

TRUSTMARK CORP
Form 10-K
February 25, 2010

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, 2009

or

TRANSITION REPORT PURSUANT TO SECTION 13 OF 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
(State or other jurisdiction of incorporation or
organization)

64-0471500
(IRS Employer Identification Number)

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

39201
(Zip Code)

Registrant's telephone number, including area code:

(601) 208-5111

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, no par value
(Title of Class) NASDAQ Stock Market
(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 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

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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 Smaller reporting company
(Do not check if a 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, 2009, 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 \$918 million.

As of January 29, 2010, there were issued and outstanding 63,694,189 shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Trustmark's 2010 Annual Meeting of Shareholders to be held May 11, 2010 are incorporated by reference to Part III of the Form 10-K report.

TRUSTMARK CORPORATION
ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

	PAGE
PART I	
Item 1. <u>Business</u>	3
Item 1A. <u>Risk Factors</u>	13
Item 1B. <u>Unresolved Staff Comments</u>	18
Item 2. <u>Properties</u>	18
Item 3. <u>Legal Proceedings</u>	18
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	19
PART II	
Item 5. <u>Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	19
Item 6. <u>Selected Financial Data</u>	21
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	62
Item 8. <u>Financial Statements and Supplementary Data</u>	64
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	109
Item 9A. <u>Controls and Procedures</u>	109
Item 9B. <u>Other Information</u>	110
PART III	
Item 10. <u>Directors, Executive Officers of the Registrant and Corporate Governance</u>	111
Item 11. <u>Executive Compensation</u>	111
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	111
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	111
Item 14. <u>Principal Accounting Fees and Services</u>	111
PART IV	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	111
<u>SIGNATURES</u>	115

Table of Contents

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, 2009, TNB had total assets of \$9.4 billion, which represents over 98% of the consolidated assets of Trustmark.

Through TNB and its other subsidiaries, Trustmark operates as a financial services organization providing banking and other financial solutions through approximately 150 offices and 2,524 full-time equivalent associates located in the states of Mississippi, Tennessee (in Memphis and the Northern Mississippi region, which is collectively referred to herein as Trustmark's Tennessee market), Florida (primarily in the northwest or "Panhandle" region of that state) 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. At December 31, 2009, TNB's mortgage loan portfolio totaled approximately \$1.0 billion, while its portfolio of mortgage loans serviced for others, including, FNMA, FHLMC and GNMA, totaled approximately \$4.2 billion.

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, retirement plan services as well as life insurance and other risk management services provided by Trustmark Risk Management, Inc. (TRMI). TRMI engages in individual insurance product sales as a broker of life and long-term care insurance for wealth management customers. TNB's wealth management division is also served by Trustmark Investment Advisors, Inc. (TIA), a Securities and Exchange Commission (SEC)-registered investment adviser. TIA provides customized investment management services for TNB customers and also serves as investment advisor to The Performance Funds, a proprietary family of mutual funds. At December 31, 2009, assets under management and administration totaled \$7.2 billion.

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 The Bottrell Insurance Agency, Inc. (Bottrell), which is based in Jackson, Mississippi, and Fisher-Brown, Incorporated (Fisher-Brown), headquartered in Pensacola, Florida.

Table of Contents

Somerville Bank & Trust Company

Somerville Bank & Trust Company (Somerville), headquartered in Somerville, Tennessee, provides banking services in the eastern Memphis metropolitan statistical area (MSA) through five offices. At December 31, 2009, Somerville had total assets of \$187 million.

Capital Trusts

Trustmark Preferred Capital Trust I (Trustmark Trust) is a Delaware trust affiliate formed in 2006 to facilitate a private placement of \$60.0 million in trust preferred securities. Republic Bancshares Capital Trust I (Republic Trust) is a Delaware trust affiliate acquired as the result of Trustmark's 2006 acquisition of Republic Bancshares of Texas, Inc. Republic Trust was formed to facilitate the issuance of \$8.0 million in trust preferred securities. As defined in applicable accounting standards, both Trustmark Trust and Republic Trust are considered variable interest entities for which Trustmark is not the primary beneficiary. Accordingly, the accounts of both trusts 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. Much of the growth in Trustmark's total revenues has been derived from organic growth of existing lines of business. For example, the development of Trustmark's business has been enhanced by its 2006 acquisition of Houston-based Republic Bancshares of Texas, Inc., which expanded Trustmark's penetration of the Houston banking market.

Table of Contents

The following table sets forth summary data regarding Trustmark's securities, loans, assets, deposits, equity and revenue growth over the past five years.

Summary Information

(\$ in thousands)

	December 31,	2009	2008	2007	2006	2005
Securities		\$1,917,380	\$1,802,470	\$717,441	\$1,050,515	\$1,295,784
Total securities growth (decline)		\$114,910	\$1,085,029	\$(333,074)	\$(245,269)	\$(359,837)
Total securities growth (decline)		6.38	% 151.24	% -31.71	% -18.93	% -21.73
Loans		\$6,319,797	\$6,722,403	\$7,040,792	\$6,563,153	\$5,913,343
Total loans (decline) growth		\$(402,606)	\$(318,389)	\$477,639	\$649,810	\$567,559
Total loans (decline) growth		-5.99	% -4.52	% 7.28	% 10.99	% 10.62
Assets		\$9,526,018	\$9,790,909	\$8,966,802	\$8,840,970	\$8,389,750
Total assets (decline) growth		\$(264,891)	\$824,107	\$125,832	\$451,220	\$336,793
Total assets (decline) growth		-2.71	% 9.19	% 1.42	% 5.38	% 4.18
Deposits		\$7,188,465	\$6,823,870	\$6,869,272	\$6,976,164	\$6,282,814
Total deposits growth (decline)		\$364,595	\$(45,402)	\$(106,892)	\$693,350	\$832,721
Total deposits growth (decline)		5.34	% -0.66	% -1.53	% 11.04	% 15.28
Equity		\$1,110,060	\$1,178,466	\$919,636	\$891,335	\$741,463
Total equity (decline) growth		\$(68,406)	\$258,830	\$28,301	\$149,872	\$(8,933)
Total equity (decline) growth		-5.80	% 28.14	% 3.18	% 20.21	% -1.19
Years Ended December 31,						
Revenue *		\$522,451	\$496,418	\$463,230	\$435,699	\$419,548
Total revenue growth		\$26,033	\$33,188	\$27,531	\$16,151	\$19,903
Total revenue growth		5.24	% 7.16	% 6.32	% 3.85	% 4.98

* - Revenue is defined as net interest income plus noninterest income

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

Table of Contents

Geographic Information

The following table shows Trustmark's percentage of loans, deposits and revenues for each of the geographic regions in which it operates at and for the year ended December 31, 2009 (\$ in thousands):

	Loans			Deposits			Revenue (3)		
	Amount	%		Amount	%		Amount	%	
Mississippi (1)	\$4,425,413	70.0	%	\$5,421,597	75.4	%	\$426,923	81.7	%
Tennessee (2)	562,700	8.9	%	1,033,011	14.4	%	38,239	7.3	%
Florida	523,654	8.3	%	203,001	2.8	%	26,238	5.0	%
Texas	808,030	12.8	%	530,856	7.4	%	31,051	6.0	%
Total	\$6,319,797	100.0	%	\$7,188,465	100.0	%	\$522,451	100.0	%

(1) - Mississippi includes Central and Southern Mississippi Regions

(2) - Tennessee includes Memphis, Tennessee and Northern Mississippi Region

(3) - Revenue is defined as net interest income plus noninterest income

Segment Information

For the year ended December 31, 2009, Trustmark operated through three operating segments -- General Banking, Insurance and Wealth Management. (See Note 19 to the accompanying audited financial statements). The table below presents segment data regarding net interest income (expense), noninterest income, net income and average assets for each segment for the last three years (\$ in thousands):

	Years ended December 31,		
	2009	2008	2007
General Banking			
Net interest income	\$349,790	\$314,860	\$296,761
Noninterest income	116,335	116,141	100,440
Net income	84,313	79,471	94,837
Average assets	9,406,775	9,012,458	8,733,634
Insurance			
Net interest income (expense)	\$296	\$224	\$(3)
Noninterest income	29,099	32,544	35,574
Net income	4,248	5,377	6,908
Average assets	17,751	20,489	21,670
Wealth Management			
Net interest income	\$4,123	\$4,076	\$4,025
Noninterest income	22,808	28,573	26,433
Net income	4,486	7,569	6,850
Average assets	95,916	98,240	90,533

For information on Trustmark's Segments, please see Results of Segment Operations in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 19 - Segment Information included in Item 8 - Financial Statements and Supplementary Data, which are located elsewhere in this report.

The Current Economic Recession

The economic recession continued to impact Trustmark's consolidated financial statements in 2009. Loans declined by \$402.6 million during 2009, reflecting decreased demand from large commercial customers as well as from the Corporation's efforts to reduce exposure to construction and land development lending and the decision to discontinue indirect auto lending in 2008. Reflecting the recessionary economic environment, nonperforming assets increased by \$79 million to \$231.3 million, representing 3.48% of loans and other real estate at December 31, 2009. Net charge offs in 2009 totaled \$68.4 million or 1.01% of average loans, while the provision for loan losses increased to \$77.1 million. The increase in each of these metrics is principally attributable to commercial developments of residential real estate conditions, principally in Trustmark's Florida market.

To address the downturn in the Florida real estate market, Trustmark established a dedicated problem asset working group in early 2008. This group is composed of experienced lenders and is charged with managing problem assets in the Florida Market. In addition, a special committee of executive management was formed to provide guidance and monitor the resolutions of problem assets. Aside from these new processes, Trustmark conducts quarterly reviews and assessments of all criticized loans in all its markets.

Table of Contents

These comprehensive assessments, which long pre-date the current economic recession, include the formulation of action plans and updates of recent developments on all criticized loans. Managing credit risks and real estate market conditions during this recession continues to be a primary focus for Trustmark.

In 2008, Trustmark dedicated staff to seek to mitigate foreclosure of primary residences on borrowers that are subject to adverse financial conditions in the current economic environment. Loss mitigation counselors and additional support staff were added to accommodate loss mitigation activity. Trustmark continues to utilize personnel in its collections department and has conducted regular training of its personnel on foreclosure mitigation. In some cases, Trustmark may make deferred payment arrangements with such borrowers on a short-term basis. Likewise, Trustmark is following the Fannie Mae, Freddie Mac and GNMA guidelines for foreclosure moratoriums in its portfolio of loans serviced for others.

Loan modifications made to date have substantially all occurred on loans serviced for outside investors. During 2010, Trustmark established an in-house mortgage modification program. The program is focused on extending loan maturities, which results in a reduced payment for those customers meeting program criteria. Based upon Trustmark's portfolio composite, a limited demand for this program is anticipated. As for new loan originations, Trustmark follows, in substantially all situations, the underwriting standards of the government agencies. As those agencies have revised standards on new originations, so has Trustmark.

Total deposits at December 31, 2009 of \$7.188 billion reflected a 5.3% increase from \$6.824 billion at December 31, 2008. This growth in deposits is comprised of an increase in both noninterest-bearing and interest-bearing deposits of \$189.0 million and \$175.6 million, respectively. The increase in noninterest-bearing deposits can be primarily attributed to normal fluctuations in business Demand Deposit Accounts (DDA) balances as well as a "flight to quality" from depositors, especially large corporate depositors, to the unlimited deposit insurance of FDIC Transaction Account Guaranteed qualified accounts. Increases in interest-bearing deposits resulted primarily from growth in balances held by public entities and individuals.

In November 2008, Trustmark participated in the Troubled Asset Relief Program (TARP)-Capital Purchase Program (CPP) sponsored by the U. S. Treasury (Treasury) to reinforce its strong capital position, advance the Treasury's efforts to facilitate additional lending, maintain its competitive advantage over less well-capitalized competitors, support its foreclosure mitigation programs and support its general operations. On December 7, 2009, Trustmark completed the issuance of 6,216,216 shares of common stock in an underwritten public offering yielding net proceeds of \$109.3 million. Following discussions with its federal regulators and utilizing the funding provided by the common stock offering, Trustmark redeemed all the Fixed Rate Cumulative Perpetual Preferred Stock, Series A, (Senior Preferred Stock) from the Treasury on December 9, 2009. The amount paid by Trustmark to redeem the Senior Preferred Stock consisted of \$215.0 million, which was equivalent to both the original issuance price and the liquidation value of the Senior Preferred Stock, plus final accrued dividends of \$716.7 thousand. As a result of the redemption, Trustmark incurred a one-time, non-cash charge of \$8.2 million to net income available to common shareholders for the unaccreted discount recorded at the date of the issuance of the Senior Preferred Stock. In addition, on December 30, 2009 Trustmark repurchased the ten-year warrant (the Warrant) from the Treasury for its fair value of \$10.0 million.

For additional discussion of the impact of the current economic recession on the financial condition and results of operations of Trustmark and its subsidiaries, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" elsewhere in 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.

Table of Contents

The table below presents FDIC deposit data regarding TNB's deposit market share by state as of June 30, 2009.

Market	Deposit Market Share	
Mississippi	13.38	%
Texas	0.12	%
Tennessee	0.25	%
Florida	0.05	%

Services provided by the Wealth Management segment 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 segment.

Trustmark's insurance subsidiaries face 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 being able to provide 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 related 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 local market knowledge and awareness of customer needs.

Supervision and Regulation

The following discussion sets forth certain material elements of the regulatory framework applicable to bank holding companies and their subsidiaries and provides certain specific information relevant to Trustmark. The discussion is qualified in its entirety by reference to the full text of statutes, regulations and policies that are described. Also, such statutes, regulations and policies are continually under the review of Congress and state legislatures as well as federal and state regulatory agencies. A change in statutes, regulations or regulatory policies could have a material impact on the business of Trustmark and its subsidiaries.

General

Trustmark is a registered bank holding company under the Bank Holding Company Act (BHC) of 1956, as amended. As such, Trustmark and its nonbank subsidiaries are subject to the supervision, examination and reporting requirements of the BHC Act and the regulations of the Federal Reserve Board. In addition, as part of Federal Reserve policy, a bank holding company is expected to act as a source of financial and managerial strength to subsidiary banks and to maintain resources adequate to support each subsidiary bank. The BHC Act requires every bank holding company to obtain the prior approval of the Federal Reserve 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 more than 5.0% 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 Federal Reserve may not approve any 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 Federal Reserve 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, as amended by the interstate banking provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 repealed the prior statutory restrictions on interstate acquisitions of banks by bank holding companies, such that Trustmark may now 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 Interstate Bank Branching Act also generally provided that, after June 1, 1997, national and state-chartered banks may branch interstate through acquisitions of banks in other states.

Table of Contents

In addition, bank holding companies generally may engage, directly or indirectly, only in banking and such other activities as are determined by the Federal Reserve Board to be closely related to banking. Trustmark is also subject to regulation by the State of Mississippi under its general business corporation laws. In addition to the impact of regulation, Trustmark and its subsidiaries may be affected by legislation that can change banking statutes in substantial and unexpected ways and by the actions of the Federal Reserve Board as it attempts to control the money supply and credit availability in order to influence the economy.

TNB is a national banking association and, as such, is subject to regulation by the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board. 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. Somerville is a state-chartered commercial bank, subject to regulation primarily by the FDIC and secondarily by the Tennessee Department of Financial Institutions.

TNB's nonbanking subsidiaries are subject to a variety of state and federal laws. TIA, a registered investment advisor, is subject to supervision and regulation by the SEC and the State of Mississippi. Bottrell, Fisher-Brown and TRMI are subject to the insurance laws and regulations of the states in which they are active.

Trustmark is also under the jurisdiction of the SEC for matters relating to the offering, sale and trading of its securities. Trustmark is subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as administered by the SEC.

The Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (Act) was signed into law on November 12, 1999. As a result of the Act, banks are able to offer customers a wide range of financial products and services without the restraints of previous legislation. In addition, bank holding companies and other financial services providers have been able to commence new activities and develop new affiliations much more readily. The primary provisions of the Act related to the establishment of financial holding companies and financial subsidiaries became effective on March 11, 2000. The 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 Act contains a number of provisions dealing with insurance activities by bank subsidiaries. Generally, the Act affirms the role of the states in regulating insurance activities, including the insurance activities of financial subsidiaries of banks, but the Act also preempts certain state laws. As a result of the Act, TNB elected for Bottrell, Fisher-Brown and TRMI to become financial subsidiaries. This enables TNB to engage in insurance agency activities at any location.

The Act also imposed new requirements related to the privacy of customer financial information. In accordance with the Act, federal banking 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 Act affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. Trustmark has complied with these requirements and recognizes the need for its customers' privacy.

Anti-Money Laundering Initiatives and the USA Patriot Act

Trustmark is also subject to extensive regulations aimed at combating money laundering and terrorist financing. The USA Patriot Act of 2001 (the USA Patriot Act) substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The Treasury has issued a

number of implementing regulations to financial institutions that apply to various requirements of the USA Patriot Act. These regulations 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.

Capital Adequacy

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines 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.

Table of Contents

The Federal Reserve Board and the OCC, the primary regulators of Trustmark and TNB, respectively, have substantially similar risk-based capital ratio and leverage ratio guidelines for banking organizations. Under the guidelines, banking organizations are required to maintain minimum ratios for Tier 1 capital and total capital to risk-weighted assets. For purposes of calculating these ratios, a banking organization's assets and some of its specified off-balance sheet commitments and obligations are assigned to various risk categories. Capital, at both the holding company and bank level, is classified in one of three tiers depending on type. Core capital (Tier 1) for both Trustmark and TNB includes total equity capital, with the impact of accumulated other comprehensive income (loss) eliminated plus allowable trust preferred securities less goodwill, other identifiable intangible assets and disallowed servicing assets. Supplementary capital (Tier 2) includes the allowance for loan losses, subject to certain limitations, as well as allowable subordinated debt. Total capital for both Trustmark and TNB is a combination of Tier 1 and Tier 2 capital.

Trustmark and TNB are required to maintain Tier 1 and total capital equal to at least 4% and 8% of their total risk-weighted assets, respectively. At December 31, 2009, Trustmark exceeded both requirements with Tier 1 capital and total capital equal to 12.61% and 14.58% of its total risk-weighted assets, respectively. At December 31, 2009, TNB also exceeded both requirements with Tier 1 capital and total capital equal to 12.21% and 14.16% of its total risk-weighted assets, respectively.

The Federal Reserve Board also requires bank holding companies to maintain a minimum leverage ratio. The guidelines provide for a minimum leverage ratio of 3% for banks and bank holding companies that meet certain specified criteria, including having the highest regulatory rating or have implemented the appropriate federal regulatory authority's risk-adjusted measure for market risk. All other holding companies and national banks are required to maintain a minimum leverage ratio of 4%, unless an appropriate regulatory authority specifies a different minimum ratio. For TNB to be considered well-capitalized under the regulatory framework for prompt corrective action, its leverage ratio must be at least 5%. At December 31, 2009, the leverage ratios for Trustmark and TNB were 9.74% and 9.45%, respectively.

Failure to meet minimum capital requirements could subject a bank to a variety of enforcement remedies. The Federal Deposit Insurance Act, as amended, (FDIA), identifies five capital categories for insured depository institutions. These include well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. FDIA 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 a depository institution to capital raising requirements. In addition, a 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. As of December 31, 2009, the most recent notification from the OCC categorized TNB as well-capitalized based on the ratios and guidelines described above. In addition, FDIA 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 a financial institution that does not meet such standards.

The minimum risk-based capital requirements adopted by the U.S. federal banking agencies follow the Capital Accord of the Basel Committee on Banking Supervision. In 2004, the Basel Committee published a revision to the Accord (Basel II) and in December 2007, U.S. banking regulators published a final Basel II rule. The Basel II guidelines became operational in April 2008, but are mandatory only for banks with consolidated total assets of \$250 billion or more or consolidated on-balance sheet foreign exposures of \$10 billion or more. The U.S. implementation timetable consists of a parallel calculation period under the current regulatory capital regime (Basel I) and Basel II, starting any time between April 1, 2008 and April 1, 2010 followed by a three-year transition period, typically starting 12 months after the beginning of parallel reporting. The U.S. banking regulators have reserved the right to change how Basel II is applied in the U.S. following a review at the end of the second year of the transitional period, and to retain the existing prompt corrective action and leverage capital requirements applicable to banking organizations in the U.S. The Basel

II requirements are the subject of political debate and potential change in light of recent events. Trustmark and TNB are not required to comply with Basel II at this time due to its asset size and lack of on-balance sheet foreign exposure.

Somerville, which is not a significant subsidiary as defined by the SEC and thus is not discussed in detail in this section, was also in compliance with all applicable capital adequacy guidelines at December 31, 2009.

Payment of Dividends and Other Restrictions

The principal source of Trustmark's cash revenues 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. Approval of the OCC is required if the total of all dividends declared in any calendar year exceeds the total of its net income for that year combined with its retained net income from the preceding two years. TNB will have available in 2010 approximately \$57.2 million plus its net income for that year to pay as dividends. 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.

Table of Contents

FDIC Deposit Insurance Assessments

The deposits of TNB are insured up to regulatory limits set by the Deposit Insurance Fund (DIF), as administered by the FDIC, and, accordingly, are subject to deposit insurance assessments to maintain the DIF. The FDIC uses a risk based assessment system that imposes insurance premiums based upon a risk matrix that takes into account a bank's capital level and supervisory rating (the CAMELS component rating). For Risk Category I institutions (generally those institutions with less than \$10 billion in assets), including Trustmark National Bank, assessment rates are determined from a combination of financial ratios and CAMELS component ratings. The minimum annualized assessment rate for Risk Category I institutions during 2009 was 12 basis points per \$100 of deposits with the maximum rate being 16 basis points. Assessment rates for institutions in Risk Category I may vary within this range depending upon changes in CAMELS component ratings and financial ratios.

In 2009, TNB's expenses related to deposit insurance premiums totaled \$14.7 million, which reflects the impact of both increased assessment rates as well as a five basis point special assessment. In addition, TNB also paid approximately \$711 thousand in Financing Corporation (FICO) assessments related to outstanding FICO bonds for which the FDIC serves as collection agent. The bonds issued by the FICO are due to mature from 2017 through 2019. For the quarter ended December 31, 2009, the FICO assessment was equal to 1.06 basis points per \$100 of deposits. Somerville's total FDIC expenses for 2009 totaled \$367 thousand.

On October 3, 2008, as part of the Emergency Economic Stabilization Act of 2008 (EESA), the basic limit on federal deposit insurance coverage was increased from \$100,000 to \$250,000 per depositor. The EESA, as amended by the Helping Families Save Their Homes Act of 2009, provides that the basic deposit insurance limit will return to \$100,000 after December 31, 2013, except for IRAs and certain other retirement accounts, which will remain at \$250,000 per depositor.

On October 14, 2008, the FDIC announced the Temporary Liquidity Guarantee Program (TLGP), which was designed to strengthen confidence and encourage liquidity in the banking system. The TLGP consists of two components: a temporary guarantee of certain newly-issued unsecured debt (the Debt Guarantee Program) and a temporary unlimited deposit insurance on funds in noninterest-bearing transaction deposit accounts not covered by the federal deposit insurance coverage limit of \$250,000 (the Transaction Account Guarantee Program). Under the Debt Guarantee Program, the FDIC guarantees, with certain limitations, newly issued senior unsecured debt with a term greater than 30 days of eligible participating entities. Under the Transaction Account Guarantee Program, the FDIC guarantees noninterest-bearing transaction accounts, as well as Negotiable Order of Withdrawal, or NOW, accounts with interest rates of 50 basis points or less. Trustmark and its banking subsidiaries opted to participate in both programs, but incurred no additional assessment for the Debt Guarantee Program since it currently has no qualifying debt outstanding. Participants in the Transaction Account Guarantee Program, including Trustmark, paid an assessment of 10 basis points for covered deposits exceeding \$250,000. The Debt Guarantee Program expired on October 31, 2009, although the FDIC established a limited emergency guarantee facility that is available to entities that apply to and receive prior approval from the FDIC. The FDIC extended the Transaction Account Guarantee Program (which had originally been set to expire on December 31, 2009) to June 30, 2010 and increased the assessment rate to 15, 20 or 25 basis points, depending on the institution's risk category. The assessment rate applicable to Trustmark for participation in the Transaction Account Guarantee Program from December 31, 2009 to June 30, 2010 will be 15 basis points, based on Trustmark's inclusion in Risk Category I.

The FDIC has stated its intention, as part of a proposed plan to restore the DIF following significant decreases in its reserves, to increase deposit insurance assessments. On January 1, 2009, the FDIC increased its assessment rates and has since imposed further rate increases and changes to the current risk-based assessment system. On May 22, 2009, the FDIC adopted a final rule imposing a five basis point special assessment on each insured depository institution's assets less Tier 1 capital as of June 30, 2009. On September 29, 2009, the FDIC increased annual assessment rates

uniformly by 3 basis points beginning in 2011. On November 12, 2009, the FDIC adopted a final rule requiring a majority of institutions to prepay their quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. Trustmark's prepaid assessment amount was approximately \$39.1 million and was collected by the FDIC on December 30, 2009.

Recent Regulatory Developments

In November 2009, the Federal Reserve Board adopted final rules that prohibit financial institutions, such as Trustmark, from charging customers for paying overdrafts on ATM and one-time debt card transactions, unless the consumer consents to the overdraft service for those products. This change will reduce the fees that Trustmark is able to charge when customers have insufficient funds in an account. Trustmark estimates that this charge, which becomes effective on July 1, 2010, may reduce noninterest income by approximately \$5 million to \$7 million for the year ending December 31, 2010.

Table of Contents

Available Information

Trustmark's internet address is 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 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, 2009, Trustmark employed 2,524 full-time equivalent associates, none of which are represented by a collective bargaining agreement. Trustmark believes its employee relations to be good.

Executive Officers of the Registrant

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

Richard G. Hickson, 65
Trustmark Corporation
Chairman, President and Chief Executive Officer since April 2002
Trustmark National Bank
Chairman and Chief Executive Officer since April 2002

Gerard R. Host, 55
Trustmark Corporation
Interim Principal Financial Officer from November 2006 to January 2007
Trustmark National Bank
President and Chief Operating Officer since March 2008
President – General Banking from February 2004 to March 2008

Louis E. Greer, 55
Trustmark Corporation
Treasurer and Principal Financial Officer since January 2007
Chief Accounting Officer from January 2003 to January 2007
Trustmark National Bank
Executive Vice President and Chief Financial Officer since February 2007
Senior Vice President and Chief Accounting Officer from February 2004 to February 2007

T. Harris Collier III, 61
Trustmark Corporation
Secretary since April 2002
Trustmark National Bank
General Counsel since January 1990

Duane A. Dewey, 51
Trustmark National Bank
Executive Vice President and Corporate Banking Manager since September 2008
President – Central Region from February 2007 to September 2008

President – Wealth Management Division from August 2003 to February 2007

George C. Gunn, 58

Trustmark National Bank

Executive Vice President and Real Estate Banking Manager since September 2008

Executive Vice President and Corporate Banking Manager from February 2004 to September 2008

12

Table of Contents

Glynn Ingram, 58

Trustmark National Bank

Executive Vice President and Chief Information Officer since September 2008

Senior Vice President and Chief Information Officer from December 2007 to September 2008

Chief Information Officer from December 2006 to December 2007

Saks Incorporated

Vice President – Telecommunications from July 2001 to December 2006

James M. Outlaw, Jr., 56

Trustmark National Bank

President and Chief Operating Officer – Texas since August 2006

Executive Vice President and Chief Information Officer from September 1999 to August 2006

W. Arthur Stevens, 45

Trustmark National Bank

President – Mississippi Region since September 2008

President – South Region from February 2005 to September 2008

Senior Vice President and Manager of Retail Administration from February 2003 to February 2005

Breck W. Tyler, 51

Trustmark National Bank

Executive Vice President and Mortgage Services Manager since June 2006

Senior Vice President and Mortgage Services Manager from September 1999 to June 2006

Rebecca N. Vaughn-Furlow, 65

Trustmark National Bank

Executive Vice President and Human Resources Director since June 2006

Senior Vice President and Human Resources Director from February 1999 to June 2006

Harry M. Walker, 59

Trustmark National Bank

President – Jackson Metro since February 2004

Chester A. (Buddy) Wood, Jr., 61

Trustmark National Bank

Executive Vice President and Chief Risk Officer since February 2007

Senior Vice President and Treasurer from January 2005 to February 2007

C. Scott Woods, 53

Trustmark National Bank

Executive Vice President and Insurance Services Manager since June 2006

Senior Vice President and Insurance Services Manager from September 2002 to June 2006

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 risk, 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 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. The occurrence of any one of, or of a combination of, these risk factors could have a material negative effect on Trustmark's financial condition or results of operations.

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

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. For the year ended December 31, 2009, Trustmark's total interest income was \$442.1 million while net interest income was approximately \$354.2 million. Trustmark's simulation model using balances at December 31, 2009 estimated that in the event of a 200 basis point increase in interest rates, there would be a reduction in net interest income of 3.2%. Net interest income is Trustmark's largest revenue source, and it is important to understand how Trustmark is subject to interest rate risk.

Table of Contents

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, 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.

Trustmark may face increased regulation of its industry. Compliance with such regulation may increase its costs and limit its ability to pursue business opportunities.

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 funding strategies to mitigate adverse effects of interest rate shifts on Trustmark's balance sheet.

Trustmark utilizes derivative contracts to hedge Mortgage Servicing Rights (MSR) in order to offset changes in fair value resulting from rapidly changing 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 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.

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.

The national economic recession has increased the business risks for Trustmark.

The capital and credit markets have been experiencing volatility and disruption during the last two years. Issues in the housing market over the past year, with anemic improvement in home prices, along with prolonged losses of jobs continuing to add uncertainty to the employment outlook, have negatively impacted the credit performance of loans and resulted in writedowns of asset values by financial institutions, including Trustmark. For example, in Trustmark's Florida market, which is the market in which Trustmark has experienced the greatest impact from the economic recession, at December 31, 2009, approximately \$190.3 million in aggregate principal amount of loans, or approximately 36.3% of total Florida loans of approximately \$523.7 million, were classified as criticized, meaning

that those loans exhibit potential credit weaknesses. Of those loans, approximately \$45.3 million in aggregate principal amount of loans were classified as “impaired,” meaning that they are collateral dependent, and that Trustmark charges off the full difference between the loan value and the net realizable value of the underlying collateral. For Trustmark, the amount of nonaccrual loans rose by approximately 23.8% from December 31, 2008 to approximately \$141.2 million at December 31, 2009. At December 31, 2009, Trustmark’s total nonperforming assets amounted to approximately \$231.3 million, an increase of approximately 51.5% over total nonperforming assets at December 31, 2008.

Table of Contents

Trustmark does not assume that the difficult conditions in the economy and in the financial markets generally, and in particular in the Florida market, will improve significantly in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on Trustmark. 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.

Conditions in Trustmark's markets in Mississippi, Tennessee or Texas, which to date have been less severe than in Trustmark's Florida market, could worsen.

Competition in the industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions.

The current market disruptions make valuation of assets even more difficult and subjective, and Management's ability to measure the fair value of Trustmark's assets could be adversely affected. 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 change and a rating agency might downgrade its credit rating or put Trustmark on credit watch.

Trustmark may face increased regulation of its industry as a result of the issuance of new regulations. Compliance with such regulation may increase its costs and limit its ability to pursue business opportunities.

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. As discussed above, the current economic recession resulted in increases in Trustmark's loan losses and impaired loans. If current trends in the housing and real estate markets continue, Trustmark may continue to experience higher than normal delinquencies and credit losses. Moreover, if a prolonged recession occurs, 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 to make further increases in its provision for loan losses in the future, particularly if economic conditions continue to deteriorate.

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. 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, brokered deposits, the Federal Reserve Discount Window, Federal Home Loan Bank (FHLB) advances and TAF borrowings. 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.

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 scenarios that estimate the liquidity impact resulting from a short-term ratings downgrade over various grading levels. 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 FRB and the FHLB that are secured by loans and investment securities. Management continuously monitors Trustmark's liquidity position for compliance with internal policies.

Table of Contents

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

We maintain an investment portfolio that includes, among other asset classes, obligations of states and municipalities, agency mortgage-related securities and corporate securities. As of December 31, 2009, we had approximately \$1.7 billion of securities available for sale and \$0.2 billion of securities held to maturity. We may be required to record mark-to-market adjustments on our investment securities. The market value of investments in our 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, such as the conservatorship of FNMA and FHLMC.

On a quarterly basis, we evaluate investments and other assets for impairment indicators. As of December 31, 2009, we had total gross unrealized losses in respect of our temporarily impaired securities of \$2.2 million. We may be required to record impairment charges if our investments suffer a decline in value that is other-than-temporary. If we determine that a significant impairment has occurred, we 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 our results of operations in the period in which a write-off, if any, occurs.

The effects of the Federal Government's efforts to wind down various programs implemented to support the financial markets cannot be predicted.

Economic conditions, particularly over the course of the last year and a half, have resulted in government regulatory agencies and political bodies placing increased focus on and scrutiny of the financial services industry. The Federal government has intervened on an unprecedented scale. Many of these programs are in the process of being unwound, as the government seeks to affect an orderly withdrawal of this support. The effects of this wind down on Trustmark, or on the markets in which we compete, cannot be predicted.

Legislators and regulators are considering a wide range of potential regulatory initiatives relating to the financial services industry, which, if enacted, could materially affect Trustmark's results of operations, financial condition, liquidity or the market price of our common stock.

The Federal government is considering various proposals for a comprehensive overhaul of the regulatory structure for the financial markets. In addition, various forms of taxes on financial institutions to fund government resolution authority for failed large institutions, as well as taxes designed to, in effect, reimburse the Federal government for the perceived costs incurred by the Federal government to date in its actions to support the markets. It is not possible to predict the form any such new regulations or taxes, if enacted, will take, or whether any such efforts will succeed in improving economic conditions nationally or in our markets, or whether the measures adopted will have consequences that prove to be adverse to the markets, either nationally or in which Trustmark competes. It is possible that these measures could adversely affect the creditworthiness of counterparties of Trustmark, which could increase our risk profile.

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 more 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. 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 growth and profitability.

Table of Contents

Trustmark may be required to pay significantly higher FDIC premiums in the future.

A significant increase in insured institution failures during 2009 has resulted in a decline in the designated reserve ratio of the Deposit Insurance Fund (DIF) to historical lows. On November 12, 2009, the FDIC adopted a final rule requiring substantially all institutions to prepay their quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. On September 29, 2009, the FDIC increased annual assessment rates uniformly by 3 basis points beginning in 2011. As a result, an institution's total base assessment rate for purposes of estimating an institution's prepaid assessment for 2011 and 2012 will be increased by an annualized 3 basis points beginning in 2011. Again for purposes of calculating the amount that an institution will prepay, an institution's third quarter 2009 assessment base will be increased quarterly at a 5 percent annual growth rate through the end of 2012. Trustmark's prepaid assessment amount was approximately \$39.1 million and was collected by the FDIC on December 30, 2009. At least semi-annually hereafter, the FDIC will update its loss and income projections for the DIF. If necessary to return the reserve ratio to its mandated minimum, the FDIC could increase assessment rates during its restoration period, which could have an adverse impact on Trustmark's 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 may make it more difficult for you to resell your Trustmark common stock at prices you find attractive and at the time you want. Trustmark's stock price can fluctuate significantly in response to a variety of factors, including factors affecting the financial industry as a whole. Trustmark's stock price in 2009 was subjected to increased volatility, reflecting the volatility faced by the financial markets in general. Since January 1, 2009, Trustmark's stock reached a high of \$23.45 per share on February 9, 2009 and a low of \$14.18 per share on March 6, 2009. 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;
- 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, industry factors and general economic and political conditions could also cause Trustmark's stock price to decrease regardless of operating results.

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

Since January 1, 2004, Trustmark has consummated three significant acquisitions: (i) five branches of Allied Houston Bank, on March 12, 2004; (ii) Fisher-Brown, Incorporated, a northwest Florida insurance agency, on December 1, 2004; and (iii) Republic Bancshares of Texas, Inc., on August 25, 2006. 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 and results of operations.

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 ongoing economic recession has 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 U.S. GAAP. Any such changes can be difficult to predict and can materially affect how Trustmark records and reports its financial condition and results of operations.

Table of Contents

We are exposed to operational, reputational and regulatory risk and we must utilize new technologies to deliver our products and services.

As is customary in the banking industry, we are dependent upon automated and non-automated systems to record and process our transaction volume. This poses the risk that technical system flaws, employee errors or tampering or manipulation of those systems by employees, customers or outsiders will result in losses. Any such losses, which may be difficult to detect, could adversely affect our financial condition or results of operations. In addition, the occurrence of such a loss could expose us to reputational risk, the loss of customer business, additional regulatory scrutiny or civil litigation and possible financial liability. We may also be subject to disruptions of our operating systems arising from events that are beyond our control (for example, computer viruses or electrical or telecommunications outages). We are further exposed to the risk that our third party service providers may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors as us). These disruptions may interfere with service to our customers and result in a financial loss or liability that could adversely affect our financial condition or results of operations. 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. Our ability effectively to utilize new technologies to address our customers' needs and create operating efficiencies could materially affect our future prospects. We can not provide any assurances that we will be successful in utilizing such new technologies.

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 Texas, Mississippi and Florida, which regions are often in the path of seasonal hurricanes. As reported in previous filings, Hurricane Katrina had a catastrophic effect on Trustmark's Mississippi market, and in late summer 2008, Hurricane Gustav threatened to create a similar result in the Houston metropolitan area, which is the location of Trustmark's Texas operations. 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.

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 224,000 square feet, or 85%, 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. Trustmark, through its two banking subsidiaries, also operates 140 full-service branches, 17 limited-service branches, one in-store branch and an ATM network, which includes 132 ATMs at on-premise locations and 73 ATMs located at off-premise sites. In addition, Trustmark's Insurance Division utilizes three off-site locations while the Mortgage Banking Group has one additional off-site location. Trustmark leases 105 of its 235 locations with the remainder being owned.

ITEM 3. LEGAL PROCEEDINGS

Trustmark's wholly-owned subsidiary, TNB, has been named as a defendant in 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, on behalf of themselves and all others similarly situated, naming TNB and four other financial institutions unaffiliated with the Company as defendants. The complaint seeks to recover (i) alleged fraudulent transfers from each of the defendants in the amount of fees 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 arising from the facts set forth in pending federal criminal indictments and civil complaints against Mr. Stanford, other individuals and the Stanford Financial Group. Plaintiffs have demanded a jury trial. 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.

Table of Contents

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. The lawsuit is in its preliminary stage and has been previously reported in the press. Trustmark believes that the lawsuit is entirely without merit and intends to defend vigorously against it.

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. The cases are being vigorously contested. In the regular course of business, Management evaluates estimated losses or costs related to litigation, and provision is made for anticipated losses whenever Management believes that such losses are probable and can be reasonably estimated. At the present time, Management believes, based on the advice of legal counsel and Management's evaluation, that the final resolution of pending legal proceedings will not have a material impact on Trustmark's consolidated financial position or results of operations; however, Management is unable to estimate a range of potential loss on these matters because of the nature of the legal environment in states where Trustmark conducts business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to Trustmark's shareholders during the fourth quarter of 2009.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS 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 2009 and 2008, 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	2009		2008	
	High	Low	High	Low
First quarter	\$23.45	\$14.18	\$25.72	\$17.60
Second quarter	23.30	17.36	24.00	17.64
Third quarter	22.00	17.32	34.00	14.31
Fourth quarter	22.99	18.07	23.50	14.51
Dividends Per Share			2009	2008
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 28, 2010, there were 3,710 holders of record of Trustmark's common stock. Other information required by this item can be found in Note 15 - Shareholders' Equity included in Item 8 - Financial Statements and Supplementary Data located elsewhere in this document.

Stock Repurchase Plans

Trustmark did not repurchase any common shares during 2009 or 2008 and currently has no authorization from the Board of Directors to repurchase its common stock. During 2007, Trustmark repurchased approximately 1.4 million shares of its common stock.

19

Table of Contents

Stock Price 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 Hemscott Industry Group 413. The Hemscott Industry Group 413 is an industry index published by Hemscott, Inc., and consists of 75 bank holding companies located in the Southeastern United States. This presentation assumes that \$100 was invested in shares of the relevant issuers on December 31, 2004, 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	2004	2005	2006	2007	2008	2009
Trustmark	100	90.99	111.35	89.18	79.53	87.16
Hemscott Industry Group 413	100	101.26	119.31	81.54	48.16	46.90
NASDAQ	100	102.20	112.68	124.57	74.71	108.56

Table of Contents

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, 2009 (\$ in thousands except per share data). The data should be read in conjunction with Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8 - Financial Statements and Supplementary Data found elsewhere in this report.

Years Ended December 31,	2009	2008	2007	2006	2005
Consolidated Statements of Income					
Total interest income	\$442,062	\$483,279	\$543,143	\$482,746	\$415,697
Total interest expense	87,853	164,119	242,360	202,175	139,256
Net interest income	354,209	319,160	300,783	280,571	276,441
Provision for loan losses	77,112	76,412	23,784	(5,938)	19,541
Noninterest income	168,242	177,258	162,447	155,128	143,107
Noninterest expense	308,259	283,719	276,449	260,480	243,276
Income before income taxes	137,080	136,287	162,997	181,157	156,731
Income taxes	44,033	43,870	54,402	61,884	53,780
Net Income	93,047	92,417	108,595	119,273	102,951
Preferred stock dividends/discount accretion	19,998	1,353	-	-	-
Net Income Available to Common Shareholders	\$73,049	\$91,064	\$108,595	\$119,273	\$102,951
Common Share Data					
Basic earnings per share	\$1.26	\$1.59	\$1.88	\$2.11	\$1.82
Diluted earnings per share	1.26	1.59	1.88	2.09	1.81
Cash dividends per share	0.92	0.92	0.89	0.85	0.81
Performance Ratios					
Return on average common equity	7.22	% 9.62	% 12.02	% 14.89	% 13.86
Return on average tangible common equity	10.80	% 14.88	% 19.17	% 20.78	% 18.24
Return on average total equity	7.72	% 9.53	% 12.02	% 14.89	% 13.86
Return on average assets	0.98	% 1.01	% 1.23	% 1.42	% 1.25
Net interest margin (fully taxable equivalent)	4.25	% 4.01	% 3.91	% 3.84	% 3.85
Credit Quality Ratios					
Net charge-offs/average loans	1.01	% 0.87	% 0.23	% 0.06	% 0.13
Provision for loan losses/average loans					