

TRUSTMARK CORP  
Form 10-Q  
May 08, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-Q

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

For the quarterly period ended March 31, 2013

or

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

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

Commission file number 000-03683

Trustmark Corporation  
(Exact name of registrant as specified in its charter)

Mississippi  
(State or other jurisdiction of incorporation or organization)

64-0471500  
(I.R.S. Employer Identification No.)

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

39201  
(Zip Code)

(601) 208-5111  
(Registrant's telephone number, including area code)

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of April 30, 2013, there were 67,162,685 shares outstanding of the registrant’s common stock (no par value).

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## Forward-Looking Statements

Certain statements contained in this document constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by words such as “may,” “hope,” “will,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” “continue,” “could,” “may” or “might” 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 “Risk Factors” in Trustmark’s filings with the Securities and Exchange Commission 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, 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 the European financial crisis on the U.S. economy and the markets we serve, 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, the ability to maintain relationships with customers, employees or suppliers as well as the ability to successfully integrate the business and realize cost savings and any other synergies from the BancTrust Financial Group, Inc., (BancTrust) merger as well as the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect, 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. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

Trustmark Corporation and Subsidiaries  
Consolidated Balance Sheets  
(\$ in thousands)

|   | (Unaudited)         |                         |
|---|---------------------|-------------------------|
|   | March 31,<br>2013   | December<br>31,<br>2012 |
| <b>Assets</b>   |                     |                         |
| Cash and due from banks (noninterest-bearing)                                   | \$242,896           | \$231,489               |
| Federal funds sold and securities purchased under reverse repurchase agreements | 5,926               | 7,046                   |
| Securities available for sale (at fair value)                                   | 3,546,083           | 2,657,745               |
| Securities held to maturity (fair value: \$78,096-2013; \$46,888-2012)          | 73,666              | 42,188                  |
| Loans held for sale (LHFS)  | 207,758             | 257,986                 |
| Loans held for investment (LHFI)  | 5,474,396           | 5,592,754               |
| Less allowance for loan losses, LHFI  | 76,900              | 78,738                  |
| Net LHFI  | 5,397,496           | 5,514,016               |
| <b>Acquired loans:</b>  |                     |                         |
| Noncovered loans  | 1,003,127           | 81,523                  |
| Covered loans   | 47,589              | 52,041                  |
| Less allowance for loan losses, acquired loans                                  | 6,458               | 6,075                   |
| Net acquired loans  | 1,044,258           | 127,489                 |
| Net LHFI and acquired loans   | 6,441,754           | 5,641,505               |
| Premises and equipment, net   | 210,789             | 154,841                 |
| Mortgage servicing rights   | 51,529              | 47,341                  |
| Goodwill  | 366,366             | 291,104                 |
| Identifiable intangible assets  | 49,361              | 17,306                  |
| Other real estate, excluding covered other real estate                          | 118,406             | 78,189                  |
| Covered other real estate   | 5,879               | 5,741                   |
| FDIC indemnification asset  | 20,198              | 21,774                  |
| Other assets  | 509,904             | 374,412                 |
| <b>Total Assets</b>   | <b>\$11,850,515</b> | <b>\$9,828,667</b>      |
| <b>Liabilities</b>  |                     |                         |
| <b>Deposits:</b>  |                     |                         |
| Noninterest-bearing   | \$2,534,287         | \$2,254,211             |
| Interest-bearing  | 7,375,144           | 5,642,306               |
| <b>Total deposits</b>   | <b>9,909,431</b>    | <b>7,896,517</b>        |
| Federal funds purchased and securities sold under repurchase agreements         | 219,769             | 288,829                 |
| Short-term borrowings   | 46,325              | 86,920                  |
| Long-term FHLB advances   | 10,969              | -                       |
| Subordinated notes  | 49,879              | 49,871                  |
| Junior subordinated debt securities   | 94,856              | 61,856                  |
| Other liabilities   | 166,340             | 157,305                 |
| <b>Total Liabilities</b>  | <b>10,497,569</b>   | <b>8,541,298</b>        |

## Shareholders' Equity

## Common stock, no par value:

Authorized: 250,000,000 shares

Issued and outstanding: 67,151,087 shares - 2013; 64,820,414 shares - 2012

Capital surplus

Retained earnings

Accumulated other comprehensive income, net of tax

Total Shareholders' Equity

Total Liabilities and Shareholders' Equity

See notes to consolidated financial statements.

Trustmark Corporation and Subsidiaries  
Consolidated Statements of Income  
(\$ in thousands except per share data)  
(Unaudited)

|   | Three Months Ended |          |
|---|--------------------|----------|
|   | March 31,<br>2013  | 2012     |
| Interest Income   |                    |          |
| Interest and fees on LHFI & LHFS  | \$64,463           | \$72,859 |
| Interest and fees on acquired loans   | 12,782             | 2,937    |
| Interest on securities:   |                    |          |
| Taxable   | 16,539             | 18,384   |
| Tax exempt  | 1,312              | 1,366    |
| Interest on federal funds sold and securities purchased under reverse repurchase agreements | 4                  | 6        |
| Other interest income   | 355                | 330      |
| Total Interest Income   | 95,455             | 95,882   |
| Interest Expense  |                    |          |
| Interest on deposits  | 4,909              | 7,353    |
| Interest on federal funds purchased and securities sold under repurchase agreements         | 81                 | 171      |
| Other interest expense  | 1,490              | 1,414    |
| Total Interest Expense  | 6,480              | 8,938    |
| Net Interest Income   | 88,975             | 86,944   |
| Provision for loan losses, LHFI   | (2,968)            |          |