TRUSTMARK CORP
Form 10-K
March 02, 2015

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, 2014
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

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 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	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, 2014, 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 $1.118 billion.

As of January 31, 2015, there were issued and outstanding 67,525,041 shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Trustmark's 2015 Annual Meeting of Shareholders to be held April 28, 2015 are incorporated by reference into Part III of the Form 10-K report.

TRUSTMARK CORPORATION

ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

PART I		PAGE
Item 1.	Business	3
Item 1A.	Risk Factors	18
Item 1B.	Unresolved Staff Comments	26
Item 2.	Properties	26
Item 3.	Legal Proceedings	26
Item 4.	Mine Safety Disclosures	26
PART II		
Item 5.	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	26
Item 6.	Selected Financial Data	28
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	73
Item 8.	Financial Statements and Supplementary Data	76
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	147
Item 9A.	Controls and Procedures	147
Item 9B.	Other Information	148
PART III		
Item 10.	Directors, Executive Officers of the Registrant and Corporate Governance	149
Item 11.	Executive Compensation	149
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	149
Item 13.	Certain Relationships and Related Transactions, and Director Independence	149
Item 14.	Principal Accounting Fees and Services	149
PART IV		
Item 15.	Exhibits, Financial Statement Schedules	149
SIGNATURES		152

Table of Contents

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,” “pote “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 the extent and duration of the current volatility in the credit and financial markets, continuation of the recent decline in crude oil prices for an extended period of time, 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, greater than expected costs or difficulties related to the integration of acquisitions or new products and lines of business, 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, 2014, TNB had total assets of $12.249 billion, which represented approximately 99.98% 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 205 offices and 3,060 full-time equivalent associates (measured at December 31, 2014) 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.

Table of Contents

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, 2014, TNB's mortgage loan portfolio totaled approximately $1.083 billion, while its portfolio of mortgage loans serviced for others, including Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Government National Mortgage Association (GNMA), totaled approximately $5.636 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 Fisher Brown Bottrell Insurance, Inc. (FBBI), a Mississippi corporation 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, retirement plan services as well as life insurance and other risk management services provided by FBBI. TNB's wealth management division is also assisted by Trustmark Investment Advisors, Inc. (TIA), a Securities and Exchange Commission (SEC)-registered investment adviser. TIA provides customized investment management services to TNB's Wealth Management Division, which in turns relies upon that advice to provide investment management services to TNB's wealth management customers. During the second quarter of 2014, TNB moved the administration of Private Banking, previously reported in the Wealth Management Division, to the General Banking Division, which encompasses TNB's commercial, consumer and mortgage banking products and services. At December 31, 2014, Trustmark held assets under management and administration of $10.161 billion and brokerage assets of $1.557 billion.

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 and a certified Community Development Entity (CDE). The primary mission of SCC is to provide investment capital for LICs, as defined by Section 45D of the Internal Revenue Code, or 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 Trusts

Trustmark Preferred Capital Trust I (the Trust) is a Delaware trust affiliate 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.

The following table sets forth summary data regarding Trustmark's securities, loans, assets, deposits, equity and revenues over the past five years. 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, which materially affected several of the line items set forth below.

Table of Contents

Summary Information
($ in thousands)

December 31,	2014	2013	2012	2011	2010
Securities	$3,545,252	$3,362,882	$2,699,933	$2,526,698	$2,318,096
Total securities growth	$182,370	$662,949	$173,235	$208,602	$400,716
Total securities growth	5.42 %	24.55 %	6.86 %	9.00 %	20.90 %
Loans *	$6,998,878	$6,603,087	$5,726,318	$5,934,288	$6,060,242
Total loans growth (decline)	$395,791	$876,769	$(207,970)	$(125,954)	$(259,555)
Total loans growth (decline)	5.99 %	15.31 %	-3.50 %	-2.08 %	-4.11 %
Assets	$12,250,633	$11,790,383	$9,828,667	$9,727,007	$9,553,902
Total assets growth	$460,250	$1,961,716	$101,660	$173,105	$27,884
Total assets growth	3.90 %	19.96 %	1.05 %	1.81 %	0.29 %
Deposits	$9,698,358	$9,859,902	$7,896,517	$7,566,363	$7,044,567
Total deposits growth (decline)	$(161,544)	$1,963,385	$330,154	$521,796	$(143,898)
Total deposits growth (decline)	-1.64 %	24.86 %	4.36 %	7.41 %	-2.00 %
Equity	$1,419,940	$1,354,953	$1,287,369	$1,215,037	$1,149,484
Total equity growth	$64,987	$67,584	$72,332	$65,553	$39,424
Total equity growth	4.80 %	5.25 %	5.95 %	5.70 %	3.55 %
Years Ended December 31,					
Revenue **	$578,478	$562,346	$516,179	$508,797	$517,950
Total revenue growth (decline)	$16,132	$46,167	$7,382	$(9,153)	$(4,501)
Total revenue growth (decline)	2.87 %	8.94 %	1.45 %	-1.77 %	-0.86 %

* 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 located elsewhere in 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 as of and for the year ended December 31, 2014 ($ in thousands):

	Loans (3)		Deposits		Revenue (4)	
	Amount	%	Amount	%	Amount	%
Alabama	$853,885	12.2 %	$1,329,878	13.7 %	$80,780	14.0 %
Florida	385,901	5.5 %	559,550	5.8 %	54,626	9.4 %
Mississippi (1)	4,247,135	60.7 %	5,859,322	60.4 %	355,414	61.4 %
Tennessee (2)	520,803	7.4 %	1,464,634	15.1 %	46,340	8.0 %
Texas	991,154	14.2 %	484,974	5.0 %	41,318	7.2 %
Total	$6,998,878	100.0%	$9,698,358	100.0%	$578,478	100.0%

(1) Mississippi includes Central and Southern Mississippi Regions
(2) Tennessee includes Memphis, Tennessee and Northern Mississippi Regions
(3) Includes loans held for investment and acquired loans.
(4) Consistent with Trustmark's audited financial statements, revenue is defined as net interest income plus noninterest income

Segment Information

For the year ended December 31, 2014, Trustmark operated through three operating segments - General Banking, Insurance and Wealth Management. During the second quarter of 2014, Trustmark revised the composition of its operating segments by moving the Private Banking group from the Wealth Management Division to the General Banking Division as a result of a change in supervision of this group for segment reporting purposes. Prior period amounts presented below include reclassifications to conform to the current period presentation. The table below presents segment data regarding net interest income, provision for loan losses, net, noninterest income, net income and average assets for each segment for the last three years, and for the year ended December 31, 2013, reflects the consummation of Trustmark's merger with BancTrust on February 15, 2013 ($ in thousands):

	Years ended December 31,		
	2014	2013	2012
General Banking			
Net interest income	$404,214	$387,586	$340,130
Provision for loan losses, net	7,382	(7,382)	12,294
Noninterest income	107,457	113,571	122,565
Net income	114,870	109,009	110,088
Average assets	11,958,078	11,463,789	9,737,230
Wealth Management			
Net interest income	$851	$582	$559
Noninterest income	32,209	29,446	24,421
Net income	4,222	3,561	2,710
Average assets	1,504	304	261
Insurance			
Net interest income	$271	$319	$301
Noninterest income	33,476	30,842	28,203
Net income	4,470	4,490	4,485

Average assets	68,448	66,876	65,560

For more information on Trustmark's Segments, please see the section captioned "Segment Information" 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, which are located elsewhere in 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, which are located elsewhere in this report.

Table of Contents

- 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 restricted to projects within its geographic markets and is generally extended to those builders and developers exhibiting the highest credit quality with significant equity invested in the project. 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 throughout the term of the loan.

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.

Table of Contents

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 borrowers 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, the 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 revenues to repay the loans. Loans to non-profit and charitable organizations are dependent on those organizations' ability to generate revenues through their fundraising efforts and other forms of financial support, which can be susceptible to economic downturns.

Recent Economic and Industry Developments

The economy has continued to show moderate signs of improvement; however, lingering economic concerns remain as a result of the cumulative weight of soft U.S. labor markets, continuation of the recent decline in crude oil prices for an extended period of time, slowing growth in markets in Western Europe, as well as in China and other emerging markets, combined with uncertainty regarding the timing of the anticipated tightening of the monetary policy by the Federal Reserve Board (FRB), continued instability of the Russian economy and renewed uncertainty as to the potential of increased financial instability in Greece and, perhaps, in the broader European Union. Doubts surrounding the near-term direction of global markets are expected to persist for some time. While our customer base is wholly domestic, international economic conditions can affect domestic conditions, and thus have an impact upon Trustmark's financial condition or results of operations.

Table of Contents

Notwithstanding the various issues affecting European and Asian economies in 2014, the U.S. economy improved during the period. Estimated employment growth in the United States for 2014 was reported to average approximately 246,000 jobs created per month compared to 194,000 jobs created per month during 2013. The unemployment rate declined from 6.7% as of December 2013 to 5.6% as of December 2014, which reflected an increase in the number of jobs created and a decline in the number of jobs lost, though it also reflected a rise in the discouraged worker rate, which suggests that actual job growth was at a lesser rate. Consumer confidence in the United States rose by approximately 20% in 2014, which reportedly reflected consumers' increased optimism about current business conditions and the current job market as well as the outlook for continued job growth and further improvement in the overall domestic economy. In the January 2015 "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 moderate pace during the reporting period. According to the Federal Reserve Districts' reports, overall consumer spending in most districts increased with modest year-over-year gains in retail sales, automotive sales showed moderate-to-strong growth, activity in the nonfinancial services sector continued to expand at a moderate pace overall and manufacturing activity expanded in most districts. In addition, single-family residential real estate sales and construction were largely flat overall, reflecting a slight year-over-year decline in sales in most districts and modest increases in home prices, while commercial real estate activity expanded in most districts. The Federal Reserve Districts' report also noted that demand for business and consumer credit grew during the reporting period as most districts reported slight-to-moderate increases in loan volumes while credit quality remained stable with overall reductions in loan delinquencies.

The impact of increases in interest rates during the second half of 2013 remained evident in the year-over-year earnings comparisons across the banking industry during 2014. The FRB has recently signaled its intent to begin increasing interest rates during the second half of 2015; however, it is not possible to predict the timing, amount or even direction of any such increase in the coming year. Low interest rates will continue to place pressure on net interest margins, as older assets continue to mature or default and are replaced with lower-yielding instruments.

In the FDIC's third quarter 2014 "Quarterly Banking Profile" (published November 26, 2014), insured institutions reported an aggregate increase in net income for the third quarter of 2014 compared to that of 2013, and the largest year-over-year growth in reported net operating revenue (the sum of net interest income and total noninterest income) since the fourth quarter of 2009. In the same report, FDIC-insured institutions reported an aggregate increase in quarterly loan loss provisions, which was the first year-over-year increase in quarterly loan loss provisions since 2009. These institutions also report (i) the lowest quarterly total for net charge-offs since the first quarter of 2007, as charge-offs in all major loan categories, except auto loans, had year-over-year declines; (ii) improved noncurrent levels across all major loan categories, except loans to individuals; (iii) declines in loan loss reserves for the eighteenth consecutive quarter, as net charge-offs taken out of reserves exceeded the provisions added to reserves; and (iv) increased equity capital, as 98.5% of all insured institutions met or exceeded the requirements for the highest capital category.

In the Office of the Comptroller of the Currency's (OCC's) third quarter 2014 "Mortgage Metrics Report" (published in December 2014), the OCC reported continued performance improvements and declines in foreclosure activity during the quarter for the portfolio of loans included within their report. This was consistent with observed industry trends overall, and was attributable to improved economic conditions and aggressive foreclosure prevention assistance. The OCC also reported (i) an increase in the percentage of mortgage loans that were current and performing as compared to both the prior quarter and one year earlier, (ii) a decrease in the percentage of mortgage loans that were 30-to-59 days past due compared to the previous year and (iii) a decrease in the percentage of seriously delinquent mortgage loans (mortgage loans 60 days or more past due or held by bankrupt borrowers whose payments are 30 days or more past due) from the prior year. Lastly, the OCC reported that foreclosure activity among the reporting servicers continued to decline as both the number of mortgage loans in the process of foreclosure and the number of home retention actions implemented by servicers decreased from one year earlier.

Trustmark has continued to dedicate staff to mitigate foreclosure of primary residences on borrowers who are subject to adverse financial conditions in the current economic environment. Loss mitigation counselors and additional support staff have been utilized 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 continues to follow FNMA, FHLMC and GNMA guidelines for foreclosure moratoriums in its portfolio of loans serviced for others. As for new loan originations, primarily those intended for sale in the secondary market, Trustmark follows the underwriting standards of the relevant government sponsored enterprises (GSE) and agencies. As those GSE and agencies have revised standards on new originations, so has Trustmark. During 2014, Trustmark continued to allocate the appropriate resources to fully comply with all investor underwriting requirements.

Management has continued to carefully monitor the impact of liquidity in the financial markets, changes in values of securities and other assets, loan performance, default rates and other financial and macro economic indicators, in order to navigate the challenging economic environment. Managing credit risks resulting from current economic and real estate market conditions also continues to be a primary focus for Trustmark. To help manage its exposure to credit risk, Trustmark has continued to utilize several of the resources put into place during the financial crisis of 2008. At that time, to address the downturn in the Florida real estate market, Trustmark established a dedicated problem asset working group. This group is composed of experienced lenders and continues to manage problem assets in the Florida market. In addition, a special committee of executive management continues to provide guidance while monitoring the resolutions of problem assets. Aside from these processes, Trustmark continues to conduct quarterly reviews and assessments of all criticized loans in all its markets. These comprehensive assessments include the formulation of action plans and updates of recent developments on all criticized loans.

Table of Contents
Trustmark did not make significant changes to its loan underwriting standards during 2014. Trustmark's willingness to make loans to qualified applicants that meet its traditional, prudent lending standards has not changed. Trustmark adheres to interagency guidelines regarding concentration limits of commercial real estate loans. As a result of the continued economic uncertainty, Trustmark remains cautious in granting credit involving certain categories of real estate as well as in making exceptions to its loan policy.

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 located 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.

At June 30, 2014, Trustmark's deposit market share ranked within the top four positions in 75% of the 52 counties served and in the first or second position in 50% of the counties served. The table below presents FDIC deposit data regarding TNB's deposit market share by state as of June 30, 2014.

Market	Deposit Market Share	
Alabama	1.55	%
Florida	0.13	%
Mississippi	14.44	%
Tennessee	0.42	%
Texas	0.06	%

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 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 local market knowledge and awareness of customer needs.

Table of Contents

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 a summary of detailed statutes, regulations and policies. 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. 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 FRB as it attempts to control the money supply and credit availability in order to influence the economy.

Legislation

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 the requirements imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

The Dodd-Frank Act represents very broad legislation that expands federal oversight of the banking industry and federal law, including under the FDI Act and the BHC Act. For example, under the FDI Act, as amended by the Dodd-Frank Act, federal regulators must require that depository institution holding companies serve as a source of strength for their depository institution subsidiaries. In addition, through its amendment to 12 U.S.C. § 1848a of the BHC Act, the Dodd-Frank Act eliminates the strict limitations on the ability of the FRB to exercise rulemaking, supervisory and enforcement authority over functionally regulated bank holding company subsidiaries.

Consumer Financial Protection Bureau (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. For mergers, acquisitions, or combinations, the combined institution is deemed “very large” if the sum of the total assets of the constituent institutions was more than $10 billion for four consecutive quarterly Call Reports prior to the merger. 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.

TNB’s total assets were $12.249 billion at December 31, 2014, and $11.681 billion at December 31, 2013. Following the closing of the merger of Trustmark with BancTrust on February 15, 2013, TNB had assets of greater than $10.0 billion. The combined assets of Trustmark and BancTrust were greater than $10.0 billion for the four quarters prior to the merger, and therefore, the merged institution was deemed a “very large” insured depository institution subject to CFPB supervision and enforcement authority with respect to federal consumer financial laws beginning in the second quarter of 2013. For more information on the merger with BancTrust, please see Note 2 – Business Combinations included in Part II. Item 8. – Financial Statements and Supplementary Data located elsewhere in this report.

Federal Oversight Over Mergers and Acquisitions

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 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 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.

Table of Contents

The BHC Act also requires FRB approval for a bank holding company's acquisition of a company that is not an insured depository institution. 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 Dodd-Frank Act gives the FRB express statutory authority also to 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) repealed the prior statutory restrictions on interstate acquisitions of banks by bank holding companies, such that Trustmark may 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 provided that national and state-chartered banks may branch interstate through acquisitions of banks in other states. The Dodd-Frank Act requires that bank holding companies be well-capitalized and well-managed to obtain federal bank regulatory approval of an interstate acquisition.

With the enactment of the Dodd-Frank Act, the FDI Act and the National Bank Act have also been amended to remove the "opt-in" concept introduced by the Riegle-Neal Act. Under the Riegle-Neal Act, states had been given the option to opt-in to de novo interstate branching. Many states did not opt-in, thereby continuing the long-standing prohibition on de novo interstate branching by commercial banks chartered in those states. Under the Dodd-Frank Act, the FDIC and the OCC, both of which regulate TNB, now have the authority to approve applications by insured state nonmember banks and national banks, respectively, 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.

Restrictions on Lending Limits and Affiliate Transactions

National banks, like TNB, are limited by the National Bank Act in how much they may lend to one borrower and how much they may lend to insiders. The Dodd-Frank Act strengthens existing restrictions on the bank's loans to one borrower by now including within the lending limit derivative transactions, repurchase agreements, reverse repurchase agreements and securities lending or borrowing transactions by banks. These provisions expand the scope of national bank lending limits by requiring banks to calculate and limit the total amount of credit exposure to any one counterparty based on these transactions.

In addition, the Dodd-Frank Act amends the FDI Act, imposing new restrictions on insured depository institutions' purchases of assets from insiders. The FRB is given rulemaking authority over these new asset-purchase restrictions subject to prior consultation with the OCC and FDIC.

Sections 23A and 23B of the Federal Reserve Act establish parameters for a bank to conduct "covered transactions" with its affiliates, with the objective of limiting risk to the insured bank. The Dodd-Frank Act imposes new restrictions on transactions between affiliates by amending these two sections of the Federal Reserve Act. Under the Dodd-Frank Act, restrictions on transactions with affiliates are enhanced by (i) including among "covered transactions" transactions between bank and affiliate-advised investment funds; (ii) including among "covered transactions" transactions between a bank and an affiliate with respect to securities repurchase agreements and derivatives transactions; (iii) adopting stricter collateral rules; and (iv) imposing tighter restrictions on transactions between banks and their financial subsidiaries.

State Laws and Other Federal Oversight

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 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 and the Securities Exchange Act of 1934, as administered by the SEC.

TNB is a national banking association and, as such, is subject to regulation by the OCC, the FDIC and the FRB. 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.

While TNB's activities are governed primarily by federal law, the Dodd-Frank Act potentially narrows 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 codifies the Supreme Court's decision in Cuomo v. Clearing House Association. As a result, State Attorneys General may enforce "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.

Table of Contents

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

TNB's nonbanking subsidiaries are already 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. 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.

Under the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (GLB Act), banks are able to offer customers a wide range of financial products and services without the restraints of previous legislation. The primary provisions of the GLB Act related to the establishment of financial holding companies and financial subsidiaries. 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 TNB to engage in insurance agency activities at any location.

The GLB Act also 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 complies with these requirements and recognizes the need for its customers' privacy.

In addition to the changes described above, the Dodd-Frank Act makes numerous changes to the various patchwork of federal laws that regulate the activities of Trustmark, TNB and their subsidiaries and affiliates. The Dodd-Frank Act amended the Electronic Fund Transfer Act (EFTA) to authorize the FRB to issue regulations regarding any interchange fee that an issuer may receive or charge for an electronic debit card transaction. On June 29, 2011, the FRB issued a final rule (Regulation II - Debit Card Interchange Fees and Routing) establishing standards for debit card interchange fees. Under the final rule, 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 also approved a final rule on July 27, 2012 that allows 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. The provisions regarding debit card interchange fees became effective October 1, 2011, and the fraud prevention adjustment became effective October 1, 2012. On July 31, 2013, however, the United States District Court for the District of Columbia held that, in determining the debit card interchange fee standard in the final rule, the FRB improperly considered costs it was prohibited by the EFTA from considering. The court, accordingly, remanded to the FRB with instructions to vacate the final rule, but stayed the order to vacate to provide the FRB an opportunity to replace the invalid portions of the final rule. On March 21, 2014, the D.C. Circuit Court of Appeals overturned the lower court decision finding that the FRB's final rule was based on a reasonable interpretation of the statute. On January 20, 2015, the U.S. Supreme Court declined to hear the retailers' appeal.

In accordance with the statute, 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 December 31, 2013, the 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. For additional information regard the impact of the debit card interchange fee standards to Trustmark, see the section captioned, "Noninterest Income – Bank Card and

Other Fees” included in Part II. Item 7. – Management’s Discussion and Analysis of Financial Condition and Results of Operations – included elsewhere in this report.

In the area of mortgages, the Dodd-Frank Act amended the Truth in Lending Act (TILA) to restrict the payment of fees to real-estate mortgage originators. Furthermore, TILA was also amended 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. Changes to Trustmark’s product structure and services as a result of these amendments to TILA could have an adverse effect on Trustmark’s financial condition and results of operations.

Anti-Money Laundering Initiatives and the USA Patriot Act

Trustmark is also 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. 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.

Table of Contents

Capital Adequacy

Banks and bank holding companies 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. The Dodd-Frank Act directs the federal bank regulatory agencies to make capital requirements countercyclical – meaning that additional capital will be required in times of economic expansion, but less capital will be required during periods of economic downturn.

The FRB and the OCC, the primary regulators of Trustmark and TNB, respectively, have substantially similar risk-based capital ratio and leverage ratio requirements for banking institutions. Furthermore, under the Dodd-Frank Act, federal bank regulatory agencies are required to impose on all depository institutions and holding companies minimum risk-based capital and leverage requirements that are not less than the "generally applicable" minimum risk-based capital and leverage requirements in effect for insured depository institutions.

In early July 2013, the FRB, FDIC and OCC jointly promulgated final rules revising regulatory capital requirements to address perceived shortcomings in existing regulatory capital requirements that became evident during the recent financial crisis by implementing capital requirements in the Dodd-Frank Act and international capital regulatory standards by the Basel Committee on Banking Supervision. The new capital rules adopt a new common equity Tier 1 capital requirement of 4.5% of risk-weighted assets, increase the minimum Tier 1 capital ratio to 6.0% and introduce a new capital conservation buffer of 2.5% common equity Tier 1 capital (to be phased in through January 1, 2019). The new capital rules do not increase the previously existing 8.0% total capital to risk-weighted assets ratio requirement or requirement for bank holding companies to maintain a 4.0% leverage ratio. The new capital rules also revise the standards for an insured depository institution to be "well-capitalized" under the banking agencies' prompt corrective action framework, requiring a common equity Tier 1 capital ratio of 6.5%, Tier 1 capital ratio of 8.0% and total capital ratio of 10.0%, while leaving unchanged the existing 5.0% leverage ratio requirement.

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. The capital rules adopt new risk-weight calculation methods for the "standardized" denominator that generally assign higher risk weights to banking assets than under the previous capital rules. The new capital rules do not change the previous treatment of residential mortgage exposures.

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 type. The new capital rules revise the regulatory components and calculations of capital. Common equity Tier 1 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. Deductions from common equity Tier 1 capital include goodwill and other intangibles, net of any associated deferred tax liability that would be extinguished if the goodwill becomes extinguished or impaired; deferred tax assets that rely on the future profitability of the institution; and a shortfall in provisions relative to expected losses. Mortgage servicing rights and deferred tax assets may count as capital up to a combined maximum of 15%, and gains and losses on accumulated other comprehensive income (loss) (AOCI) may be included in capital for institutions that do not make opt-out elections. 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 no longer 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 it continues 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.

Table of Contents

At December 31, 2014, Trustmark exceeded its common equity Tier 1 capital, Tier 1 capital, and total capital requirements with common equity Tier 1 capital, Tier 1 capital and total capital equal to 12.75%, 13.47% and 14.56% of its total risk-weighted assets, respectively. At December 31, 2014, TNB also exceeded these requirements with common equity Tier 1 capital, Tier 1 capital and total capital equal to 13.24%, 13.24% and 14.32% of its total risk-weighted assets, respectively.

The leverage ratio is generally calculated by dividing Tier 1 capital by an institution's average total on-balance consolidated assets. As a bank holding company, Trustmark is required to hold a 4.0% leverage ratio. For TNB to be considered well-capitalized under the regulatory framework for prompt corrective action, its leverage ratio must be at least 5.0%. At December 31, 2014, the leverage ratios for Trustmark and TNB were 9.63% and 9.46%, respectively.

Advanced approaches institutions (generally those with consolidated total assets of at least $250 billion or consolidated total on-balance sheet foreign exposures of at least $10 billion) are also subject to a supplementary leverage ratio of 3.0% and a countercyclical capital buffer of up to 2.5% common equity Tier 1 capital (to be phased in through January 1, 2019). Trustmark and TNB are not required to comply with the advanced approaches at this time due to their respective asset sizes and lack of on-balance sheet foreign exposures.

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. These include well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. 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. As of December 31, 2014, the most recent notification from the OCC categorized TNB as well-capitalized based on the ratios and guidelines described above. 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 a financial 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. Restricted distributions would include dividends or interest payments on a Tier 1 or Tier 2 capital instrument, as well as a repurchase or redemption of such an instrument unless the banking organization fully replaces that capital instrument by issuing another capital instrument of the same or higher tier of regulatory capital in the same calendar quarter.

Trustmark and TNB were required to comply with the new capital rules beginning January 1, 2015. Certain of the requirements of the capital rules, such as the capital conservation buffer, will be phased in until January 1, 2019. Once the new 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 new 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.

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 TNB's net income for that year combined with its retained net income from the preceding two years. TNB will have available in 2015 approximately $114.3 million plus its net income for that year to pay to Trustmark 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. 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. A failure by TNB to meet the capital conservation buffer would limit the ability of TNB to pay dividends to Trustmark.

Under cross-guarantee provisions of the FDI Act, the FDIC may recoup losses to the Deposit Insurance Fund (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 FDIC will assess cross-guarantee liability on the affiliates of a failed insured depository institution only where such assessments are determined to result in the lowest cost to the DIF. In deciding whether to pursue a cross-guarantee, the FDIC will analyze whether the FDIC would achieve a higher return if the failed institution were sold as an open depository institution; whether any commonly controlled institutions are likely to fail at a later date and thereby increase the losses to the DIF; or, whether by postponing the assessment, the loss would be expected to grow and value available to the FDIC would dissipate.

Table of Contents

FDIC Deposit Insurance Assessments

The deposits of TNB are insured up to regulatory limits set by the 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). 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. For Risk Category I institutions, including TNB, 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 2014 was 2.5 basis points with the maximum rate being 9.0 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.

The Dodd-Frank Act imposes a new deposit insurance assessment base for an insured depository institution equal to the institution'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 minimum reserve ratio increased to 1.35 percent of estimated annual insured deposits or assessment base. The FDIC is directed by the Dodd-Frank Act to "offset the effect" of the increased reserve ratio for insured depository institutions with total consolidated assets of less than $10 billion.

The Dodd-Frank Act permanently increased the deposit insurance level to $250,000 per account.

In 2014, TNB's expenses related to deposit insurance premiums totaled $10.2 million, which reflects the increased assessment base resulting from the merger with BancTrust on February 15, 2013. In addition, TNB also paid approximately $672 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, 2014, the FICO assessment rate was equal to 0.60 basis points.

Recent Regulatory Developments

On January 18, 2013, the CFPB, FRB, FDIC, OCC, Federal Housing Finance Agency, and National Credit Union Administration, issued a final rule implementing amendments to the TILA made by the Dodd-Frank Act. The final rule imposes heightened appraisal requirements for higher-priced mortgage loans and became mandatory on January 18, 2014. After notice and comment, the six agencies subsequently issued a final rule on December 12, 2013, that created exemptions from these appraisal requirements for loans of $25,000 or less, certain "streamlined" refinancings, and certain loans secured by manufactured housing. The final rule, as revised, is intended to provide creditors with some relief from the mortgage appraisal requirements. Trustmark has implemented the appropriate policies, procedures, and training to ensure compliance with these new rules. Trustmark's operations and consolidated financial statements were not impacted by the implementation of these new rules.

In October 2012, the FRB, FDIC and OCC published final rules implementing the company-run stress test requirements mandated by the Dodd-Frank Act. The final rules require institutions with average total consolidated assets between $10 billion and $50 billion to conduct an annual company-run stress test using data as of September 30 of each year under one base and at least two stress scenarios as provided by the agencies. Stress test results must be provided to the agencies by March 31 of the following year. Trustmark has been subject to these stress test requirements since September 2014, and is required to make its first filing with regulators in March 2015. On October 17, 2014, the FRB issued a notice of final rulemaking to switch the testing dates to match the calendar year so that stress tests would use year-end data and capital planning would follow for the next calendar year. The FRB's final rule, beginning with the January 1, 2016 annual stress test cycle, requires institutions with total consolidated assets between $10 billion and $50 billion to conduct an annual company-run stress test using data as of December 31 of the

preceding year, provide results to the agencies by July 31 of each year and publicly disclose results in October of each year. Trustmark anticipates that the 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.

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.

Table of Contents

Employees

At December 31, 2014, Trustmark employed 3,060 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:

Daniel A. Grafton, 67
Trustmark Corporation
Chairman of the Board since May 2011
Trustmark National Bank
Chairman of the Board since May 2011

Gerard R. Host, 60
Trustmark Corporation
President and Chief Executive Officer since January 2011
Trustmark National Bank
President and Chief Executive Officer since January 2011
President and Chief Operating Officer from March 2008 to January 2011

Louis E. Greer, 60
Trustmark Corporation
Treasurer and Principal Financial Officer since January 2007
Trustmark National Bank
Executive Vice President and Chief Financial Officer since February 2007

T. Harris Collier III, 66
Trustmark Corporation
Secretary since April 2002
Trustmark National Bank
General Counsel since January 1990

Duane A. Dewey, 56
Trustmark National Bank
President – Corporate Banking since September 2011
Executive Vice President and Corporate Banking Manager from September 2008 to September 2011

George C. Gunn, 63
Trustmark National Bank
Executive Vice President and Real Estate Banking Manager since September 2008

Robert Barry Harvey, 55
Trustmark National Bank
Executive Vice President and Chief Credit Officer since March 2010
Senior Vice President and Chief Credit Administrator from September 2004 to March 2010

Donald Glynn Ingram, 63

Trustmark National Bank
Executive Vice President and Chief Information Officer since September 2008

James M. Outlaw, Jr., 61
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, 50
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

Table of Contents

Douglas H. Ralston, 50
Trustmark National Bank
President – Wealth Management since November 2009
President – Trustmark Investment Advisors since June 2002

W. Arthur Stevens, 50
Trustmark National Bank
President – Retail Banking since September 2011
President – Mississippi Region from September 2008 to September 2011

Breck W. Tyler, 56
Trustmark National Bank
President – Mortgage Services since March 2012
Executive Vice President and Mortgage Services Manager from June 2006 to March 2012

Chester A. (Buddy) Wood, Jr., 66
Trustmark National Bank
Executive Vice President and Chief Risk Officer since February 2007

C. Scott Woods, 58
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 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'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. Even in an environment in which the Federal Reserve is signaling intent to raise rates in the future, it is not possible to predict the timing, amount or even direction of any such increase in the coming year.

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, 2014, estimated that in the event of a hypothetical 200 basis point and 100 basis point increase in interest rates, net interest income may increase 2.4% and 1.3%, respectively. In the event of a hypothetical 100 basis point decrease in interest rates using static balances at December 31, 2014, it is estimated net interest income may decrease by 5.8%.

Table of Contents

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 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 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 has continued to show moderate signs of improvement; however, lingering economic concerns remain as a result of the cumulative weight of soft U.S. labor markets, continuation of the recent decline in crude oil prices for an extended period of time, slowing growth in markets in Western Europe, as well as in China and other emerging markets, combined with uncertainty regarding the timing of the anticipated tightening of the monetary policy by the FRB, continued instability of the Russian economy and renewed uncertainty as to the potential of increased financial instability in Greece and, perhaps, in the broader European Union. 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 2015. 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 increasing regulatory expectations created by recent legislation, Management will continue to be challenged in identifying alternative sources of revenue, prudently diversifying assets, liabilities and revenues and effectively managing the costs of compliance.

The FRB has recently signaled its intent to begin increasing interest rates during the second half of 2015; however, the pace at which interest rates will increase remains uncertain. Low interest rates will continue to place pressure on net interest margins, as older assets continue to mature or default and are 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 revenues from tighter margins.

Table of Contents

Despite recent optimism resulting from stabilization in the housing sector, unemployment data and credit quality improvement, Trustmark does not assume that the 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 have made valuation of assets even 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 change, and a rating agency might downgrade Trustmark's credit rating or put Trustmark on credit watch.
- The price per barrel of crude oil has declined from $98 as of December 31, 2013, to approximately $53 as of December 31, 2014. As of December 31, 2014, energy-related LHFI represented approximately 3.0% of Trustmark's total LHFI portfolio, and these loans had no adversely rated credits and were all currently performing. 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 U.S. (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. 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 U.S. 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.

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.

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 non-bank 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, enacted in July 2010, 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 or 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 non-banks 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, other sanctions by regulatory agencies, civil money penalties and/or reputation 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 business, financial condition or results of operations.

Table of Contents

See the section captioned “Supervision and Regulation” included in Part I. Item 1. - Business, located elsewhere in this report.

Trustmark will be subject to increasingly stringent capital and liquidity 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. The new 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 new capital rules increase the minimum Tier 1 capital requirement from 4% to 6% of risk-weighted assets. The new 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 new 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 utilize $60.0 million in trust preferred securities issued by the Trust as Tier 1 capital up to the regulatory limit, as permitted by the grandfather provision in the new capital rules.

Trustmark and TNB were required to comply with the new capital rules beginning January 1, 2015. Certain of the requirements of the capital rules, such as the capital conservation buffer, will be phased in until January 1, 2019. Once the new 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 new 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.

Under final rules associated with the requirements of the Dodd-Frank Act, the FRB and OCC require Trustmark and TNB to perform periodic stress tests and analysis to evaluate its 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 future 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 business, 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 acquires a business, a portion of the purchase price of the acquisition 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, 2014, goodwill and other identifiable intangible assets were $398.7 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 2014 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, 2014, Trustmark held $98.6 million of other real estate, compared to $111.6 million at December 31, 2013. 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 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 results of operations or financial condition.

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, 2014, total gross unrealized losses on temporarily impaired securities totaled $14.6 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 larger 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 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 FNMA and 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.

Table of Contents
Total mortgage loan servicing putback expense incurred by Trustmark in 2014 was $600 thousand, a decrease of $900 thousand when compared to 2013. During November 2013, Trustmark finalized its agreement with FNMA (the "Resolution Agreement") to resolve its existing and future repurchase and make whole obligations (collectively "Repurchase Obligations") related to mortgage loans originated between January 1, 2000 and December 31, 2008 and delivered to FNMA. Under the terms of the Resolution Agreement, Trustmark paid FNMA approximately $3.6 million with respect to the Repurchase Obligations. Trustmark believes that it was in its best interests to execute the Resolution Agreement in order to bring finality to the loss reimbursement exposure with FNMA for these years and reduce the resources spent on individual file reviews and defending loss reimbursement requests. The Repurchase Obligations were covered by Trustmark's existing reserve for mortgage loan servicing putback expenses. The reserve for mortgage loan servicing putback expenses for FNMA loans in periods not covered by the Resolution Agreement and to other entities totaled $1.2 million at December 31, 2014, which represented 0.02% of total loans serviced for others, compared to $1.1 million, or 0.02%, at December 31, 2013. If the level of investor repurchase demands increases in the future, this could significantly increase costs and have a material adverse effect on Trustmark's results of operations.

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 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.

Table of Contents

The acquisition of an insured depository institution that 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. See the section captioned “Supervision and Regulation—Payment of Dividends and Other Restrictions” included in Part I. Item 1. - Business, located elsewhere in this report.

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, defaults and 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 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 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. 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 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.

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.

Table of Contents

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. 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. The regulators are requiring Trustmark to enhance its due diligence, ongoing monitoring and 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. As a result, 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.

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 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;
- 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 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 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.

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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

Table of Contents
ITEM 2. PROPERTIES

Trustmark's principal offices are housed in its complex located in downtown Jackson, Mississippi and owned by TNB. Approximately 233,000 square feet, or 88%, 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, 2014, Trustmark, through TNB, also operated 176 full-service branches, 29 limited-service branches and an ATM network, which included 184 ATMs at on-premise locations and 66 ATMs located at off-premise sites. In addition, Trustmark's Wealth Management Division utilized one off-site location, the Insurance Division utilized three off-site locations, the Mortgage Banking Group utilized two off-site locations, and the Insurance Division and Mortgage Banking Group together utilized one off-site location. Trustmark leases 78 of its 278 locations with the remainder being owned.

ITEM 3. LEGAL PROCEEDINGS

Trustmark's wholly-owned subsidiary, TNB, has been named as a defendant in two 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, 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, and the motions to dismiss have been fully briefed by all parties. The court has not yet ruled on TNB's motion to dismiss. 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 an additional 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. The court has not yet ruled on TNB's motion to dismiss the OSIC's claims.

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.

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. Both Stanford-related lawsuits are in their preliminary stages and have been previously disclosed by Trustmark.

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 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 (i) the final resolution of pending legal proceedings described above will not, individually or in the aggregate, have a material impact on Trustmark's consolidated financial position or results of operations and (ii) a loss in any such case is not probable at this time, and thus no accrual is required under FASB Accounting Standards Codification (ASC) Topic 450-20, "Loss Contingencies."

For additional information regarding legal proceedings involving Trustmark and its subsidiaries, see the "Legal Proceedings" section of Note 17 – Commitments and Contingencies in Part II. Item 8. – Financial Statements and Supplementary Data – of this report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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 Corporation's (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 2014 and 2013, the high and low intra-day sales price per share of Trustmark's common stock and the cash dividends declared per common share.

	2014		2013	
Sales Price Per Share	High	Low	High	Low
First quarter	$26.99	$22.36	$25.09	$22.45
Second quarter	25.94	22.35	26.87	22.70
Third quarter	25.09	22.50	27.98	24.21
Fourth quarter	25.13	22.39	28.88	24.98

Dividends Per Share	2014	2013
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

Table of Contents

At January 31, 2015, there were approximately 4,300 registered shareholders of record and approximately 18,200 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 located elsewhere in this report.

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, 2009, 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	2009	2010	2011	2012	2013	2014
Trustmark	100.00	114.97	117.20	112.67	139.57	132.64
Morningstar Banks - Regional - US	100.00	121.75	109.60	130.20	180.64	194.77
NASDAQ	100.00	118.02	117.04	137.47	192.62	221.02

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, 2014 ($ 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 found elsewhere in this report.

Years Ended December 31,	2014	2013	2012	2011	2010
Consolidated Statements of Income					
Total interest income	$426,882	$414,346	$371,659	$391,979	$408,218
Total interest expense	21,546	25,859	30,669	43,036	56,195
Net interest income	405,336	388,487	340,990	348,943	352,023
Provision for loan losses, LHFI	1,211	(13,421)	6,766	29,704	49,546
Provision for loan losses, acquired loans	6,171	6,039	5,528	624	-
Noninterest income	173,142	173,859	175,189	159,854	165,927
Noninterest expense	409,005	415,731	344,502	329,850	325,649
Income before income taxes	162,091	153,997	159,383	148,619	142,755
Income taxes	38,529	36,937	42,100	41,778	42,119
Net Income	$123,562	$117,060	$117,283	$106,841	$100,636
Revenues (1)					
Total revenue	$578,478	$562,346	$516,179	$508,797	$517,950
Per Share Data					
Basic earnings per share	$1.83	$1.75	$1.81	$1.67	$1.58
Diluted earnings per share	1.83	1.75	1.81	1.66	1.57
Cash dividends per share	0.92	0.92	0.92	0.92	0.92
Performance Ratios					
Return on average equity	8.83 %	8.75 %	9.30 %	8.95 %	8.79 %
Return on average tangible equity	12.97 %	13.09 %	12.55 %	12.25 %	12.31 %
Return on average assets	1.03 %	1.02 %	1.20 %	1.11 %	1.08 %
Net interest margin (fully taxable equivalent)	4.03 %	4.01 %	4.09 %	4.26 %	4.41 %
Credit Quality Ratios (2)					
Net charge-offs/average loans	-0.03 %	-0.02 %	0.30 %	0.56 %	0.95 %
Provision for loan losses/average loans	0.02 %	-0.23 %	0.11 %	0.49 %	0.79 %
Nonperforming loans/total loans (incl LHFS*)	1.21 %	1.10 %	1.41 %	1.82 %	2.30 %
Nonperforming assets/total loans (incl LHFS*) plus ORE**	2.57 %	2.84 %	2.71 %	3.08 %	3.64 %
Allowance for loan losses/total loans (excl LHFS*)	1.08 %	1.15 %	1.41 %	1.53 %	1.54 %

December 31,	2014	2013	2012	2011	2010
Consolidated Balance Sheets					
Total assets	$12,250,633	$11,790,383	$9,828,667	$9,727,007	$9,553,902
Securities	3,545,252	3,362,882	2,699,933	2,526,698	2,318,096
Loans held for investment and acquired loans (incl LHFS*)	7,131,074	6,752,256	5,984,304	6,150,841	6,213,286
Deposits	9,698,358	9,859,902	7,896,517	7,566,363	7,044,567
Shareholders' equity	1,419,940	1,354,953	1,287,369	1,215,037	1,149,484

Stock Performance										
Market value - close	$24.54		$26.84		$22.46		$24.29		$24.84	
Book value	21.04		20.11		19.86		18.94		17.98	
Tangible book value	15.13		13.95		15.10		14.18		13.17	
Capital Ratios										
Total equity/total assets	11.59	%	11.49	%	13.10	%	12.49	%	12.03	%
Tangible equity/tangible assets	8.62	%	8.26	%	10.28	%	9.66	%	9.11	%
Tangible equity/risk-weighted assets	12.17	%	11.88	%	14.56	%	13.83	%	12.62	%
Tier 1 leverage ratio	9.63	%	9.06	%	10.97	%	10.43	%	10.14	%
Tier 1 common risk-based capital ratio	12.75	%	12.21	%	14.63	%	13.90	%	12.87	%
Tier 1 risk-based capital ratio	13.47	%	12.97	%	15.53	%	14.81	%	13.77	%
Total risk-based capital ratio	14.56	%	14.18	%	17.22	%	16.67	%	15.77	%

(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.

Table of Contents

The following unaudited tables represent Trustmark's summary of quarterly operations for the years ended December 31, 2014 and 2013 ($ in thousands, except per share data):

2014	1Q	2Q	3Q	4Q
Interest income	$100,708	$110,743	$111,440	$103,991
Interest expense	5,804	5,455	5,211	5,076
Net interest income	94,904	105,288	106,229	98,915
Provision for loan losses, LHFI	(805)	351	3,058	(1,393)
Provision for loan losses, acquired loans	63	3,784	1,145	1,179
Noninterest income	44,078	44,140	42,893	42,031
Noninterest expense	101,618	102,761	100,194	104,432
Income before income taxes	38,106	42,532	44,725	36,728
Income taxes	9,103	9,635	11,136	8,655
Net income	$29,003	$32,897	$33,589	$28,073
Earnings per share				
Basic	$0.43	$0.49	$0.50	$0.42
Diluted	0.43	0.49	0.50	0.42

2013	1Q	2Q	3Q	4Q
Interest income	$95,455	$105,900	$104,894	$108,097
Interest expense	6,480	6,672	6,465	6,242
Net interest income	88,975	99,228	98,429	101,855
Provision for loan losses, LHFI	(2,968)	(4,846)	(3,624)	(1,983)
Provision for loan losses, acquired loans	130	(1,552)	3,292	4,169
Noninterest income	44,339	43,714	47,133	38,673
Noninterest expense	102,145	107,195	101,524	104,867
Income before income taxes	34,007	42,145	44,370	33,475
Income taxes	9,141	11,024	11,336	5,436
Net income	$24,866	$31,121	$33,034	$28,039
Earnings per share				
Basic	$0.38	$0.46	$0.49	$0.42
Diluted	0.38	0.46	0.49	0.42

Table of Contents

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 elsewhere in this report.

Executive Overview

2014 was a year of significant accomplishments for Trustmark. Trustmark continued to build upon and expand customer relationships, which was reflected in the growth of its banking, wealth management, and insurance businesses. During 2014, total revenue expanded to $578.5 million, the highest level in Trustmark's 125-year history. Credit quality continued to improve and was an important contributor to Trustmark's financial success. Trustmark also continued to make investments in technology designed to increase revenue, improve efficiency and ensure compliance with regulatory mandates. Trustmark's Board of Directors declared a quarterly cash dividend of $0.23 per share. The dividend is payable March 15, 2015, to shareholders of record on March 1, 2015.

At close of business on December 31, 2013, Trustmark consolidated its wholly owned subsidiary Somerville Bank & Trust Company (Somerville) into Trustmark National Bank (TNB). TNB and Somerville were both wholly owned subsidiaries of Trustmark; as such, the merger represented a business reorganization between affiliates under common control. This consolidation has enhanced productivity and efficiency with elimination of duplicate functions and operating systems as well as supported revenue growth with the addition of a broader product line for Somerville's customers. Trustmark is committed to investments to support profitable revenue growth as well as reengineering and efficiency opportunities to enhance shareholder value.

Financial Highlights

Net income totaled $123.6 million for the year ended December 31, 2014, compared with $117.1 million for 2013 and $117.3 million for 2012. For 2014, Trustmark's basic and diluted earnings per share were $1.83 compared with $1.75 for 2013 and $1.81 for 2012. At December 31, 2014, Trustmark reported gross loans, including loans held for sale and acquired loans, of $7.131 billion, total assets of $12.251 billion, total deposits of $9.698 billion and total shareholders' equity of $1.420 billion. Trustmark's financial performance for 2014 resulted in a return on average tangible equity of 12.97%, a return on average equity of 8.83% and a return on average assets of 1.03%. These compared with 2013 ratios of 13.09% for return on average tangible equity, 8.75% for return on average equity and 1.02% for return on average assets, while in 2012 the return on average tangible equity was 12.55%, the return on average equity was 9.30% and the return on average assets was 1.20%. Revenue totaled $578.5 million for the year ended December 31, 2014, compared to $562.3 million for 2013 and $516.2 million for 2012. Revenue is defined as net interest income plus noninterest income. See the highlights discussed below as well as the section captioned "Results of Operations" located elsewhere in this report, for information regarding these increases in revenue.

Net income for 2014 increased $6.5 million, or 5.6%, compared to 2013 principally due to a $16.8 million, or 4.3%, increase in net interest income. The increase in net interest income primarily resulted from increases in taxable interest on securities and interest and fees on loans held for sale (LHFS) and loans held for investment (LHFI) of $7.3 million and $5.0 million, respectively, and a decrease in interest expense on deposits of $4.4 million. The growth in net interest income during the year was partially offset by the $14.6 million increase in the provision for loan losses on LHFI, primarily due to a reduction in the amount of reserves release as compared to 2013. Total noninterest income decreased $717 thousand, or 0.4%, as declines in mortgage banking, net, service charges on deposit accounts and bank card and other fees offset gains in all other categories. The $6.7 million, or 1.6%, decrease in noninterest expense for 2014 was primarily due to a decrease in other noninterest expense as a result of non-routine transaction expenses from the merger with BancTrust Financial Group, Inc. (BancTrust) and settlement of the non-sufficient funds and overdraft

fees litigation incurred during 2013 as well as a decline in ORE/foreclosure expense during 2014. Please see the section captioned "Results of Operations" below for a more complete overview of Trustmark's financial performance for 2014.

Trustmark's 2014 provision for loan losses, LHFI, totaled $1.2 million, an increase of $14.6 million when compared to a negative provision for loan losses, LHFI of $13.4 million for 2013. The increase in the provision for loan losses, LHFI during 2014 reflects an increase in the amount of established reserves both new and existing impaired LHFI compared to 2013 as well as an increase in the reserve for commercial LHFI portfolio changes and the revised allowance for loan loss methodology for consumer LHFI, which was partially offset by an increase in net recoveries of LHFI, changes in the quantitative and qualitative reserve factors, and improved credit quality. Please see the section captioned "Provision for Loan Losses, LHFI," for additional information regarding the provision for loan losses, LHFI. At December 31, 2014, nonperforming assets, excluding acquired loans and covered other real estate, totaled $171.9 million, an increase of $75 thousand compared to December 31, 2013. Total nonaccrual LHFI were $79.3 million at December 31, 2014, representing an increase of $14.1 million, or 21.6%, relative to December 31, 2013, principally due to a few substandard credits migrating to nonaccrual status during 2014, which totaled $21.6 million at December 31, 2014. Total net recoveries for 2014 were $2.0 million, compared to total net recoveries of $1.1 million for 2013 and total net charge-offs of $17.5 million for 2012. The percentage of loans, excluding acquired loans, that are 30 days or more past due and nonaccrual LHFI increased in 2014 to 2.12% compared to 2.01% in 2013, which represented a decrease when compared to 3.10% in 2012.

Table of Contents

LHFI totaled $6.449 billion at December 31, 2014 compared to $5.799 billion at December 31, 2013, an increase of $650.9 million, or 11.2%. Growth in LHFI was attributable to net increases in all categories of LHFI during 2014. For additional information regarding changes in LHFI and comparative balances by loan category, see the section captioned “LHFI” located elsewhere in this report.

Trustmark has continued to experience improvements in credit quality on LHFI. As of December 31, 2014, classified LHFI balances decreased $27.3 million, or 12.3%, while criticized LHFI balances decreased $41.0 million, or 15.9%, when compared to balances at December 31, 2013. The volume of classified and criticized LHFI decreased year-over-year primarily as a result of improvement in repayment capacity of borrowers and subsequent upgrade of those credits to a pass category as well as repayment of several credits of significant size.

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 and Federal Home Loan Bank (FHLB) advances.

Total deposits were $9.698 billion at December 31, 2014, compared with $9.860 billion at December 31, 2013, a decrease of $161.5 million, or 1.6%. Growth in noninterest-bearing deposits totaled $85.1 million, or 3.2%, and was more than offset by a decline in interest-bearing deposits of $246.7 million, or 3.4%, during 2014.

Critical Accounting Policies

Trustmark’s consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (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 in detail below.

For additional information regarding the accounting policies discussed below, please see the notes to Trustmark’s Consolidated Financial Statements set forth in Part II. Item 8. – Financial Statements and Supplementary Data – located elsewhere in this report.

Allowance for Loan Losses, LHFI

For Trustmark’s accounting policy regarding the allowance for loan losses, LHFI, please see Note 1 – Significant Accounting Policies set forth in Part II. Item 8. – Financial Statements and Supplementary Data – located elsewhere in this report.

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.

Acquired Loans

Acquired loans are recorded at their estimated fair values as of the acquisition date. 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 at the market interest rate.

Table of Contents

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 to income through the provision for loan losses, acquired loans and the establishment of an allowance 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.

Covered Loans

Loans acquired in a Federal Deposit Insurance Corporation (FDIC)-assisted transaction and covered under loss-share agreements are referred to as “covered loans” and are reported separately in Trustmark’s consolidated financial statements. Covered loans are recorded at their estimated fair value at the time of acquisition exclusive of the expected reimbursement cash flows from the FDIC.

FDIC Indemnification Asset

Trustmark has elected to account 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. For additional information regarding Trustmark’s accounting policy for a FDIC indemnification asset, please see Note 1 – Significant Accounting Policies set forth in Part II. Item 8. – Financial Statements and Supplementary Data – located elsewhere in this report.

Mortgage Servicing Rights

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

The fair value of 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 MSR requires significant management judgment.

Table of Contents
At December 31, 2014, the MSR fair value was approximately $64.4 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, 2014, would be a decline in fair value of approximately $2.4 million and $2.0 million, respectively. Changes of equal magnitude in the opposite direction would produce similar increases in fair value in the respective amounts.

Trustmark manages potential changes in the fair value of MSR through its comprehensive risk management strategy. To reduce the sensitivity of earnings to interest rate fluctuations, Trustmark utilizes exchange-traded derivative instruments, such as Treasury note futures contracts and option contracts, to achieve a fair value return that economically hedges changes in fair value of MSR attributable to interest rates. From time to time, Trustmark may choose not to fully hedge the MSR, partly because origination volume tends to act as a natural hedge. For example, as interest rates decline, the fair value of the MSR generally decreases and fees from new originations tend to increase. Conversely, as interest rates increase, the fair value of the MSR generally increases, while fees from new originations tend to decline.

Please refer to Note 8 – Mortgage Banking in Part II. Item 8. – Financial Statements and Supplementary Data – for additional information on MSR.

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, 2014 totaled $321.1 million for the General Banking Division and $44.4 million for the Insurance Division, a consolidated total of $365.5 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 $33.2 million at December 31, 2014, 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, 2014, 2013, and 2012, 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 (EBITDA) method based on recent acquisition activity. Based on this analysis, Trustmark concluded that 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. Subsequent to foreclosure, losses on the periodic revaluation of the property are charged against an other real estate specific reserve or to noninterest expense in ORE/Foreclosure 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 experienced in recent years. 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.

Table of Contents

Covered Other Real Estate

All other real estate acquired in a FDIC-assisted acquisition that is subject to a FDIC loss-share agreement is referred to as "covered other real estate" and reported separately in Trustmark's consolidated balance sheets. Covered other real estate is reported exclusive of expected reimbursement cash flows from the FDIC. Foreclosed covered loan collateral is transferred into covered other real estate at the collateral's net realizable value.

Covered other real estate is initially recorded at its estimated fair value on the acquisition date based on an independent appraisal less estimated selling costs. Any subsequent valuation adjustments due to declines in fair value are charged to noninterest expense in ORE/Foreclosure expense and are mostly offset by other noninterest income representing the corresponding increase to the FDIC indemnification asset for the offsetting loss reimbursement amount. Any recoveries of previous valuation adjustments are credited to ORE/Foreclosure expense with a corresponding charge to other noninterest income for the portion of the recovery that is due to the FDIC.

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 Trustmark's plans (Capital Accumulation Plan, BancTrust Pension Plan and 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 these variables and the effect they have on 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. In an effort to control expenses, Trustmark's Board of Directors voted to freeze Capital Accumulation Plan benefits effective May 15, 2009. Associates have not earned additional benefits, except for interest as required by the Internal Revenue Service (IRS) regulations, since the plan was frozen. Associates will retain their previously earned pension benefits. At December 31, 2014, the pension plan census totaled 2,335 current and former associates. The BancTrust Pension Plan terminated on April 15, 2014 and all participants were paid out by December 31, 2014.

- Discount Rate. The discount rate utilized in determining the present value of the future benefit obligation is currently 3.57% (as compared to 4.30% at December 31, 2013). The discount rate for each plan is determined by matching the expected cash flows of each plan to a yield curve based on long term, high quality fixed income debt instruments available as of the measurement date (December 31, 2014). 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 plans and kept all other assumptions constant, the benefit cost associated with these plans would decrease or increase by approximately $629 thousand and $687 thousand, 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 Capital Accumulation Plan and BancTrust Pension Plan, the pre-tax expected rate of return on the plan assets used in 2014 was 7.50% and 2.00%, respectively, versus 7.50% for both plans in 2013. This expected rate of return is dependent upon the asset allocation decisions made with respect to plan assets. A lower rate of return was assumed for the BancTrust Pension Plan since the assets were moved into more conservative investments in anticipation of complete distribution of the plan assets by the end of 2014. 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 the plan assets. If Trustmark assumes a 1.00% increase or decrease in the expected long-term rate of return for the Capital Accumulation Plan and BancTrust

Pension Plan, holding all other actuarial assumptions constant, the pension cost would decrease or increase by approximately $731 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.

34

Table of Contents

- 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. These factors do not change significantly over time, so the range of assumptions and their impact on net periodic pension expense is generally limited.

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 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

In early July 2013, the Federal Reserve Board (FRB), FDIC and the Office of the Comptroller of the Currency (OCC) jointly promulgated final rules revising regulatory capital requirements to address perceived shortcomings in the existing regulatory capital requirements that became evident during the recent financial crisis by implementing capital requirements in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and international capital regulatory standards by the Basel Committee on Banking Supervision. The new capital rules adopt a new common equity Tier 1 requirement, increase the minimum Tier 1 capital ratio, introduce a new capital conservation buffer, adopt new risk-weight calculation methods for the "standardized" denominator and revise the regulatory components and calculations of capital. Trustmark and TNB were required to comply with the new capital rules beginning January 1, 2015. Certain of the requirements of the capital rules, such as the capital conservation buffer, will be phased in until January 1, 2019. Once the new 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 new 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. For additional information regarding the new capital rules, see the section captioned "Capital Adequacy" included in Part I. Item 1. – Business – included elsewhere in this report.

On January 18, 2013, the Consumer Financial Protection Bureau (CFPB), FRB, FDIC, OCC, Federal Housing Finance Agency, and National Credit Union Administration, issued a final rule implementing amendments to the Truth in Lending Act (TILA) made by the Dodd-Frank Act. The final rule imposes heightened appraisal requirements for higher-priced mortgage loans and became mandatory on January 18, 2014. After notice and comment, the six agencies subsequently issued a final rule on December 12, 2013, that created exemptions from these appraisal requirements for loans of $25,000 or less, certain "streamlined" refinancings, and certain loans secured by manufactured housing. The final rule, as revised, is intended to provide creditors with some relief from the mortgage appraisal requirements. Trustmark has implemented the appropriate policies, procedures, and training to ensure compliance with these new rules. Trustmark's operations and consolidated financial statements were not impacted by the implementation of these new rules.

In October 2012, the FRB, FDIC and OCC published final rules implementing the company-run stress test requirements mandated by the Dodd-Frank Act. The final rules require institutions with average total consolidated assets between $10 billion and $50 billion to conduct an annual company-run stress test using data as of September 30 of each year under one base and at least two stress scenarios as provided by the agencies. Stress test results must be provided to the agencies by March 31 of the following year. Trustmark has been subject to these stress test requirements since September 2014, and is required to make its first filing with regulators in March 2015. On October 17, 2014, the FRB issued a notice of final rulemaking to switch the testing dates to match the calendar year so that stress tests would use year-end data and capital planning would follow for the next calendar year. The FRB's final rule, beginning with the January 1, 2016 annual stress test cycle, requires institutions with total consolidated assets between $10 billion and $50 billion to conduct an annual company-run stress test using data as of December 31 of the preceding year, provide results to the agencies by July 31 of each year and publicly disclose results in October of each year. Trustmark anticipates that the 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.

Table of Contents

Significant Non-routine Transactions

Presented below are adjustments to net income as reported in accordance with GAAP resulting from significant non-routine items occurring during the periods presented. Management believes this information will help readers compare Trustmark's current results to those of prior periods as presented in the accompanying selected financial data table and the audited consolidated financial statements. 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 the significant non-routine transactions for the periods presented ($ in thousands, except per share data):

	Years Ended December 31,					
	2014		2013		2012	
	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS
Net Income (GAAP)	$123,562	$1.828	$117,060	$1.745	$117,283	$1.809
Significant non-routine transactions (net of taxes):						
Bargain purchase gain on acquisition	-	-	-	-	(2,245)	(0.035)
Non-routine transaction expenses on acquisition	-	-	5,780	0.086	1,599	0.025
Non-routine defined benefit plan settlement expense	559	0.008	1,374	0.021	-	-
Non-routine litigation expense	-	-	2,470	0.037	-	-
	559	0.008	9,624	0.144	(646)	(0.010)
Net Income adjusted for significant non-routine transactions (Non-GAAP)	$124,121	$1.836	$126,684	$1.889	$116,637	$1.799

Bargain Purchase Gain on Acquisition

Trustmark recorded a bargain purchase gain of $3.6 million as a result of the Bay Bank & Trust Company (Bay Bank) merger for the year ended December 31, 2012. Trustmark initially recorded a bargain purchase gain of $2.8 million during the first quarter of 2012 and subsequently increased the bargain purchase gain by $881 thousand during the second quarter of 2012 as the fair values associated with the Bay Bank merger were finalized. The bargain purchase gain represents the excess of the net of the estimated fair value of the assets acquired and liabilities assumed over the consideration paid to Bay Bank. The bargain purchase gain of $3.6 million was recognized as other noninterest income for the year ended December 31, 2012.

Non-routine Transaction Expenses on Acquisition

Included in noninterest expense for the year ended December 31, 2013 were non-routine BancTrust transaction expenses totaling approximately $9.4 million (change in control and severance expense of $1.4 million included in salaries and benefits; professional fees, contract termination and other expenses of $7.9 million included in other expense).

Included in noninterest expense for the year ended December 31, 2012 were non-routine Bay Bank transaction expenses totaling approximately $2.6 million (change in control and severance expense of $672 thousand included in salaries and benefits and contract termination and other expenses of $1.9 million included in other expense).

Non-routine Defined Benefit Plan Settlement Expense

Included in noninterest expense for the years ended December 31, 2014 and 2013 was $905 thousand and $2.2 million, respectively, related to the lump sum settlement of certain benefits in the Trustmark Capital Accumulation Plan in accordance with FASB ASC Topic 715-30, "Defined Benefit Plans – Pension." See Note 15 – Defined Benefit Plans and Other Postretirement Benefits in Part II. Item 8. – Financial Statements and Supplementary Data – located elsewhere in this report for additional information regarding Trustmark's qualified defined benefit pension plans.

Non-routine Litigation Expense

Included in noninterest expense for the year ended December 31, 2013 were non-routine litigation expenses totaling $4.0 million related to the settlement of class-action lawsuits regarding Trustmark's overdraft fees and insufficient funds on debit card purchases and ATM withdrawals. See the section captioned "Legal Proceedings" in Note 17 – Commitments and Contingencies in Part II. Item 8. – Financial Statements and Supplementary Data – located elsewhere in this report for additional detail regarding this settlement.

Table of Contents

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.

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

Table of Contents

		Years Ended December 31,		
		2014	2013	2012
TANGIBLE EQUITY				
AVERAGE BALANCES				
Total shareholders' equity		$1,398,945	$1,337,597	$1,261,617
Less: Goodwill		(367,281)	(358,270)	(291,104)
Identifiable intangible assets		(37,651)	(43,308)	(17,348)
Total average tangible equity		$994,013	$936,019	$953,165
PERIOD END BALANCES				
Total shareholders' equity		$1,419,940	$1,354,953	$1,287,369
Less: Goodwill		(365,500)	(372,851)	(291,104)
Identifiable intangible assets		(33,234)	(41,990)	(17,306)
Total tangible equity	(a)	$1,021,206	$940,112	$978,959
TANGIBLE ASSETS				
Total assets		$12,250,633	$11,790,383	$9,828,667
Less: Goodwill		(365,500)	(372,851)	(291,104)
Identifiable intangible assets		(33,234)	(41,990)	(17,306)
Total tangible assets	(b)	$11,851,899	$11,375,542	$9,520,257
Risk-weighted assets	(c)	$8,387,799	$7,916,378	$6,723,259
NET INCOME ADJUSTED FOR INTANGIBLE AMORTIZATION				
Net income		$123,562	$117,060	$117,283
Plus: Intangible amortization net of tax		5,410	5,442	2,339
Net income adjusted for intangible amortization		$128,972	$122,502	$119,622
Period end common shares outstanding	(d)	67,481,992	67,372,980	64,820,414
TANGIBLE EQUITY MEASUREMENTS				
Return on average tangible equity [1]		12.97%	13.09%	12.55%
Tangible equity/tangible assets	(a)/(b)	8.62%	8.26%	10.28%
Tangible equity/risk-weighted assets	(a)/(c)	12.17%	11.88%	14.56%
Tangible book value	(a)/(d)*1,000	$15.13	$13.95	$15.10
TIER 1 COMMON RISK-BASED CAPITAL				
Total shareholders' equity		$1,419,940	$1,354,953	$1,287,369
Eliminate qualifying AOCI		42,484	43,731	(3,395)
Qualifying tier 1 capital		60,000	60,000	60,000
Disallowed goodwill		(365,500)	(372,851)	(291,104)
Adjustment to goodwill allowed for deferred taxes		15,855	14,445	13,035
Other disallowed intangibles		(33,234)	(41,990)	(17,306)
Disallowed servicing intangible		(6,436)	(6,783)	(4,734)
Disallowed deferred taxes		(3,479)	(24,647)	-
Total tier 1 capital		$1,129,630	$1,026,858	$1,043,865
Less: Qualifying tier 1 capital		(60,000)	(60,000)	(60,000)
Total tier 1 common capital	(e)	$1,069,630	$966,858	$983,865

Tier 1 common risk-based capital ratio	(e)/(c)	12.75	%	12.21	%	14.63	%

[1] Calculation = net income adjusted for intangible amortization/total average tangible equity

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 during 2014 increased $17.8 million, or 4.4%, when compared with 2013. The net interest margin increased 2 basis points to 4.03% during 2014 when compared with 2013. The increase in the net interest margin was primarily a result of $2.7 million of yield maintenance payments on prepaid securities received during the year, which are included in net interest income, and lower deposit and short-term borrowing costs, which were partially offset by a downward repricing of LHFI in response to increased competitive pricing pressures. 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 2014 was 3.52%, a decrease of 3 basis points when compared to 2013.

Average interest-earning assets for 2014 were $10.445 billion compared to $10.052 billion for 2013, an increase of $393.2 million, or 3.9%. The growth in average earning assets was primarily due to an increase in average loans (LHFS and LHFI) of $472.8 million, or 8.2%, and average securities-taxable of $98.1 million, or 3.1%, during 2014. The increase in average total loans (LHFS and LHFI) was primarily attributable to net increases in all categories of the LHFI portfolio. See the section captioned “LHFI” elsewhere in this discussion for further analysis of the changes in the LHFI portfolio. 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, as well as inclusion of the securities acquired in the BancTrust merger for the entire twelve months of 2014.

During 2014, interest on securities-taxable increased $7.3 million, or 10.1%, as the yield on taxable securities increased 15 basis points to 2.42% when compared with 2013 due to re-investments in higher yielding securities and $2.7 million of yield maintenance payments on prepaid securities. During 2014, interest and fees on LHFS and LHFI-FTE increased $6.2 million, or 2.3%, while the yield on loans (LHFS and LHFI) fell 25 basis points to 4.43% when compared to 2013 due to downward repricing of LHFI due to the current interest rate environment and increased competitive pressures. During 2014, interest and fees on acquired loans increased $400 thousand, or 0.5%, while the yield on acquired loans increased to 11.52% compared to 9.11% during the same time period in 2013 due principally to increases in accretion income and recoveries on loan pay-offs of BancTrust acquired loans, which were partially offset by declines in accretion income and recoveries on loans acquired in the April 2011 acquisition of Heritage Banking Group (Heritage) and the March 2012 merger with Bay Bank. As a result of these factors, interest income-FTE increased $13.5 million, or 3.1%, when 2014 is compared with 2013. The impact of these changes is also illustrated by the decline in the yield on total earning assets, which decreased from 4.27% in 2013 to 4.24% in 2014, a decrease of 3 basis points.

Average interest-bearing liabilities for 2014 totaled $7.785 billion compared to $7.575 billion for 2013, an increase of $210.7 million, or 2.8%. During 2014, average interest-bearing deposits decreased $1.0 million as growth in savings and interest-bearing demand deposits was more than offset by declines in certificates of deposits. The combination of federal funds purchased, securities sold under repurchase agreements and other borrowings increased by $211.8 million, or 41.0%, during 2014, which was primarily attributable to increased balances of federal funds purchased and securities sold under repurchase agreements as well as short-term FHLB advances obtained from the FHLB of Dallas during the second half of 2014 as Trustmark chose to utilize these less costly sources of funding. Total interest expense for 2014 decreased $4.3 million, or 16.7%, when compared with 2013, principally due to the $4.4 million, or 22.3%, decrease in interest expense on deposit accounts as a result of a reduction in rates paid on certificates of deposit. As a result of these factors, the overall yield on interest-bearing liabilities declined 6 basis points to 0.28% when 2014 is compared with 2013.

Trustmark’s merger with BancTrust contributed $60.9 million to net interest income during 2013, and provided growth in both average interest-earning assets and average interest-bearing liabilities of $1.141 billion and $1.170 billion, respectively, for the year ended December 31, 2013. During the first quarter of 2012, Trustmark (through TNB) completed its merger with Bay Bank. This merger contributed $5.6 million to net interest income during 2012, and provided growth in both average interest-earning assets and average interest-bearing liabilities of $91.8 million and

$105.2 million, respectively, for the year ended December 31, 2012. Amounts relating to these acquisitions are included in the prior year balances shown in the following three paragraphs.

Net interest income-FTE during 2013 increased $47.9 million, or 13.5%, when compared with 2012. Notwithstanding the contribution to the net interest margin of the acquired loans, the net interest margin decreased 8 basis points to 4.01% during 2013 when compared with 2012. The decline in the net interest margin during 2013 was primarily a result of a downward repricing of fixed rate assets and changes to Trustmark's asset mix due to growth in lower yielding investment securities. The impact of this was partially offset by acquired loans due to the BancTrust merger, approximately $23.5 million of recoveries on acquired loans, which are included in the net interest margin, as well as lower deposit costs.

Table of Contents

Average interest-earning assets for 2013 were $10.052 billion compared with $8.699 billion for 2012, an increase of $1.353 billion. The growth in average interest-earning assets was primarily due to an increase in average total securities and average acquired noncovered loans of $791.2 million and $724.2 million, respectively, during 2013. The increase in securities and acquired noncovered loans, which resulted primarily from the merger with BancTrust, was partially offset by a decrease in average loans (LHFS and LHFI) of $140.6 million, or 2.4%, during 2013. The decrease in average loans is primarily attributable to the decrease in LHFS of $108.8 million, or 42.2%, due to declines in mortgage loan production as interest rates rise. During 2013, interest on securities-taxable increased $5.9 million, or 8.8%, as a result of the increase in average total securities; however, the yield on taxable securities decreased 50 basis points when compared with 2012 due to run-off of higher yielding securities replaced at lower yields. During 2013, interest and fees on LHFS and LHFI-FTE decreased $20.7 million, or 7.1%, due to lower average loan balances while the yield on loans (LHFS and LHFI) fell to 4.68% compared to 4.92% during 2012. During 2013, interest and fees on acquired loans increased $58.2 million while the yield on acquired loans fell to 9.11% compared to 13.00% during 2012. The increase in interest and fees on acquired loans and the decrease in the yield on acquired loans were a result of the significant increase in average acquired loans due to the merger with BancTrust, which had a lower yield than the acquired loans at December 31, 2012, and approximately $23.5 million of recoveries of acquired loans. As a result of these factors, interest income-FTE increased $43.1 million, or 11.2%, when 2013 is compared with 2012. The impact of these changes is also illustrated by the decline in the yield on total earning assets, which fell from 4.44% in 2012 to 4.27% in 2013, a decrease of 17 basis points.

Average interest-bearing liabilities for 2013 totaled $7.575 billion compared with $6.418 billion for 2012, an increase of $1.157 billion, or 18.0%. During 2013, average interest-bearing deposits increased $1.206 billion, or 20.6%, while the combination of federal funds purchased, securities sold under repurchase agreements and other borrowings decreased by $49.1 million, or 8.7%. The increase in average interest-bearing deposits was primarily attributable to the merger with BancTrust. The decline in average interest-bearing liabilities, excluding interest-bearing deposits, was primarily attributable to a decline in federal funds purchased and Government National Mortgage Association (GNMA) optional repurchase loans, which was partially offset by an increase in securities sold under repurchase agreements and approximately $18.7 million of average other borrowings from the BancTrust merger. The overall yield on interest-bearing liabilities declined 14 basis points during 2013 when compared with 2012, primarily due to a reduction in the costs of certificates of deposit and interest checking accounts. As a result of these factors, total interest expense for 2013 decreased $4.8 million, or 15.7%, when compared with 2012.

Table of Contents

Yield/Rate Analysis Table
($ in thousands)

	Years Ended December 31,								
	2014			2013			2012		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets									
Interest-earning assets:									
Federal funds sold and securities purchased under reverse repurchase agreements	$3,638	$23	0.63 %	$8,388	$31	0.37%	$7,552	$26	0.34 %
Securities available for sale:									
Taxable	2,187,258	55,722	2.55 %	3,101,245	68,878	2.22%	2,386,552	65,390	2.74 %
Nontaxable	136,532	5,302	3.88 %	168,190	7,000	4.16%	166,790	7,125	4.27 %
Securities held to maturity:									
Taxable	1,120,886	24,426	2.18 %	108,778	3,940	3.62%	29,551	1,560	5.28 %
Nontaxable	39,975	2,189	5.48 %	15,092	915	6.06%	19,188	1,218	6.35 %
Loans (including LHFS)	6,250,151	276,775	4.43 %	5,777,401	270,617	4.68%	5,918,002	291,273	4.92 %
Acquired loans	666,102	76,736	11.52%	838,170	76,336	9.11%	139,421	18,122	13.00%
Other earning assets	40,828	1,524	3.73 %	34,941	1,466	4.20%	31,669	1,342	4.24 %
Total interest-earning assets	10,445,370	442,697	4.24 %	10,052,205	429,183	4.27%	8,698,725	386,056	4.44 %
Cash and due from banks	316,843			275,545			244,952		
Other assets	1,345,438			1,285,555			949,328		
Allowance for loan losses	(79,621)			(82,336)			(89,954)		
Total Assets	$12,028,030			$11,530,969			$9,803,051		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Interest-bearing demand deposits	$1,837,496	3,151	0.17 %	$1,790,687	3,948	0.22%	$1,542,601	3,975	0.26 %

Savings deposits	3,116,251	2,949	0.09 %	2,944,588	3,889	0.13 %	2,357,424	6,004	0.25 %
Time deposits	2,103,813	9,223	0.44 %	2,323,303	11,881	0.51 %	1,952,948	14,625	0.75 %
Federal funds purchased and securities sold under repurchase agreements	435,324	550	0.13 %	326,870	379	0.12 %	370,283	588	0.16 %
Short-term borrowings	173,759								