings increased 31 basis points to 1.00%. Interest on federal funds purchased and securities sold under reverse repurchase agreements increased \$916 thousand when 2016 is compared to 2015, while the rate on federal funds purchased and securities sold under reverse repurchase agreements increased 19 basis points to 0.35%. The increase in the rate on federal funds purchased and securities sold under reverse repurchase agreements during 2016 was principally due to the increase in rates by the FRB. As a result of these factors, the overall yield on interest-bearing liabilities increased 4 basis points to 0.30% when 2016 is compared with 2015.



Net interest income-FTE for 2015 decreased \$13.0 million, or 3.1%, when compared with 2014. The net interest margin decreased 25 basis points to 3.78% for 2015 when compared to 2014. The decrease in the net interest margin reflected the prolonged low interest rate environment in the United States, and was primarily the result of a downward repricing of LHFI in response to increased competitive pricing pressures and decreases in the yield on acquired loans principally due to declines in accretion income on acquired loans, which was partially offset by lower deposit and short-term borrowing costs. The net interest margin excluding acquired loans, which equals the reported net interest income-FTE excluding interest and fees on acquired loans, as a percentage of average earning assets excluding average acquired loans, for 2015 was 3.46%, a decrease of 6 basis points when compared to 2014, due to similar factors as discussed above.

Average interest-earning assets for 2015 were \$10.791 billion compared to \$10.445 billion for 2014, an increase of \$345.8 million, or 3.3%. The growth in average earning assets during 2015 was primarily due to an increase in average loans (LHFS and LHFI) of \$495.8 million, or 7.9%, and average securities-taxable of \$63.5 million, or 1.9%, partially offset by a decrease in average acquired loans of \$203.5 million, or 30.6%. The increase in average loans (LHFS and LHFI) was primarily attributable to increases in the LHFI portfolio when compared to balances at December 31, 2014. The increase in average securities-taxable was primarily attributable to purchases of U.S. Government-sponsored agency (GSE) guaranteed securities, partially offset by maturities and pay-downs of the loans underlying these securities.

During 2015, interest and fees on LHFS and LHFI-FTE increased \$11.8 million, or 4.3%, when compared to 2014, due to growth in LHFI, while the yield on loans (LHFS and LHFI) fell 15 basis points to 4.28% due to downward repricing of LHFI due to the current interest rate environment and related competitive pressures. During 2015, interest and fees on acquired loans decreased \$25.6 million, or 33.3%, compared to 2014, due to declines in accretion income as acquired loans continue to pay-down as well as a decline in recoveries on loan pay-offs of loans acquired in connection with the February 2013 merger with BancTrust. As a result, the yield on acquired loans decreased to 11.06% compared to 11.52% during 2014. As a result of these factors, interest income-FTE decreased \$14.0 million, or 3.2%, during 2015 compared to 2014. The impact of these changes is also illustrated by the decline in the yield on total earning assets, which fell from 4.24% for 2014 to 3.97% for 2015, a decrease of 27 basis points.

Average interest-bearing liabilities for 2015 totaled \$7.890 billion compared to \$7.785 billion for 2014, an increase of \$104.6 million, or 1.3%. Average interest-bearing deposits for 2015 decreased \$211.3 million, or 3.0%, when compared to 2014, principally due to declines in certificates of deposits, reflecting Trustmark's continued efforts to reduce high-cost deposit balances and customers continued movement away from longer-term commitments as a result of the low interest rate environment. The combination of average federal funds purchased, securities sold under repurchase agreements and other borrowings increased \$315.8 million, or 43.4%, when 2015 is compared to 2014, which was primarily attributable to increased balances of short-term FHLB advances obtained from the FHLB of Dallas as well as federal funds purchased and securities sold under repurchase agreements as Trustmark chose to utilize these less costly sources of funding. Total interest expense during 2015 decreased \$1.1 million, or 5.0%, when compared with 2014, principally due to the \$2.7 million, or 17.8%, decrease in interest expense on deposit accounts as a result of the decline in interest-bearing deposits. As a result of these factors, the overall yield on interest-bearing liabilities declined 2 basis points to 0.26% when 2015 is compared with 2014.

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The following table provides the tax equivalent basis yield or rate for each component of the tax equivalent net interest margin for the periods presented (\$ in thousands):

	Years Ended December 31, 2016			2015			2014		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
<b>Assets</b>									
Interest-earning assets:									
Federal funds sold and securities purchased									
under reverse repurchase agreements	\$1,105	\$14	1.27%	\$835	\$8	0.96 %	\$3,638	\$23	0.63 %
Securities available for sale:									
Taxable	2,236,663	53,005	2.37%	2,231,507	55,621	2.49 %	2,187,258	55,722	2.55 %
Nontaxable	97,942	3,982	4.07%	118,579	4,763	4.02 %	136,532	5,302	3.88 %
Securities held to maturity:									
Taxable	1,120,267	24,609	2.20%	1,140,182	25,109	2.20 %	1,120,886	24,426	2.18 %
Nontaxable	34,616	1,672	4.83%	37,883	1,888	4.98 %	39,975	2,189	5.48 %
Loans (LHFS and LHFI)	7,592,223	316,007	4.16%	6,745,970	288,538	4.28 %	6,250,151	276,775	4.43 %
Acquired loans	331,736	30,144	9.09%	462,602	51,152	11.06%	666,102	76,736	11.52%
Other earning assets	70,029	988	1.41%	53,613	1,579	2.95 %	40,828	1,524	3.73 %
Total interest-earning assets	11,484,581	430,421	3.75%	10,791,171	428,658	3.97 %	10,445,370	442,697	4.24 %
Cash and due from banks	291,868			275,246			316,843		
Other assets	1,243,985			1,286,139			1,345,438		
Allowance for loan losses	(82,414 )			(82,361 )			(79,621 )		
Total Assets	\$12,938,020			\$12,270,195			\$12,028,030		
<b>Liabilities and Shareholders' Equity</b>									
Interest-bearing liabilities:									
Interest-bearing demand deposits	\$1,866,225	3,297	0.18%	\$1,901,478	3,235	0.17 %	\$1,837,496	3,151	0.17 %
Savings deposits	3,140,060	2,657	0.08%	3,124,393	2,547	0.08 %	3,116,251	2,949	0.09 %
Time deposits	1,665,516	6,794	0.41%	1,820,437	6,816	0.37 %	2,103,813	9,223	0.44 %

Federal funds  
purchased and  
securities sold

under repurchase agreements	495,197	1,717	0.35 %	503,077	801	0.16 %	435,324	550	0.13 %
Short-term borrowings	370,008	3,695	1.00 %	415,081	2,859	0.69 %	173,759	1,506	0.87 %
Long-term FHLB advances	634,300	2,104	0.33 %	13,533	49	0.36 %	6,837	45	0.66 %
Subordinated notes	47,662	2,775	5.82 %	49,951	2,895	5.80 %	49,919	2,895	5.80 %
Junior subordinated debt securities	61,856	1,508	2.44 %	61,856	1,258	2.03 %	61,856	1,227	1.98 %
Total interest-bearing liabilities	8,280,824	24,547	0.30 %	7,889,806	20,460	0.26 %	7,785,255	21,546	0.28 %
Noninterest-bearing demand deposits	2,996,886			2,781,682			2,711,727		
Other liabilities	142,355			138,057			132,103		
Shareholders' equity	1,517,955			1,460,650			1,398,945		
Total Liabilities and Shareholders' Equity	\$ 12,938,020			\$ 12,270,195			\$ 12,028,030		
Net Interest Margin		405,874	3.53 %		408,198	3.78 %		421,151	4.03 %
Less tax equivalent adjustments:									
Investments		1,979			2,328			2,622	
Loans		16,362			14,105			13,193	
Net Interest Margin per Income									
Statements		\$ 387,533			\$ 391,765			\$ 405,336	

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The table below shows the change from year to year for each component of the tax equivalent net interest margin in the amount generated by volume changes and the amount generated by changes in the yield or rate (tax equivalent basis) for the periods presented (\$ in thousands):

	2016 Compared to 2015			2015 Compared to 2014		
	Increase (Decrease) Due To:			Increase (Decrease) Due To:		
	Volume	Yield/ Rate	Net	Volume	Yield/ Rate	Net
<b>Interest earned on:</b>						
Federal funds sold and securities purchased under						
reverse repurchase agreements	\$3	\$3	\$6	\$(23)	\$8	\$(15)
<b>Securities available for sale:</b>						
Taxable	125	(2,741)	(2,616)	1,166	(1,267)	(101)
Nontaxable	(839)	58	(781)	(723)	184	(539)
<b>Securities held to maturity:</b>						
Taxable	(500)	—	(500)	446	237	683
Nontaxable	(160)	(56)	(216)	(110)	(191)	(301)
Loans, net of unearned income (LHFS and LHFI)	35,684	(8,215)	27,469	21,385	(9,622)	11,763
Acquired loans	(12,891)	(8,117)	(21,008)	(22,627)	(2,957)	(25,584)
Other earning assets	392	(983)	(591)	415	(360)	55
Total interest-earning assets	21,814	(20,051)	1,763	(71)	(13,968)	(14,039)
<b>Interest paid on:</b>						
Interest-bearing demand deposits	(76)	138	62	84	—	84
Savings deposits	110	—	110	5	(407)	(402)
Time deposits	(651)	629	(22)	(1,104)	(1,303)	(2,407)
<b>Federal funds purchased and securities sold under</b>						
repurchase agreements	(13)	929	916	101	150	251
Short-term borrowings	(338)	1,174	836	1,722	(369)	1,353
Long-term FHLB advances	2,055	—	2,055	4	—	4
Subordinated notes	(130)	10	(120)	—	—	—
Junior subordinated debt securities	—	250	250	—	31	31
Total interest-bearing liabilities	957	3,130	4,087	812	(1,898)	(1,086)
<b>Change in net interest income on a tax</b>						
equivalent basis	\$20,857	\$(23,181)	\$(2,324)	\$(883)	\$(12,070)	\$(12,953)

The change in interest due to both volume and yield or rate has been allocated to change due to volume and change due to yield or rate in proportion to the absolute value of the change in each. Tax-exempt income has been adjusted to a tax equivalent basis using a tax rate of 35% for each of the three years presented. The balances of nonaccrual loans and related income recognized have been included for purposes of these computations.

#### Provision for Loan Losses, LHFI

The provision for loan losses, LHFI is determined by Management as the amount necessary to adjust the allowance for loan losses, LHFI to a level, which, in Management's best estimate, is necessary to absorb probable losses within the existing loan portfolio. The provision for loan losses, LHFI reflects loan quality trends, including the levels of and trends related to nonaccrual LHFI, past due LHFI, potential problem LHFI, criticized LHFI, net charge-offs or

recoveries and growth in the LHFI portfolio among other factors. Accordingly, the amount of the provision reflects the necessary increases in the allowance for loan losses, LHFI related to newly identified criticized LHFI as well as the actions taken related to other LHFI including, among other things, any necessary increases or decreases in required allowances for specific loans or loan pools. The provision for loan losses, LHFI totaled \$11.0 million for 2016, \$8.4 million for 2015 and \$1.2 million for 2014. See the section captioned “Allowance for Loan Losses, LHFI” for further analysis of the provision for loan losses, LHFI.

#### Provision for Loan Losses, Acquired Loans

The provision for loan losses, acquired loans is recognized subsequent to acquisition to the extent it is probable that Trustmark will be unable to collect all cash flows expected at acquisition plus additional cash flows expected to be collected arising from changes in estimates after acquisition, considering both the timing and amount of those expected cash flows. Provisions may be required when actual losses of unpaid principal incurred exceed previous loss expectations to date, or future cash flows previously expected to be collectible are no longer probable of collection. The provision for loan losses, acquired loans is reflected as a valuation allowance

netted against the carrying value of the acquired loans accounted for under FASB ASC Topic 310-30. The increase in the provision for loan losses, acquired loans when 2016 is compared to 2015 was principally due to changes in expectations based on the periodic re-estimations performed during the year, primarily related to loans acquired from BancTrust. The decrease in the provision for loan losses, acquired loans during 2015 was principally due to an increase in recoveries of acquired loans, partially offset by increased charge-offs during 2015 compared to 2014, and changes in expectations based on the periodic re-estimations performed during the period, primarily related to loans acquired from BancTrust.

The following table presents the provision for loan losses, acquired loans, by acquisition for the periods presented (\$ in thousands):

	Years Ended December 31,		
	2016	2015	2014
BancTrust	\$4,143	\$3,899	\$6,672
Bay Bank	(50 )	(24 )	482
Heritage	(336 )	(450 )	(983 )
Total provision for loan losses, acquired loans	\$3,757	\$3,425	\$6,171

#### Noninterest Income

Noninterest income represented 31.0%, 30.7% and 29.9% of total revenue, before securities (losses) gains, net in 2016, 2015 and 2014, respectively. The following table provides the comparative components of noninterest income for the periods presented (\$ in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% Change	Amount	% Change	Amount	% Change
Service charges on deposit accounts	\$45,253	-4.5 %	\$47,366	-2.7 %	\$48,671	-5.6 %
Bank card and other fees	27,906	-1.4 %	28,298	-14.2 %	32,966	-8.3 %
Mortgage banking, net	28,212	-6.5 %	30,176	21.8 %	24,780	-26.0 %
Insurance commissions	36,764	0.9 %	36,424	8.8 %	33,468	8.6 %
Wealth management	30,492	-2.8 %	31,369	-3.0 %	32,343	9.7 %
Other, net	5,626	n/m	(484 )	n/m	614	n/m
Total Noninterest Income before securities						
(losses) gains, net	174,253	0.6 %	173,149	0.2 %	172,842	-0.3 %
Securities (losses) gains, net	(310 )	n/m	—	n/m	300	-38.1 %
Total Noninterest Income	\$173,943	0.5 %	\$173,149	—	\$173,142	-0.4 %

n/m - percentage changes greater than +/- 100% are not considered meaningful

Changes in various components of noninterest income are discussed in further detail below. For analysis of Trustmark's insurance commissions and wealth management income, please see the section captioned "Results of Segment Operations."

### Service Charges on Deposit Accounts

The decline in service charges on deposit accounts when 2016 is compared to 2015 was principally due to a \$1.5 million, or 4.6%, decrease in NSF and overdraft charges on consumer deposit accounts and a \$436 thousand, or 4.7%, decrease in service charges on consumer deposit accounts. The decline in NSF and overdraft charges on deposit accounts during 2016 was primarily the result of balances in consumer deposit accounts increasing 3.5% during 2016 providing more available funds to complete banking.

The decline in service charges on deposit accounts when 2015 is compared to 2014 was principally due to a \$1.8 million, or 5.1%, decrease in NSF and overdraft charges on consumer deposit accounts and a \$297 thousand, or 15.4%, decrease in NSF and overdraft charges on commercial demand deposit accounts, which was partially offset by a \$585 thousand, or 10.1%, increase in service charges on commercial demand deposit accounts. The decline in NSF and overdraft charges on deposit accounts during 2015 was primarily the result of a decrease in the number of customer transactions that would result in an NSF or overdraft charge as customers have more availability to complete banking transactions through mobile and online banking sites as well as extended hours for making deposits at Trustmark's ATMs.

### Bank Card and Other Fees

Bank card and other fees consist primarily of fees earned on bank card products as well as fees on various bank products and services and safe deposit box fees. Bank card and other fees remained relatively stable when 2016 is compared to 2015 as slight declines in

miscellaneous other bank fees, interchange income and ATM transaction income were partially offset by an increase net revenue related to interest rate swaps entered into with qualified commercial borrowing customers. See the section captioned “Derivatives” for additional information related to the derivative products offered to qualified commercial borrowing customers. The decrease in bank card and other fees for 2015 when compared to 2014 was primarily the result of declines in interchange income.

The FRB has issued rules under the EFTA, as amended by the Dodd-Frank Act, to limit interchange fees that an issuer may receive or charge for an electronic debit card transaction. See the section captioned “Debit Interchange Regulation” included in Part I. Item 1. – Business – of this report. As a result of the regulations, Trustmark’s noninterest income declined \$11.5 million when 2015 is compared to 2014.

#### Mortgage Banking, Net

The following table illustrates the components of mortgage banking income included in noninterest income for the periods presented (\$ in thousands):

	Years Ended December 31,							
	2016		2015		2014			
	Amount	% Change	Amount	% Change	Amount	% Change		
Mortgage servicing income, net	\$20,724	5.6 %	\$19,625	5.4 %	\$18,619	4.1 %		
Change in fair value-MSR from runoff	(10,106)	6.1 %	(9,527)	11.2 %	(8,566)	-12.6 %		
Gain on sales of loans, net	20,535	14.3 %	17,965	66.8 %	10,770	-59.2 %		
Other, net	(84)	n/m	233	-74.2 %	904	n/m		
Mortgage banking income before hedge ineffectiveness	31,069	9.8 %	28,296	30.2 %	21,727	-27.1 %		
Change in fair value-MSR from market changes	(406)	n/m	1,577	n/m	(7,203)	n/m		
Change in fair value of derivatives	(2,451)	n/m	303	-97.0 %	10,256	n/m		
Net hedge ineffectiveness	(2,857)	n/m	1,880	-38.4 %	3,053	-17.6 %		
Mortgage banking, net	\$28,212	-6.5 %	\$30,176	21.8 %	\$24,780	-26.0 %		

n/m - percentage changes greater than +/- 100% are not considered meaningful

The decrease in net revenue from mortgage banking for 2016 when compared to 2015 was principally due to a net negative hedge ineffectiveness for 2016 compared to a net positive hedge ineffectiveness for 2015, partially offset by increases in gain on sales of loans, net and mortgage servicing income, net. The increase in net revenue from mortgage banking during 2015 was principally due to an increase in gain on sales of loans, net partially offset by a decline in the net positive hedge ineffectiveness. Mortgage loan production increased \$124.2 million, or 8.4%, during 2016 to total \$1.606 billion, which continued to reflect increased mortgage lending activity due to low mortgage rates. Mortgage loan production increased \$290.0 million, or 24.3%, during 2015 to total \$1.482 billion, reflecting industry-wide improvements in real estate and construction activity as well as increased mortgage lending activity due to low mortgage rates. In addition, during the second quarter of 2015, Trustmark expanded its mortgage banking capabilities with the addition of ten mortgage producers in the Alabama and Florida market regions. Loans serviced for others totaled \$6.371 billion at December 31, 2016, compared with \$5.971 billion at December 31, 2015, and \$5.636 billion at December 31, 2014.

Representing a significant component of mortgage banking income is gain on sales of loans, net. The increase in the gain on sales of loans, net when 2016 is compared to 2015 and when 2015 is compared to 2014 resulted from both higher profit margins from secondary marketing activities as well as higher volumes of loans sold. Loan sales



increased \$138.0 million during 2016 to total \$1.384 billion compared to an increase of \$332.8 million during 2015 to total \$1.246 billion. The increase in loans sales during 2016 and 2015 was due to increased mortgage lending activity and Trustmark's decision during 2015 to sell the vast majority of these lower-rate, longer-term home mortgages in the secondary market, rather than replacing the run-off in its single-family loan portfolio.

Other mortgage banking income, net includes the net valuation adjustment recognized in income in accordance with FASB ASC Topic 825, "Financial Instruments," for the fair value of LHFS accounted for under the fair value option and the net valuation adjustment recognized in income in accordance with FASB ASC Topic 815, "Derivatives and Hedging," for the fair value of interest rate lock commitments and forward sales contracts. Valuation adjustments are primarily the result of changes in volume and profit margins for the related instruments during the period. The slight decrease in other mortgage banking income, net during 2016 was the result of a negative net valuation adjustment in the fair value of LHFS, interest rate lock commitments and forward sales contracts for 2016 compared to a positive net valuation adjustment for 2015, which was principally due to higher increases in volumes during 2015 offset partially by lower declines in profit margins during 2016. The decrease in other mortgage banking income, net when comparing 2015 with 2014 primarily resulted from a decrease in the net valuation adjustment in the fair value of LHFS, interest rate lock commitments and forward sales contracts during the period, which was principally due to higher increases in profit margins during 2014 offset partially by higher increases in volumes during 2015. For additional information regarding the LHFS accounted for under

the fair value option, please see the section captioned “Fair Value Option” included in Note 19 – Fair Value set forth in Part II. Item 8. – Financial Statements and Supplementary Data – of this report. See the section captioned “Derivatives” for further discussion of the mortgage related derivative instruments.

## Other Income, Net

The following table illustrates the components of other income, net included in noninterest income for the periods presented (\$ in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% Change	Amount	% Change	Amount	% Change
Partnership amortization for tax credit purposes	\$(9,916)	-1.3 %	\$(10,050)	-15.0 %	\$(11,824)	-4.4 %
Decrease in FDIC indemnification asset	(369 )	-89.5 %	(3,513 )	22.2 %	(2,874 )	-51.3 %
Increase in life insurance cash surrender value	6,891	2.8 %	6,702	-8.7 %	7,340	98.3 %
Other miscellaneous income	9,020	41.4 %	6,377	-20.0 %	7,972	20.9 %
Total other, net	\$5,626	n/m	\$(484 )	n/m	\$614	n/m

n/m - percentage changes greater than +/- 100% are not considered meaningful

The increase in other income, net when 2016 is compared to 2015, was primarily due to a decrease in the net reduction of the FDIC indemnification asset related to the acquired covered loans and covered other real estate, a net gain on the sale of premises and equipment as a result of the sale of a former bank branch during 2016 compared to a net loss on the sale of premises and equipment recorded during 2015 on the sale of a former bank branch acquired in the BancTrust merger and an increase in other miscellaneous income related to various vendor contract bonuses and settlements, an one-time arrangement fee and merchant service fees received during 2016. The decrease in other income, net during 2015 was primarily the result of a decline in other miscellaneous income due to a net loss on the sale of a former bank branch acquired in the merger with BancTrust during the first quarter of 2015, a decrease in the amount of revenue received during 2015 related to Trustmark’s non-qualified deferred compensation plan and a one-time arrangement fee received during the second quarter of 2014; a decrease in the net cash surrender value related to Trustmark’s supplemental employee retirement plan and the increase in the net reduction of the FDIC indemnification asset primarily due to increases in the amortization of the FDIC indemnification asset and the negative valuation adjustments for covered acquired loans, which was partially offset by the decrease in partnership amortization for tax credit purposes.

## Noninterest Expense

The following table illustrates the comparative components of noninterest expense for the periods presented (\$ in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% Change	Amount	% Change	Amount	% Change
Salaries and employee benefits	\$239,637	4.1 %	\$230,198	1.5 %	\$226,694	2.2 %
Services and fees	58,695	2.0 %	57,534	1.7 %	56,598	5.0 %
Net occupancy-premises	24,982	-1.3 %	25,318	-4.3 %	26,468	2.0 %

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Equipment expense	24,225	1.5	%	23,859	—		23,860	-2.8	%
Other real estate expense:									
Write-downs	4,463	7.0	%	4,171	-50.7	%	8,458	18.2	%
Net (gain)/loss on sale	(7,030 )	74.0	%	(4,040 )	8.6	%	(3,721 )	n/m	
Carrying costs	3,153	-33.9	%	4,772	-27.5	%	6,584	-7.4	%
Total other real estate expense	586	-88.0	%	4,903	-56.7	%	11,321	-24.7	%
FDIC assessment expense	11,243	4.8	%	10,728	5.2	%	10,197	13.3	%
Other expense	47,930	-2.4	%	49,122	-8.8	%	53,867	-17.8	%
Total noninterest expense	\$407,298	1.4	%	\$401,662	-1.8	%	\$409,005	-1.6	%

n/m - percentage changes greater than +/- 100% are not considered meaningful

Changes in the various component of noninterest expense are discussed in further detail below. Management considers disciplined expense management a key area of focus in the support of improving shareholder value.

## Salaries and Employee Benefits

During the second quarter of 2016, Trustmark completed a voluntary ERP as a proactive measure to manage noninterest expense. As a result of the ERP, 188 of the eligible associates retired from Trustmark by June 30, 2016. The ERP resulted in non-routine expenses totaling \$9.8 million (\$9.6 million included in salaries and employee benefits expense and \$213 thousand included in other expense) during 2016. As a result of the ERP, Trustmark realized cost savings in salaries and employee benefits expense of \$4.4 million during 2016.

On July 26, 2016, the Board of Directors of Trustmark authorized the termination of the Plan, a noncontributory tax-qualified defined benefit pension plan, effective December 31, 2016. As a result of Trustmark's de-risking investment strategy for the Plan as of June 30, 2016, the expected rate of return on plan assets during the second half of 2016 decreased from 6.0% to 2.5%, which resulted in increased periodic benefit costs for the Plan. Included in salaries and employee benefits expense for the year ended December 31, 2016, were non-routine pension expenses related to the de-risking investment strategy for the plan assets totaling \$1.3 million.

The increase in salaries and employee benefits, the largest category of noninterest expense, when 2016 is compared to 2015, was primarily due to non-routine transaction expenses related to the ERP and Plan termination and higher commissions expense as a result of improvements in mortgage loan production, partially offset by cost savings realized related to the ERP. The increase in salaries and employee benefits during 2015 was primarily due to an increase in commission expense as a result of expanded mortgage and insurance production, a net gain recorded during 2014 related to the termination and distribution of the BancTrust Pension Plan, and an increase in expenses related to Trustmark's qualified defined benefit pension plan attributable to lump sum settlements, partially offset by a decline in general incentives expense.

## Services and Fees

The increase in services and fees expense when 2016 is compared to 2015, was primarily to due to increases in data processing expenses related to software, other outside services and fees and advertising, partially offset by declines in legal and communications expenses. The increase in services and fees during 2015 was primarily due to higher data processing expenses related to software and legal expense, which were partially offset by declines in outside services and fees, advertising and telephone expenses. During the second quarter of 2015, Trustmark introduced its new consumer mobile banking service, myTrustmark<sup>SM</sup>. Trustmark has partnered with third party vendors to employ several security control mechanisms to assure secure access to myTrustmark<sup>SM</sup> as well as the security of the data processing and storage behind the site.

## Net Occupancy-Premises

The decrease in net occupancy-premises expense during 2016 was principally due to decreases in utility and janitorial costs partially offset by increases in depreciation of building improvements and buildings rent expense. The decrease in net occupancy-premises expense during 2015 was principally due to declines in ad valorem taxes and building repairs and maintenance expense, which were partially offset by increases in building rental expense.

During 2016, Trustmark consolidated nine branch offices across the Alabama, Florida and Mississippi market regions, and reallocated a portion of those resources into a new banking center in Tuscaloosa, Alabama, and a new loan production office in Pensacola, Florida. During 2015, Trustmark completed the consolidation of eight banking offices with limited growth opportunities, expanded its mortgage-banking platform with the addition of two new mortgage loan production offices in the Alabama and Florida market regions, and opened two new banking offices in the Alabama market region and one new banking office in the Mississippi market region.

## Equipment Expense

The slight increase in equipment expense during 2016 was primarily due to increases in data processing equipment expense partially offset by declines in equipment maintenance contract expense and depreciation of furniture, fixtures and equipment. Equipment expense remained flat when comparing 2015 with 2014.

#### Other Real Estate Expense

The decrease in other real estate expense for 2016 compared to 2015 was principally due to an increase in the net gain on sales of other real estate and a decrease in other real estate carrying costs. The decrease in other real estate expense during 2015 was principally due to a decrease in the provision for other real estate write-downs as well as declines in other real estate carrying costs. The net gain on sale of other real estate for 2016 totaled \$7.0 million, compared to a net gain on the sale of other real estate of \$4.0 million for 2015 and \$3.7 million for 2014. For additional analysis of other real estate and foreclosure expenses, please see the section captioned “Nonperforming Assets, Excluding Acquired Loans and Covered Other Real Estate.”

## FDIC Assessment Expense

The increase in FDIC assessment expense for 2016 was primarily due to a projected increase in Trustmark's assessment rate during the first half of the year due to an increase in FDIC defined higher-risk assets partially offset by a projected decline in the assessment rate during the last part of 2016 due to changes in the assessment rate under a revised FDIC rule, which became effective on July 1, 2016. The increase in FDIC assessment expense for 2015 primarily resulted from the increase in Trustmark's assessment base.

As required by the Dodd-Frank Act, the FDIC revised the deposit insurance assessment system to base assessments on the average total consolidated assets of insured depository institutions less the average tangible equity during the assessment period. In addition, the Dodd-Frank Act requires the minimum reserve ratio for the Deposit Insurance Fund (DIF) be increased from 1.15% to 1.35% of estimated insurable deposits, or the comparable percentage of the assessment base, by September 30, 2020. In March 2016, the Board of Directors of the FDIC approved a final rule to increase the DIF to the statutorily required minimum level of 1.35%. Under the rule adopted by the FDIC in 2011, regular assessment rates for all banks decrease once the reserve ratio reaches 1.15%. On August 30, 2016, the FDIC announced that the reserve ratio was 1.17% as of June 30, 2016. The final rule approved in March 2016 imposes a surcharge of 4.5 cents per \$100 of the assessment base, after making certain adjustments, on banks with at least \$10.0 billion in assets. The FDIC expects the reserve ratio will likely reach 1.35% after approximately two years of payments of these surcharges. The final rule became effective and surcharges began on July 1, 2016. Trustmark expects that its FDIC assessment expense will decline under this final rule as the lower regular assessment rates and the allowable adjustments will more than offset the surcharge of 4.5 cents per \$100 of assessment base.

## Other Expense

The following table illustrates the comparative components of other noninterest expense for the periods presented (\$ in thousands):

	Years Ended December 31,					
	2016		2015		2014	
	Amount	% Change	Amount	% Change	Amount	% Change
Loan expense	\$12,226	-4.7 %	\$12,835	-0.9 %	\$12,953	-14.1 %
Amortization of intangibles	6,866	-12.2 %	7,819	-10.7 %	8,756	-0.7 %
Other miscellaneous expense	28,838	1.3 %	28,468	-11.5 %	32,158	-4.7 %
Total other expense	\$47,930	-2.4 %	\$49,122	-8.8 %	\$53,867	-17.8 %

The decline in other expense when 2016 is compared to 2015 was primarily due to decreases in franchise taxes, the amortization of the non-taxable core deposit intangible asset and loan expenses, partially offset by increases in customer related fraud losses and a property valuation adjustment recorded during 2016 related to properties transferred to assets held for sale. During 2016, Trustmark continued its measured approach to the optimization of its retail delivery channels by consolidated nine branch offices across the Alabama, Florida and Mississippi market regions, and reallocated a portion of those resources into a new banking center in Tuscaloosa, Alabama, and a new loan production office in Pensacola, Florida. Seven of the closed branches as well as two pieces of property previously purchased in anticipation of a future branch were transferred to assets held for sale during 2016 at the lower of the current book value or the fair value less costs to sell. A property valuation adjustment of \$750 thousand was recorded as a result of transferring these properties to assets held for sale.

The decline in other expenses during 2015 was principally due to declines in other miscellaneous expenses primarily resulting from a legal reserve recorded during 2014 and decreases in franchise taxes and customer related fraud losses as well as a decline in the amortization of the core deposit intangible asset.

## Results of Segment Operations

Trustmark's operations are managed along three operating segments: General Banking Division, Wealth Management Division and Insurance Division. A description of each segment and the methodologies used to measure financial performance and financial information by reportable segment are included in Note 21 – Segment Information located in Part II, Item 8. – Financial Statements and Supplementary Data – of this report.

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The following table provides the net income by reportable segment for the periods presented (\$ in thousands):

	Years Ended December 31,		
	2016	2015	2014
General Banking	\$99,083	\$106,738	\$114,870
Wealth Management	4,124	3,850	4,222
Insurance	5,204	5,450	4,470
Consolidated Net Income	\$108,411	\$116,038	\$123,562

### General Banking

Net interest income for the General Banking Division for 2016 decreased \$4.5 million, or 1.1%, when compared with 2015. The decrease in net interest income was principally due to declines in interest and fees on acquired loans and interest on taxable securities and an increase in other interest expense, which were partially offset by an increase in interest and fees on LHFS and LHFI. Net interest income for the General Banking Division for 2015 decreased \$13.1 million, or 3.2%, when compared with 2014. The decline in net interest income was mostly due to declines in interest and fees on acquired loans, which was partially offset by an increase in interest and fees on LHFS and LHFI and declines in the cost of interest-bearing deposits. The provision for loan losses, net during 2016 totaled \$14.7 million compared with \$11.8 million during 2015 and \$7.4 million during 2014. For more information on these net interest income items, please see the sections captioned “Financial Highlights” and “Results of Operations.”

Noninterest income for the General Banking Division increased \$1.6 million, or 1.5%, during 2016 compared to a decrease of \$2.0 million, or 1.8%, during 2015. Noninterest income for the General Banking Division represented 21.7% of total revenue for 2016, 21.2% for 2015 and 21.0% for 2014. Noninterest income for the General Banking Division includes service charges on deposit accounts; bank card and other fees; mortgage banking, net; other, net and securities (losses) gains, net. For more information on these noninterest income items, please see the analysis included in the section captioned “Noninterest Income.”

Noninterest expense for the General Banking Division increased \$6.3 million, or 1.8%, during 2016 compared to a decrease of \$7.4 million, or 2.1%, during 2015. The increase in noninterest expense for 2016 was principally due to increases in salaries and employee benefits expense, primarily as a result of non-routine expenses related to the ERP, increased commission expense due to improved mortgage loan production and non-routine pension expense resulting from the de-risking strategy for plan assets in anticipation of the termination of the Plan, and services and fees, partially offset by declines in other real estate expense and other expense. For more information on these noninterest expense items, please see the analysis included in the section captioned “Noninterest Expense.”

### Wealth Management

During 2016, net income for the Wealth Management Division increased \$274 thousand, or 7.1%, compared to a decrease of \$372 thousand, or 8.8%, during 2015. Net interest income for the Wealth Management Division, which primarily consists of interest income earned on deposit accounts held by the Wealth Management Division, increased \$389 thousand during 2016 compared to a decline of \$514 thousand, or 60.4%, during 2015. Noninterest income, which includes income related to investment management, trust and brokerage services, decreased \$1.1 million, or 3.6%, during 2016, compared to a decrease of \$964 thousand, or 3.0%, during 2015. The decrease in noninterest income for the Wealth Management Division during 2016 was primarily attributable to declines in commissions and annuity income generated by the brokerage services unit and trust fees related to retirement planning and personal estate services, partially offset by growth in trust asset management fee income from mutual funds and custody services. The decrease in noninterest income for the Wealth Management Division during 2015 was primarily



attributable to declines in fixed annuity income and commissions generated by the brokerage services unit and trust management fees, partially offset by growth in asset management fees and variable annuity income generated by the brokerage services unit. Noninterest expense decreased \$1.2 million, or 4.7%, during 2016 compared to a decrease of \$1.4 million, or 5.2%, during 2015. The decrease in noninterest expense for the Wealth Management Division during 2016 was principally due to decreases in salaries and employee benefits, primarily due to lower commissions and salary expense partially offset by an increase in trust incentives expense, and data processing charges. The decrease in noninterest expense for the Wealth Management Division during 2015 was principally due to a legal reserve recorded during 2014.

At December 31, 2016 and 2015, Trustmark held assets under management and administration of \$10.255 billion and \$10.697 billion and brokerage assets of \$1.643 billion and \$1.564 billion, respectively.

#### Insurance

Net income for the Insurance Division during 2016 decreased \$246 thousand, or 4.5%, compared to an increase of \$980 thousand, or 21.9%, during 2015. Noninterest income for the Insurance Division, which predominately consists of insurance commissions, increased \$340 thousand, or 0.9%, during 2016, compared to an increase of \$3.0 million, or 8.8%, during 2015. The slight increase in

insurance commissions during 2016 was primarily due to new business commission volume primarily in group health coverage and an increase in contingent commissions from insurance companies, which was mostly offset by declines in business commission volume in property and casualty coverage and policy fees and other income. The increase in insurance commissions during 2015 was due to new business commission volume primarily in commercial property and casualty and group health coverage. Growth in new business commission volumes reflected both a continued focus on new business and the addition of experienced account executives with an established book of business during 2015. General business activity in Trustmark's geographic markets continues to improve marginally, resulting in increases in the demand for coverage on inventories, property, equipment, general liability and workers' compensation.

Noninterest expense for the Insurance Division increased \$532 thousand, or 1.9%, during 2016 and \$1.5 million, or 5.5%, during 2015. The slight increase in noninterest expense for the Insurance Division during 2016 was principally due to increases in salaries and insurance expenses. The increase in noninterest expense during 2015 was primarily due to higher commissions and salaries expense resulting from improved performance in the Insurance Division and modest general merit increases and higher services and fees expense resulting from increases in professional fees and software maintenance fees.

During 2016, business conditions improved slightly in the markets served by FBBI. Trustmark performed an annual impairment test of the book value of capital held in the Insurance Division as of October 1, 2016, 2015, and 2014. Based on this analysis, Trustmark concluded that no impairment charge was required. A renewed period of falling prices and suppressed demand for the products of the Insurance Division may result in impairment of goodwill in the future. FBBI's ability to maintain the current income trend is dependent on the success of the subsidiary's continued initiatives to attract new business through cross referrals between practice units and bank relationships and seeking new business in other markets.

#### Income Taxes

For the year ended December 31, 2016, Trustmark's combined effective tax rate was 22.3% compared to 23.4% in 2015 and 23.8% in 2014. Trustmark invests in partnerships that provide income tax credits on a Federal and/or State basis (i.e., NMTC, low income housing tax credits and historical tax credits). The income tax credits related to these partnerships are utilized as specifically allowed by income tax law and are recorded as a reduction in income tax expense.

#### Financial Condition

Earning assets serve as the primary revenue streams for Trustmark and are comprised of securities, loans, federal funds sold, securities purchased under reverse repurchase agreements and other earning assets. Average earning assets totaled \$11.485 billion, or 88.8% of total average assets, at December 31, 2016, compared with \$10.791 billion, or 88.0% of total average assets, at December 31, 2015, an increase of \$693.4 million, or 6.4%.

#### Securities

The securities portfolio is utilized by Management to manage interest rate risk, generate interest income, provide liquidity and use as collateral for public and wholesale funding. Risk and return can be adjusted by altering duration, composition and/or balance of the portfolio. The weighted-average life of the portfolio decreased to 4.1 years at December 31, 2016, compared to 5.2 years at December 31, 2015.

When compared with December 31, 2015, total investment securities decreased by \$17.9 million, or 0.5%, during 2016. This decrease resulted primarily from calls, maturities and pay-downs of the underlying loans of government-sponsored enterprise (GSE) guaranteed securities partially offset by purchases of GSE securities. Trustmark sold \$25.0 million of securities during 2016, which generated a net loss of \$310 thousand, compared to no securities sold during 2015.

During 2013, Trustmark reclassified approximately \$1.099 billion of securities available for sale as securities held to maturity to mitigate the potential adverse impact of a rising interest rate environment on the fair value of the available for sale securities and the related impact on tangible common equity. The securities were transferred at fair value, which became the cost basis for the securities held to maturity. At the date of transfer, the net unrealized holding loss on the available for sale securities totaled approximately \$46.6 million. The net unrealized holding loss is amortized over the remaining life of the securities as a yield adjustment in a manner consistent with the amortization or accretion of the original purchase premium or discount on the associated security. There were no gains or losses recognized as a result of the transfer. At December 31, 2016, the net unamortized, unrealized loss on the transferred securities included in accumulated other comprehensive loss (AOCL) in the accompanying balance sheets totaled \$24.2 million (\$14.9 million net of tax) compared to \$34.0 million (\$21.0 million net of tax) at December 31, 2015.

Available for sale securities are carried at their estimated fair value with unrealized gains or losses recognized, net of taxes, in AOCL, a separate component of shareholders' equity. At December 31, 2016, available for sale securities totaled \$2.357 billion, which

represented 67.0% of the securities portfolio, compared to \$2.345 billion, or 66.4%, at December 31, 2015. At December 31, 2016, unrealized losses, net on available for sale securities totaled \$9.5 million compared to unrealized gains, net of \$5.9 million at December 31, 2015. At December 31, 2016, available for sale securities consisted of obligations of states and political subdivisions, GSE guaranteed mortgage-related securities and direct obligations of government agencies and GSEs.

Held to maturity securities are carried at amortized cost and represent those securities that Trustmark both intends and has the ability to hold to maturity. At December 31, 2016, held to maturity securities totaled \$1.159 billion and represented 33.0% of the total securities portfolio, compared with \$1.188 billion, or 33.6%, at December 31, 2015.

The table below indicates the amortized cost of securities available for sale and held to maturity by type at December 31, 2016, 2015 and 2014 (\$ in thousands):

	December 31,		
	2016	2015	2014
Securities available for sale			
U.S. Treasury securities	\$—	\$—	\$100
U.S. Government agency obligations			
Issued by U.S. Government agencies	56,272	68,314	79,788
Issued by U.S. Government sponsored agencies	257	258	32,725
Obligations of states and political subdivisions	113,541	134,719	157,001
Mortgage-backed securities			
Residential mortgage pass-through securities			
Guaranteed by GNMA	43,222	25,602	11,897
Issued by FNMA and FHLMC	638,809	222,899	199,599
Other residential mortgage-backed securities			
Issued or guaranteed by FNMA, FHLMC or GNMA	1,271,198	1,584,338	1,655,733
Commercial mortgage-backed securities			
Issued or guaranteed by FNMA, FHLMC or GNMA	242,869	278,429	184,394
Asset-backed securities and structured financial products	—	25,003	30,776
Total securities available for sale	\$2,366,168	\$2,339,562	\$2,352,013
Securities held to maturity			
U.S. Government agency obligations			
Issued by U.S. Government sponsored agencies	\$3,647	\$101,782	\$100,971
Obligations of states and political subdivisions	46,303	55,892	63,505
Mortgage-backed securities			
Residential mortgage pass-through securities			
Guaranteed by GNMA	15,478	17,363	19,115
Issued by FNMA and FHLMC	81,299	10,368	11,437
Other residential mortgage-backed securities			
Issued or guaranteed by FNMA, FHLMC or GNMA	803,474	820,012	834,176
Commercial mortgage-backed securities			
Issued or guaranteed by FNMA, FHLMC or GNMA	208,442	182,401	141,481
Total securities held to maturity	\$1,158,643	\$1,187,818	\$1,170,685

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The following table details the maturities of securities available for sale and held to maturity using amortized cost at December 31, 2016, and the weighted-average yield for each range of maturities (tax equivalent basis) (\$ in thousands):

	Maturing		After One,		After Five,		After		Total
	Within		But Within		But Within		Ten Years		
	One Year	Yield	Five Years	Yield	Ten Years	Yield	Ten Years	Yield	
Securities available for sale									
U.S. Government agency obligations									
Issued by U.S. Government agencies	\$—	—	\$—	—	\$ 12,680	2.93 %	\$43,592	2.42 %	\$56,272
Issued by U.S. Government sponsored agencies	—	—	257	3.85 %	—	—	—	—	257
Obligations of states and political subdivisions	33,591	3.80 %	79,323	4.00 %	627	3.95 %	—	—	113,541
Mortgage-backed securities									
Residential mortgage pass-through securities									
Guaranteed by GNMA	—	—	137	3.89 %	1,831	1.66 %	41,254	2.94 %	43,222
Issued by FNMA and FHLMC	3	4.51 %	41	2.53 %	91,841	2.35 %	546,924	1.92 %	638,809
Other residential mortgage-backed securities									
Issued or guaranteed by FNMA, FHLMC, or GNMA	392	5.00 %	8,926	2.00 %	51,977	2.60 %	1,209,903	2.40 %	1,271,198
Commercial mortgage-backed securities									

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Issued or guaranteed by FNMA,									
FHLMC, or GNMA	—	—	95,118	2.92 %	138,641	2.32 %	9,110	2.71 %	242,869
Total securities available for sale	\$33,986	3.81 %	\$ 183,802	3.34 %	\$ 297,597	2.41 %	\$ 1,850,783	2.27 %	\$ 2,366,168
Securities held to maturity									
U.S. Government agency obligations									
Issued by U.S. Government									
sponsored agencies	\$—	—	\$—	—	\$3,647	2.53 %	\$—	—	\$3,647
Obligations of states and political									
subdivisions	145	8.01 %	35,983	5.25 %	10,175	5.12 %	—	—	46,303
Mortgage-backed securities									
Residential mortgage pass-through									
securities									
Guaranteed by GNMA	—	—	—	—	—	—	15,478	2.90 %	15,478
Issued by FNMA and FHLMC	—	—	—	—	—	—	81,299	2.19 %	81,299
Other residential mortgage-backed									
securities									
Issued or guaranteed by FNMA,									
FHLMC, or GNMA	—	—	—	—	—	—	803,474	1.98 %	803,474
Commercial mortgage-backed									
securities									
Issued or guaranteed by FNMA,									
FHLMC, or GNMA	—	—	36,514	2.07 %	129,786	2.29 %	42,142	2.39 %	208,442
Total securities held to maturity	\$145	8.01 %	\$ 72,497	3.65 %	\$ 143,608	2.50 %	\$ 942,393	2.03 %	\$ 1,158,643

Mortgage-backed securities and collateralized mortgage obligations are included in maturity categories based on their stated maturity date. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations.

Management continues to focus on asset quality as one of the strategic goals of the securities portfolio, which is evidenced by the investment of approximately 95% of the portfolio in GSE-backed obligations and other Aaa-rated securities as determined by Moody's Investors Services (Moody's). None of the securities owned by Trustmark are collateralized by assets which are considered sub-prime. Furthermore, outside of stock ownership in the FHLB of Dallas, FHLB of Atlanta and Federal Reserve Bank of Atlanta, Trustmark does not hold any other equity investment in a GSE.

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As of December 31, 2016, Trustmark did not hold securities of any one issuer with a carrying value exceeding ten percent of total shareholders' equity, other than certain GSEs which are exempt from inclusion. Management continues to closely monitor the credit quality as well as the ratings of the debt and mortgage-backed securities issued by the GSEs and held in Trustmark's securities portfolio.

The following table presents Trustmark's securities portfolio by amortized cost and estimated fair value and by credit rating, as determined by Moody's, at December 31, 2016 (\$ in thousands):

	Amortized Cost			Estimated Fair Value	
	Amount	%		Amount	%
<b>Securities Available for Sale</b>					
Aaa	\$2,252,627	95.2 %		\$2,241,309	95.1 %
Aa1 to Aa3	75,328	3.2 %		76,666	3.3 %
A1 to A3	186	—		191	—
Baa1 to Baa3	219	—		216	—
Not Rated (1)	37,808	1.6 %		38,300	1.6 %
Total securities available for sale	\$2,366,168	100.0 %		\$2,356,682	100.0 %
<b>Securities Held to Maturity</b>					
Aaa	\$1,112,341	96.0 %		\$1,109,295	95.9 %
Aa1 to Aa3	33,554	2.9 %		34,852	3.0 %
Baa1 to Baa3	419	—		433	—
Not Rated (1)	12,329	1.1 %		12,466	1.1 %
Total securities held to maturity	\$1,158,643	100.0 %		\$1,157,046	100.0 %

(1)Not rated issues primarily consist of Mississippi municipal general obligations.

The table above presenting the credit rating of Trustmark's securities is formatted to show the securities according to the credit rating category, and not by category of the underlying security. At December 31, 2016, approximately 95.1% of the available for sale securities and 96.0% of held to maturity securities were rated Aaa.

## LHFS

At December 31, 2016, LHFS totaled \$175.9 million, consisting of \$132.0 million of residential real estate mortgage loans in the process of being sold to third parties and \$43.9 million of Government National Mortgage Association (GNMA) optional repurchase loans. At December 31, 2015, LHFS totaled \$160.2 million, consisting of \$124.2 million of residential real estate mortgage loans in the process of being sold to third parties and \$36.0 million of GNMA optional repurchase loans. Please refer to the nonperforming assets table that follows for information on GNMA loans eligible for repurchase which are past due 90 days or more.

During 2015, Trustmark exercised its option to repurchase approximately \$28.5 million delinquent loans serviced for GNMA. These loans were subsequently sold to a third party under different repurchase provisions. Trustmark retained the servicing for these loans, which are subject to guarantees by FHA/VA. As a result of this repurchase and sale, the loans were no longer carried as LHFS. The transaction resulted in a gain of \$304 thousand, which is included in mortgage banking, net for 2015. Trustmark did not exercise its buy-back option on any delinquent loans serviced for GNMA during 2016.



For additional information regarding the GNMA optional repurchase loans, please see the section captioned “Past Due LHFS” included in Note 5 – LHF and Allowance for Loan Losses, LHF of Part II. Item 8. – Financial Statements and Supplementary Data – of this report.

## LHFI

The table below provides the carrying value of the LHFI portfolio by loan type for each year of the five-year period ended

December 31, 2016 (\$ in thousands):

	December 31, 2016			2015			2014			2013			2012		
	Amount	%		Amount	%		Amount	%		Amount	%		Amount	%	
Loans secured by real estate:															
Construction, land development															
and other land	\$831,437	10.6 %		\$824,723	11.6 %		\$619,877	9.6 %		\$596,889	10.3 %		\$468,975	8.4 %	
Secured by 1-4 family residential properties	1,660,043	21.1 %		1,649,501	23.3 %		1,634,397	25.4 %		1,485,564	25.6 %		1,497,480	26.8 %	
Secured by nonfarm, nonresidential properties	2,034,176	25.9 %		1,736,476	24.5 %		1,553,193	24.1 %		1,415,139	24.4 %		1,410,264	25.2 %	
Other real estate secured	318,148	4.0 %		211,228	3.0 %		253,787	3.9 %		189,362	3.3 %		189,949	3.4 %	
Commercial and industrial loans	1,528,434	19.5 %		1,343,211	18.9 %		1,270,350	19.7 %		1,157,614	20.0 %		1,169,513	20.9 %	
Consumer loans	170,562	2.2 %		169,135	2.4 %		167,964	2.6 %		165,308	2.8 %		171,660	3.1 %	
State and other political subdivision loans	917,515	11.7 %		734,615	10.4 %		602,727	9.3 %		499,963	8.6 %		443,665	7.9 %	
Other loans	390,898	5.0 %		422,496	5.9 %		347,174	5.4 %		289,042	5.0 %		241,248	4.3 %	
LHFI	\$7,851,213	100.0 %		\$7,091,385	100.0 %		\$6,449,469	100.0 %		\$5,798,881	100.0 %		\$5,592,754	100.0 %	

LHFI increased \$759.8 million, or 10.7%, compared to December 31, 2015. The increase in LHFI during 2016 represented net growth across all five of Trustmark's market regions, primarily in the loans secured by real estate, commercial and industrial loans and state and other political subdivision loans categories.

During 2016, LHFI secured by real estate increased \$421.9 million, or 9.5%, across all five market regions. LHFI secured by construction, land development and other land increased \$6.7 million, or 0.8%, during 2016, principally

due to new loan growth in the other construction, 1-4 family construction and lots categories, partially offset by other construction loans that were moved to the appropriate permanent categories. During 2016, \$524.6 million in other construction loans were moved to the appropriate permanent categories upon completion, including \$323.7 million in non-owner occupied, \$84.1 million in owner occupied, \$116.6 million in multi-family residential and \$283 thousand in state and other political subdivision loans. Excluding all reclassifications between loan categories, growth in other construction loans across all five market regions totaled \$500.1 million for 2016. The 1-4 family construction and lots loan portfolios increased \$19.3 million, or 12.5%, and \$10.9 million, or 21.9%, respectively, during 2016, principally due to growth in Trustmark's Alabama, Mississippi and Tennessee market regions.

The commercial real estate loan portfolio increased \$297.7 million, or 17.1%, during 2016, principally due to other construction loans that moved to permanent financing. Excluding the reclassifications from other construction loans, the commercial real estate loans portfolio declined \$109.3 million, or 6.3%, during 2016. The decrease in the commercial real estate loan portfolio, excluding the other construction reclassifications, was primarily attributable to declines in non-owner occupied loans in Trustmark's Texas, Mississippi and Alabama market regions as well as declines in owner occupied loans in the Mississippi, Texas and Tennessee market regions. Other real estate secured LHFI increased \$106.9 million, or 50.6%, during 2016, primarily due to multi-family residential loans in Trustmark's Texas, Tennessee, Mississippi and Alabama market regions that were moved from other construction loans to permanent financing. Excluding the reclassifications from other construction loans, other real estate secured LHFI decreased \$9.7 million, or 4.6%, during 2016 as declines in the Texas, Tennessee and Florida market regions were partially offset by growth in the Mississippi and Alabama market regions. LHFI secured by 1-4 family residential properties increased \$10.5 million, or 0.6%, during 2016, reflecting growth in the Alabama, Mississippi, and Florida market regions partially offset by declines in the Tennessee and Texas market regions. Trustmark made the decision in 2015 to sell the vast majority of these lower-rate, longer-term home mortgages in the secondary market, rather than replacing the run-off in its single-family loan portfolio. However, in the fourth quarter of 2016, Trustmark decided to replace a portion of the run-off in its single-family loan portfolio due to the increase in rates on mortgage loans resulting in the slight increase in LHFI secured by 1-4 family residential properties during 2016.

The commercial and industrial loan portfolio increased \$185.2 million, or 13.8%, during 2016, due to growth in the Mississippi, Tennessee, Alabama and Florida market regions, partially offset by declines in the Texas market region. Trustmark's exposure to the energy sector is primarily included in the commercial and industrial loan portfolio in Trustmark's Mississippi and Texas market regions. At December 31, 2016 and 2015, energy-related LHFI had outstanding balances of approximately \$271.5 million and \$213.0 million, respectively, which represented approximately 3.5% of Trustmark's total LHFI portfolio at December 31, 2016 compared to approximately 3.0% of the total LHFI portfolio at December 31, 2015. Trustmark has no loan exposure where the source of repayment, or the underlying security of such exposure, is tied to the realization of value from energy reserves. Should oil prices remain at current levels or below for a prolonged period of time, there is potential for downgrades to occur. Management will continue to monitor this exposure.

State and other political subdivision LHFI increased \$182.9 million, or 24.9%, during 2016 principally due to growth in traditional public finance loans, such as investments that entail the use of tax anticipation notes, public school improvements, facility improvements and renovations, in all five of Trustmark's market regions. The other loan portfolio, which includes lending to nonprofits and real estate investment trusts, decreased \$31.6 million, or 7.5%, during 2016, which represented declines in all of Trustmark's market with the exception of the Alabama market region.

The following table provides information regarding Trustmark's home equity loans and home equity lines of credit which are included in the LHFI secured by 1-4 family residential properties as of December 31, 2016 and 2015 (\$ in thousands):

	December 31,			
	2016		2015	
Home equity loans	\$54,687		\$61,635	
Home equity lines of credit	390,629		376,998	
Percentage of loans and lines for which Trustmark holds first lien	59.7	%	58.9	%
Percentage of loans and lines for which Trustmark does not hold first lien	40.3	%	41.1	%

Due to the increased risk associated with second liens, loan terms and underwriting guidelines differ from those used for products secured by first liens. Loan amounts and loan-to-value ratios are limited and are lower for second liens than first liens. Also, interest rates and maximum amortization periods are adjusted accordingly. In addition, regardless of lien position, the passing credit score for approval of all home equity lines of credit is higher than that of term loans. The allowance for loan losses, LHFI is also reflective of the increased risk related to second liens through application of a greater loss factor to this portion of the portfolio.

In the following tables, LHFI reported by region (along with related nonperforming assets and net charge-offs) are associated with location of origination except for loans secured by 1-4 family residential properties (representing traditional mortgages) and credit cards. These loans are included in the Mississippi market region because they are centrally analyzed and approved as part of a specific line of business located at Trustmark's headquarters in Jackson, Mississippi.

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The following table presents the LHFI composition by region at December 31, 2016 and reflects a diversified mix of loans by region (\$ in thousands):

	December 31, 2016					
	Total	Alabama	Florida	Mississippi	Tennessee	Texas
<b>LHFI Composition by Region</b>						
Loans secured by real estate:						
Construction, land development and						
other land	\$831,437	\$167,886	\$57,780	\$316,518	\$52,747	\$236,506
Secured by 1-4 family residential						
properties	1,660,043	79,087	49,393	1,412,078	102,076	17,409
Secured by nonfarm, nonresidential						
properties	2,034,176	283,756	177,455	908,591	169,499	494,875
Other real estate secured	318,148	28,866	3,511	159,369	17,688	108,714
Commercial and industrial loans	1,528,434	129,621	15,194	795,311	308,380	279,928
Consumer loans	170,562	20,811	3,683	126,711	17,180	2,177
State and other political subdivision loans	917,515	76,228	29,450	564,707	32,714	214,416
Other loans	390,898	37,394	19,140	261,612	38,946	33,806
<b>LHFI</b>	<b>\$7,851,213</b>	<b>\$823,649</b>	<b>\$355,606</b>	<b>\$4,544,897</b>	<b>\$739,230</b>	<b>\$1,387,831</b>

**Construction, Land Development and Other Land Loans by Region**

Lots	\$60,820	\$14,045	\$18,952	\$23,405	\$2,564	\$1,854
Development	52,669	6,763	5,534	21,421	615	18,336
Unimproved land	111,418	15,436	16,240	45,451	16,011	18,280
1-4 family construction	174,344	41,324	9,058	82,576	2,964	38,422
Other construction	432,186	90,318	7,996	143,665	30,593	159,614
Construction, land development and						
other land loans	\$831,437	\$167,886	\$57,780	\$316,518	\$52,747	\$236,506

**Loans Secured by Nonfarm, Nonresidential Properties by Region**

Non-owner occupied:						
Retail	\$279,040	\$74,393	\$36,196	\$96,009	\$21,850	\$50,592
Office	220,750	31,966	30,479	76,745	9,259	72,301
Nursing homes/assisted living	116,307	—	—	109,579	6,728	—
Hotel/motel	227,088	46,007	31,121	62,395	41,794	45,771
Mini-storage	145,456	9,963	5,300	58,430	13,999	57,764
Industrial	121,906	10,159	10,210	20,983	5,467	75,087
Health care	25,937	2,050	826	22,002	—	1,059
Convenience stores	19,624	1,554	—	10,905	993	6,172
Other	73,364	8,031	10,519	25,269	2,804	26,741
Total non-owner occupied loans	1,229,472	184,123	124,651	482,317	102,894	335,487
Owner-occupied:						
Office	146,004	17,886	23,697	74,816	7,041	22,564
Churches	87,031	10,379	2,098	44,962	22,730	6,862
Industrial warehouses	127,544	6,414	3,517	64,274	10,082	43,257
Health care	116,585	22,859	6,830	62,925	4,661	19,310

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Convenience stores	94,618	7,732	7,088	54,080	1,168	24,550
Retail	38,173	4,746	5,012	20,720	1,995	5,700
Restaurants	34,741	3,530	912	24,781	3,474	2,044
Auto dealerships	14,909	9,144	41	4,600	1,124	—
Other	145,099	16,943	3,609	75,116	14,330	35,101
Total owner-occupied loans	804,704	99,633	52,804	426,274	66,605	159,388
Loans secured by nonfarm, nonresidential properties	\$2,034,176	\$283,756	\$177,455	\$908,591	\$169,499	\$494,875

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Due to the short-term nature of most commercial real estate lending and the practice of annual renewal of commercial lines of credit, approximately one-third of Trustmark's portfolio matures in less than one year. Such a short-term maturity profile is not unusual for a commercial bank and provides Trustmark the opportunity to obtain updated financial information from its borrowers and to actively monitor its borrowers' creditworthiness. This maturity profile is well matched with many of Trustmark's sources of funding, which are also short-term in nature.

The following table provides information regarding Trustmark's LHFI maturities by loan type at December 31, 2016 (\$ in thousands):

	Maturing			
	Within One Year or Less	One Year Through Five Years	After Five Years	Total
Loans secured by real estate:				
Construction, land development and other land	\$494,840	\$263,116	\$73,481	\$831,437
Secured by 1-4 family residential properties	507,211	224,072	928,760	1,660,043
Other real estate secured	881,524	1,143,136	327,664	2,352,324
Commercial and industrial loans	754,558	647,437	126,439	1,528,434
Consumer loans	48,604	115,483	6,475	170,562
Other loans	406,623	350,592	551,198	1,308,413
LHFI	\$3,093,360	\$2,743,836	\$2,014,017	\$7,851,213

The following table provides information regarding Trustmark's LHFI maturities by interest rate sensitivity at December 31, 2016 (\$ in thousands):

	Maturing			
	Within One Year or Less	One Year Through Five Years	After Five Years	Total
Loan Type				
Predetermined interest rates	\$954,619	\$2,007,342	\$1,851,916	\$4,813,877
Floating interest rates:				
Loans which are at contractual floor	148,976	73,789	3,142	225,907
Loans which are free to float	1,989,765	662,705	158,959	2,811,429
Total floating interest rates	2,138,741	736,494	162,101	3,037,336
LHFI	\$3,093,360	\$2,743,836	\$2,014,017	\$7,851,213

The following tables provide information regarding the interest rate terms of Trustmark's LHFI as of December 31, 2016 and 2015 (\$ in thousands). Trustmark's variable rate LHFI are based primarily on various prime and LIBOR interest rate bases.

December 31, 2016		
Fixed	Variable	Total

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Loans secured by real estate:			
Construction, land development and other land	\$210,862	\$620,575	\$831,437
Secured by 1- 4 family residential properties	1,616,289	43,754	1,660,043
Secured by nonfarm, nonresidential properties	1,131,720	902,456	2,034,176
Other real estate secured	167,250	150,898	318,148
Commercial and industrial loans	518,125	1,010,309	1,528,434
Consumer loans	150,304	20,258	170,562
State and other political subdivision loans	827,969	89,546	917,515
Other loans	191,358	199,540	390,898
LHFI	\$4,813,877	\$3,037,336	\$7,851,213



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	December 31, 2015		
	Fixed	Variable	Total
Loans secured by real estate:			
Construction, land development and other land	\$311,049	\$513,674	\$824,723
Secured by 1- 4 family residential properties	1,573,640	75,861	1,649,501
Secured by nonfarm, nonresidential properties	1,116,689	619,787	1,736,476
Other real estate secured	160,147	51,081	211,228
Commercial and industrial loans	611,198	732,013	1,343,211
Consumer loans	149,742	19,393	169,135
State and other political subdivision loans	682,028	52,587	734,615
Other loans	210,186	212,310	422,496
LHFI	\$4,814,679	\$2,276,706	\$7,091,385

Allowance for Loan Losses, LHFI

Trustmark's allowance for loan loss methodology is based on guidance provided in SEC Staff Accounting Bull