TRUSTMARK CORP
Form 10-K
February 20, 2018

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, 2017

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 (Do not check if a smaller reporting company)	Smaller reporting company

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

Based on the closing sales price at June 30, 2017, 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 $1.306 billion.

As of January 31, 2018, there were issued and outstanding 67,818,093 shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Trustmark's 2018 Annual Meeting of Shareholders to be held April 24, 2018 are incorporated by reference into Part III of the Form 10-K report.

TRUSTMARK CORPORATION

ANNUAL REPORT ON FORM 10-K

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Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify forward-looking statements by words such as “may,” “hope,” “will,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “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 potential market impacts of efforts by the Federal Reserve Board to reduce the size of its balance sheet and conditions in the housing and real estate markets in the regions in which Trustmark operates and the extent and duration of the current volatility in the credit and financial markets as well as crude oil prices, changes in our ability to measure the fair value of assets in our portfolio, material changes in the level and/or volatility of market interest rates, the performance and demand for the products and services we offer, including the level and timing of withdrawals from our deposit accounts, the costs and effects of litigation and of unexpected or adverse outcomes in such litigation, our ability to attract noninterest-bearing deposits and other low-cost funds, competition in loan and deposit pricing, as well as the entry of new competitors into our markets through de novo expansion and acquisitions, economic conditions, including the potential impact of 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, cyber-attacks and other breaches which could affect our information system security, natural disasters, environmental disasters, acts of war or terrorism, and other risks described in our filings with the Securities and Exchange Commission.

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

PART I

ITEM 1. BUSINESS

The Corporation

Description of Business

Trustmark Corporation (Trustmark), a Mississippi business corporation incorporated in 1968, is a bank holding company headquartered in Jackson, Mississippi. Trustmark's principal subsidiary is Trustmark National Bank (TNB), initially chartered by the State of Mississippi in 1889. At December 31, 2017, TNB had total assets of $13.796 billion, which represented approximately 99.98% of the consolidated assets of Trustmark.

Through TNB and its subsidiaries, Trustmark operates as a financial services organization providing banking and other financial solutions through 198 offices and 2,893 full-time equivalent associates (measured at December 31, 2017) located in the states of Alabama, Florida (primarily in the northwest or "Panhandle" region of that state, which is referred to herein as Trustmark's Florida market), Mississippi, Tennessee (in Memphis and the Northern Mississippi regions, which are collectively referred to herein as Trustmark's Tennessee market), and Texas (primarily in Houston, which is referred to herein as Trustmark's Texas market). The principal products produced and services rendered by TNB and Trustmark's other subsidiaries are as follows:

Trustmark National Bank

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

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

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

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

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

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

Capital Trust

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

Strategy

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

The following table sets forth summary data regarding Trustmark's securities, loans, assets, deposits, equity and revenue over the past five years ($ in thousands):

December 31,	2017	2016	2015	2014	2013
Securities	$3,295,121	$3,515,325	$3,533,240	$3,545,252	$3,362,882
Total securities growth (decline)	$(220,204)	$(17,915)	$(12,012)	$182,370	$662,949
Total securities growth (decline)	-6.26 %	-0.51 %	-0.34 %	5.42 %	24.55 %
Loans *	$8,831,484	$8,123,460	$7,481,796	$6,998,878	$6,603,087
Total loans growth (decline)	$708,024	$641,664	$482,918	$395,791	$876,769
Total loans growth (decline)	8.72 %	8.58 %	6.90 %	5.99 %	15.31 %
Assets	$13,797,953	$13,352,333	$12,678,896	$12,250,633	$11,790,383
Total assets growth (decline)	$445,620	$673,437	$428,263	$460,250	$1,961,716
Total assets growth (decline)	3.34 %	5.31 %	3.50 %	3.90 %	19.96 %
Deposits	$10,577,512	$10,056,012	$9,588,230	$9,698,358	$9,859,902
Total deposits growth (decline)	$521,500	$467,782	$(110,128)	$(161,544)	$1,963,385
Total deposits growth (decline)	5.19 %	4.88 %	-1.14 %	-1.64 %	24.86 %
Equity	$1,571,701	$1,520,208	$1,473,057	$1,419,940	$1,354,953
Total equity growth (decline)	$51,493	$47,151	$53,117	$64,987	$67,584
Total equity growth (decline)	3.39 %	3.20 %	3.74 %	4.80 %	5.25 %
Years Ended December 31,					
Revenue **	$592,213	$561,476	$564,914	$578,478	$562,346
Total revenue growth (decline)	$30,737	$(3,438)	$(13,564)	$16,132	$46,167
Total revenue growth (decline)	5.47 %	-0.61 %	-2.34 %	2.87 %	8.94 %

* Includes loans held for investment and acquired loans

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

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

Geographic Information

The following table shows Trustmark's percentage of loans, deposits and revenue for each of the geographic regions in which it operates as of and for the year ended December 31, 2017 ($ in thousands):

	Loans (1)		Deposits		Revenue (2)	
	Amount	%	Amount	%	Amount	%
Alabama	$1,537,692	17.4 %	$1,607,510	15.2 %	$79,736	13.5 %
Florida	397,762	4.5 %	669,995	6.3 %	39,387	6.6 %
Mississippi	4,749,860	53.8 %	6,349,275	60.0 %	379,367	64.1 %

Tennessee	740,753	8.4 %	1,480,854	14.0 %	46,686	7.9 %
Texas	1,405,417	15.9 %	469,878	4.5 %	47,037	7.9 %
Total	$8,831,484	100.0%	$10,577,512	100.0%	$592,213	100.0%

(1) Includes loans held for investment and acquired loans
(2) Consistent with Trustmark's audited financial statements, revenue is defined as net interest income plus noninterest income

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Segment Information

For the year ended December 31, 2017, Trustmark operated through three operating segments: General Banking Division, Insurance Division and Wealth Management Division. The table below presents a summary of segment financial data for each segment for the last three years ($ in thousands):

	Years Ended December 31,		
	2017	2016	2015
General Banking			
Net interest income	$406,406	$386,596	$391,092
Provision for loan losses, net	7,699	14,714	11,800
Noninterest income	116,180	107,059	105,477
Net income	97,706	99,083	106,738
Total assets	13,724,193	13,278,668	12,604,112
Wealth Management			
Net interest income	$910	$726	$337
Noninterest income	30,285	30,117	31,245
Net income	2,244	4,124	3,850
Total assets	5,592	7,501	7,471
Insurance			
Net interest income	$234	$211	$336
Noninterest income	38,198	36,767	36,427
Net income	5,680	5,204	5,450
Total assets	68,168	66,164	67,313

For more information on Trustmark's operating segments, please see the section captioned "Results of Segment Operations" in Part II. Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 20 - Segment Information included in Part II. Item 8. - Financial Statements and Supplementary Data of this report.

Overview of Lending Business

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

- Loans Held for Investment (LHFI) – Loans originally underwritten by Trustmark that do not constitute loans held for sale, acquired loans.
- 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 as well as loans acquired by Trustmark in a Federal Deposit Insurance Corporation (FDIC)-assisted transaction and that are covered under a loss-share agreement with the FDIC.

The following discussion briefly summarizes Trustmark's lending business by focusing on LHFI and LHFS, and includes a discussion of the risks inherent in these loans, Trustmark's underwriting policies for its loans and the characteristics of the real estate loan component of these loans. Acquired loans and covered loans are excluded from this summary, as Trustmark did not underwrite those loans at inception. Discussion of Trustmark's acquired loans, including covered loans, is contained elsewhere in this report.

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

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

Inherent in real estate construction lending is the risk that the full value of the collateral does not exist at the time the loan is granted. Construction lending also inherently includes the risk associated with a borrower's ability to successfully complete a proposed project on time and within budget. Further, adverse changes in the market occurring between the start of construction and completion of the projects can result in slower sales or rental 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 evaluation of the borrower's credit history and repayment capacity, including verification of income and valuation of collateral. Portfolio performance is continuously evaluated through updated credit bureau scores and monitoring of repayment performance.

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

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

Risk for owner-occupied commercial real estate is driven by the creditworthiness of the underlying borrowers, particularly cash flow from the borrowers' business operations as well as the risk of a shortfall in collateral. Credit performance of loans secured by commercial income-producing real estate can be negatively affected by national, regional and local economic conditions, which may result in deteriorating tenant credit profiles, tenant losses, reduced rental/lease rates and higher than anticipated vacancy rates, all contributing to declines in value or liquidity of the underlying real estate collateral. Other factors, such as increasing interest rates, may result in higher capitalization rates, thereby reducing a property's value.

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

Credit risk in commercial and industrial loans can arise due to fluctuations in borrowers' financial condition, deterioration in collateral values and changes in market conditions. The credit risk inherent in these loans depends on, to a significant degree, the general economic conditions of these areas. Further, credit risk can increase if Trustmark's loans are concentrated to borrowers engaged in the same or similar activities, or to groups of borrowers who may be uniquely or disproportionately affected by market or economic conditions.

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

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

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

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

Recent Economic and Industry Developments

The economy continued to show moderate signs of improvement in 2017; however, economic concerns remain as a result of the cumulative weight of volatility in crude oil prices and uncertain growth prospects in Russia and other emerging markets, combined with uncertainty regarding the impact of further tightening of the monetary policy by the Board of Governors of the Federal Reserve System (FRB), the consequences of the decision of the United Kingdom to exit the European Union, and the potential impact on the economy of the current presidential administration's policies. Doubts surrounding the near-term direction of global markets, and the potential impact of these trends on the United States economy, are expected to persist for the near term. While Trustmark's customer base is wholly domestic, international economic conditions affect domestic conditions, and thus may have an impact upon Trustmark's financial condition or results of operations.

In the January 2018 "Summary of Commentary on Current Economic Conditions by Federal Reserve Districts," the twelve Federal Reserve Districts' reports suggested national economic activity continued to expand at a modest to moderate pace during the reporting period. Reports by the twelve Federal Reserve Districts noted modest growth in manufacturing activity, retail sales expanded, residential real estate activity remained constrained with most districts reporting little growth in home sales due to limited housing inventory, commercial construction continued to experience slight growth, loan demand was generally stable and growth in the energy sector increased slightly. Reports by the three Federal Reserve Districts covering the southeast United States, which include Trustmark's five key market regions, suggested that economic activity increased at a modest pace, with most businesses reporting positive outlooks for the near term. The Federal Reserve's Sixth District, Atlanta (which includes Trustmark's Alabama, Florida and Mississippi market regions), reported that economic activity expanded at a modest pace with optimistic outlooks for steady growth in the near-term, labor markets remained tight and wage growth was stable, holiday retail sales exceeded expectations and increased demand in commercial construction. The Federal Reserve's Sixth District also reported that residential real estate activity increased modestly and commercial real estate demand continued to improve, but cautioned that the rate of improvement varied by metropolitan area, submarket, and property type. The Federal Reserve's Sixth District noted increased business activity in manufacturing and that credit remained readily available for qualified borrowers. The Federal Reserve's Eighth District, St. Louis (which includes Trustmark's Tennessee market region), reported that economic conditions improved at a modest pace, labor markets remained tight with moderate growth in wages, improvements in consumer spending, modest improvements in residential real estate conditions, slight improvements in commercial construction and continued growth in the banking sectors. The Federal Reserve's Eighth District also reported that loan growth, which had slowed gradually since the start of 2017, levelled off at year-end and noted that lending activity improved moderately with positive loan growth across all categories other than open-ended home equity loans. The Federal Reserve's Eleventh District, Dallas (which includes Trustmark's Texas market region), reported economic activity expanded at a robust pace at year-end and accelerated growth across the manufacturing, retail, nonfinancial services and energy sectors. The Federal Reserve's Eleventh District also reported increased demand for loans, loan pricing and a tightening in credit standards and terms and noted that overall loan volumes increased at a faster pace. The Federal Reserve's Eleventh District also noted that home sales were returning to a normal pace after Hurricane Harvey. The Federal Reserve's Eleventh District also reported drilling activity increased, well completions continued to grow, demand for oil field services remained steady and outlooks for 2018 improved.

During June 2017, the FRB increased the target range for the federal funds rate for the third consecutive quarter. In December 2017, the FRB further increased rates and commenced reducing the size of its balance sheet. In December 2017, the FRB predicted an additional three interest rate hikes in 2018. It is not possible to predict the impact, if any, on market interest rates of efforts by the FRB to reduce the size of its balance sheet. The extended period of low interest rates continues to place pressure on net interest margins for Trustmark (as well as its competitors); however, interest rates have increased during 2017 and the FRB has indicated that it intends to continue to raise rates in 2018. Any increases in interest rates will place competitive pressures on the deposit cost of funds. It is not possible to predict the pace and magnitude of rising interest rates, or the impact rising rates will have on Trustmark's results of operations.

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

Competition

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

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

At June 30, 2017, Trustmark's deposit market share ranked within the top three positions in 58% of the 55 counties served and within the top five positions in 73% of the counties served. The table below presents FDIC deposit data regarding TNB's deposit market share by state as of June 30, 2017. The FDIC deposit market share data presented below does not align with Trustmark's reported geographic market regions, which in some instances cross state lines, and Trustmark's geographic coverage within certain states presented below is not statewide (see the sections captioned "Description of Business" and "Geographic Information" above).

State	Deposit Market Share
Alabama	1.59%
Florida	0.13%
Mississippi	13.43%
Tennessee	0.36%
Texas	0.06%

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

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

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

Supervision and Regulation

The following discussion sets forth material elements of the regulatory framework applicable to bank holding companies and their subsidiaries and provides specific information relevant to Trustmark. The discussion is a summary of detailed statutes, regulations and policies. The descriptions are not intended to be complete summaries of the statutes, regulations and policies referenced therein. Such statutes, regulations and policies are continually under the review of the United States Congress and state legislatures as well as federal and state regulatory agencies. A change in statutes, regulations or policies could have a material impact on the business of Trustmark and its subsidiaries.

Regulation of Trustmark

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

Federal Oversight Over Mergers and Acquisitions, Investments and Branching

The BHC Act requires every bank holding company to obtain the prior approval of the FRB before: (i) it may acquire direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, the bank holding company will directly or indirectly own or control 5.0% or more of the voting shares of the bank; (ii) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank; or (iii) it may merge or consolidate with any other bank holding company. The BHC Act further provides that the FRB may not approve any such transaction that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any section of the United States, or the effect of which may be substantially to lessen competition or to tend to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The FRB is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned and the convenience and needs of the community to be served. The FRB is also required to take into account in evaluating such a transaction the effectiveness of the parties in combatting money laundering activities. 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 (CRA). Provisions of the FDI Act known as the Bank Merger Act impose similar approval standards for an insured depository institution to merge with another insured depository institution.

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

The BHC Act, as amended by the interstate banking provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Riegle-Neal Act), permits Trustmark to acquire a bank located in any other state, regardless of state law to the contrary, subject to certain deposit-percentage, aging requirements, and other restrictions. The

Riegle-Neal Act also generally permits national and state-chartered banks to branch interstate through acquisitions of banks in other states. Bank holding companies must be well-capitalized and well-managed to obtain federal bank regulatory approval of an interstate acquisition without regard to state law prohibiting the transaction.

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

The Office of the Comptroller of the Currency (OCC) has the authority to approve applications by national banks to establish de novo branches, including, under the Riegle-Neal Act, 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.

Certain acquisitions of Trustmark's voting stock may be subject to regulatory approval or notice under federal law. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of Trustmark's stock in excess of the amount that can be acquired without regulatory approval under the Change in Bank Control Act and the BHC Act, which prohibit any person or company from acquiring control of Trustmark without, in most cases, the prior written approval of the FRB.

Source of Strength

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

Capital Adequacy

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

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

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

Failure to meet minimum capital requirements could subject a bank to a variety of enforcement remedies. The FDI Act identifies five capital categories for insured depository institutions: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. An insured depository institution is subject to differential regulation corresponding to the capital category within which the institution falls. The FDI Act requires banking regulators to take prompt corrective action whenever financial institutions do not meet minimum capital requirements. Failure to meet the capital guidelines could also subject an insured depository institution to capital raising requirements. In addition, an insured depository institution is generally prohibited from making capital distributions, including paying dividends, or paying management fees to a holding company, if the institution would thereafter be undercapitalized. In addition, the FDI Act requires the various regulatory agencies to prescribe certain noncapital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation, and permits regulatory action against an insured depository institution that does not meet such standards.

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

At December 31, 2017, Trustmark exceeded its minimum capital requirements with common equity Tier 1 capital, Tier 1 capital and total capital equal to 11.77%, 12.33% and 13.10% of its total risk-weighted assets, respectively. At December 31, 2017, TNB also exceeded these requirements with common equity Tier 1 capital, Tier 1 capital and total capital equal to 12.16%, 12.16% and 12.93% of its total risk-weighted assets, respectively. At December 31, 2017, the leverage ratios for Trustmark and TNB were 9.67% and 9.54%, respectively. As of December 31, 2017, the most recent notification from the OCC categorized TNB as well-capitalized based on the ratios and guidelines described above.

Stress Testing

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

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

Payment of Dividends and Stock Repurchases

Trustmark is limited in its ability to pay dividends or repurchase its stock by the FRB, including if doing so would be an unsafe or unsound banking practice. Where a bank holding company intends to declare or pay a dividend that could raise safety and soundness concerns, it generally will be required to inform and consult with the FRB in advance. It is the policy of the FRB that a bank holding company should generally pay dividends on common stock only out of earnings, and only if prospective earnings retention is consistent with the company's capital needs and overall current and prospective financial condition.

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

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

Anti-Money Laundering Initiatives and Sanctions Compliance

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

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) is responsible for helping to insure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and Acts of Congress. OFAC publishes lists of persons, organizations, and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially

Designated Nationals and Blocked Persons. OFAC administers and enforces applicable economic and trade sanctions programs. These sanctions are usually targeted against foreign countries, terrorists, international narcotics traffickers and those believed to be involved in the proliferation of weapons of mass destruction. These regulations generally require either the blocking of accounts or other property of specified entities or individuals, but they may also require the rejection of certain transactions involving specified entities or individuals. Trustmark maintains policies, procedures and other internal controls designed to comply with these sanctions programs.

Other Federal Regulation of Trustmark

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

Regulation of TNB

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

Restrictions on Lending, Insider Transactions and Affiliate Transactions

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

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

Payment of Dividends

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

CFPB

The Dodd-Frank Act established the CFPB within the Federal Reserve System as an independent bureau with responsibility for consumer financial protection. The CFPB is responsible for issuing rules, orders and guidance implementing federal consumer financial laws. The CFPB has primary enforcement authority over "very large" insured depository institutions or insured credit unions and their affiliates. An insured depository institution is deemed "very large" if it reports assets of more than $10 billion in its quarterly Call Report for four consecutive quarters. The CFPB has near exclusive supervision authority, including examination authority, over these “very large” institutions and their affiliates to assess compliance with federal consumer financial laws, to obtain information about the institutions’ activities and compliance systems and procedures, and to detect and assess risks to consumers and markets. The CFPB has broad authority to prevent “unfair, deceptive or abusive acts or practices” and ensure consistent enforcement of laws so that all consumers have access to markets for consumer financial products and services that are fair, transparent and competitive. The CFPB has rulemaking and interpretive authority under the Dodd-Frank Act and other federal consumer financial services laws, as well as broad supervisory, examination and enforcement authority over large providers of consumer financial products and services, such as TNB. TNB’s total assets exceeded $10 billion at December 31, 2017 and 2016, and therefore, TNB is subject to CFPB supervision.

In October 2017, the CFPB issued a final rule generally requiring lenders that make certain covered short-term loans, longer-term balloon-payment loans, or longer-term loans with certain costs and features, to reasonably determine that a borrower of a covered loan has the ability to repay such a loan, make certain disclosures to the borrower before attempting to withdraw payment from the borrower’s account, forego from making three consecutive attempts to withdraw payments and report covered loans to registered information systems. Most of the requirements of the final rule will take effect in the third quarter of 2019. Based on TNB’s current credit portfolio, any covered loans made by TNB are considered exempt “accommodation loans” under the CFPB’s final rule, and accordingly, Trustmark does not expect that the final rule will have a material impact on its operations.

Other Federal and State Laws

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

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

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

Mortgage Regulation

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

Financial Privacy Laws

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

Debit Interchange Regulation

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

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

FDIC Deposit Insurance Assessments

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

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

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

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

TNB's FDIC assessment expenses declined during 2017 as the lower regular assessment rates and the allowable adjustments more than offset the surcharge of 4.5 cents per $100 of assessment base. In 2017, TNB's expenses related to deposit insurance premiums totaled $10.4 million.

TNB also paid approximately $660 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 2018 through 2019. For the quarter ended December 31, 2017, the FICO assessment rate was equal to 0.46 basis points.

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

TNB Subsidiaries

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

During April 2016, the Department of Labor (DOL) issued a final rule related to fiduciary standards that apply to the provision of advice to clients with respect to the investing of certain of their retirement accounts. The final rule expands the definition of a fiduciary under the Employee Retirement Income Security Act of 1974, as amended. Those who provide investment advice to plans, plan sponsors, fiduciaries, plan participants, beneficiaries and IRAs and IRA owners generally must either avoid payments that create conflicts of interest or satisfy an exemption from these requirements issued by the DOL. Under exemptions adopted with the rule, financial institutions will generally be obligated to acknowledge their status and the status of their individual advisers as "fiduciaries." Among other obligations, firms and advisers will be required to make prudent investment recommendations that are in their clients' best interests and charge only reasonable compensation. Additionally, the rule requires certain disclosures to be made to the client, and ongoing compliance must be monitored and documented. On June 9, 2017, following a 60-day extension of the final rule's applicability date, certain provisions of the final rule became applicable, including provisions that apply to Trustmark. The remaining provisions of the final rule are scheduled to be phased in by July 1, 2019. It is not clear if that applicability date will be further delayed, and it is also possible that the Securities and Exchange Commission or another governmental entity could impose separate regulations regarding the provision of investment advice with respect to retirement accounts. Management does not expect the final DOL rule to have a significant impact on the results of operations or financial condition of Trustmark or TNB.

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

Available Information

Trustmark's internet address is www.trustmark.com. Information contained on this website is not a part of this report. Trustmark makes available through this address, free of charge, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such material is electronically filed, or furnished to, the SEC.

Employees

At December 31, 2017, Trustmark employed 2,893 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:

Gerard R. Host, 63

Trustmark Corporation

President and Chief Executive Officer since January 2011

Trustmark National Bank

President and Chief Executive Officer since January 2011

Louis E. Greer, 63

Trustmark Corporation

Treasurer and Principal Financial Officer since January 2007

Trustmark National Bank

Executive Vice President and Chief Financial Officer since February 2007

Granville Tate, Jr., 61

Trustmark Corporation

Secretary since December 2015

Trustmark National Bank

Executive Vice President, Secretary, General Counsel and Chief Risk Officer since June 2016

Executive Vice President, Secretary and General Counsel from December 2015 to June 2016

Brunini, Grantham, Grower & Hewes, PLLC

Partner from January 2010 to December 2015

Board of Directors from January 2010 to November 2015

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

Monica A. Day, 57

Trustmark National Bank

Executive Vice President and Real Estate Banking Manager since May 2017

Senior Vice President and Corporate Commercial Real Estate Manager from October 2008 to May 2017

Duane A. Dewey, 59

Trustmark National Bank

President – Corporate Banking since September 2011

Robert Barry Harvey, 58

Trustmark National Bank

Executive Vice President and Chief Credit Officer since March 2010

Donald Glynn Ingram, 66

Trustmark National Bank

Executive Vice President and Chief Information Officer since September 2008

James M. Outlaw, Jr., 65

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, 53

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

W. Arthur Stevens, 53

Trustmark National Bank

President – Retail Banking since September 2011

Breck W. Tyler, 59

Trustmark National Bank

President – Mortgage Services since March 2012

C. Scott Woods, 61

Trustmark National Bank

President – Insurance and Wealth Management since November 2017

President – Insurance Services from March 2012 to November 2017

ITEM 1A. RISK FACTORS

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

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

Trustmark's profitability depends to a large extent on net interest income, which is the difference between income on interest-earning assets, such as loans and investment securities, and expense on interest-bearing liabilities, such as deposits and borrowings. Trustmark is exposed to interest rate risk in its core banking activities of lending and deposit taking, since assets and liabilities reprice at different times and by different amounts as interest rates change. Trustmark is unable to predict changes in market interest rates, which are affected by many factors beyond Trustmark's control, including inflation, recession, unemployment, money supply, domestic and international events and changes in the United States and other financial markets. During June 2017, the FRB increased the target range for the federal funds rate for the third consecutive quarter. In December 2017, the FRB further increased rates and commenced reducing the size of its balance sheet. In December 2017, the FRB also predicted an additional three interest rate hikes in 2018. It is not possible to predict the impact, if any, on market interest rates of efforts by the FRB to reduce the size of its balance sheet.

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, 2017, estimated that in the event of a hypothetical 200 basis point increase in interest rates, net interest income may decrease 2.1%, while a hypothetical 100 basis point increase in interest rates, may decrease net interest income 1.0%. In the event of a hypothetical 100 basis point decrease in interest rates using static balances at December 31, 2017, it is estimated net interest income may decrease by 4.2%.

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

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

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

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

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

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

The economy continued to show moderate signs of improvement in 2017; however, economic concerns remain as a result of the cumulative weight of volatility in crude oil prices and uncertain growth prospects in Russia and other emerging markets, combined with uncertainty regarding the impact of further tightening of the monetary policy by the

FRB, the consequences of the decision of the United Kingdom to exit the European Union, and the potential impact on the economy of the current presidential administration's policies. Doubts surrounding the near-term direction of global markets, and the potential impact of these trends on the United States economy, are expected to persist for the near term. While Trustmark's customer base is wholly domestic, international economic conditions affect domestic conditions, and thus may have an impact upon Trustmark's financial condition or results of operations. 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 rising rates and modest economic growth, remains high. Management's ability to plan, prioritize and allocate resources in this new environment will be critical to Trustmark's ability to sustain earnings that will attract capital. Because of the complexities presented by current economic conditions, Management will continue to be challenged in identifying alternative sources of revenue, prudently diversifying assets, liabilities and revenue and effectively managing the costs of compliance.

During June 2017, the FRB increased the target range for the federal funds rate for the third consecutive quarter. In December 2017, the FRB further increased rates and commenced reducing the size of its balance sheet. In December 2017, the FRB predicted an additional three interest rate hikes in 2018. It is not possible to predict the impact, if any, on market interest rates of efforts by the FRB to reduce the size of its balance sheet. The extended period of low interest rates continues to place pressure on net interest margins for Trustmark (as well as its competitors); however, interest rates have increased during 2017 and the FRB has indicated that it intends to continue to raise rates in 2018. Any increases in interest rates will place competitive pressures on the deposit cost of funds. It is not possible to predict the pace and magnitude of rising interest rates, or the impact rising rates will have on Trustmark's results of operations.

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

- Market developments and the resulting economic pressure on consumers may affect consumer confidence levels and may cause increases in delinquencies and default rates, which, among other effects, could further affect Trustmark's charge-offs and provision for loan losses.
- Loan performance could experience a significantly extended deterioration or loan default levels could accelerate, foreclosure activity could significantly increase, or Trustmark's assets (including loans and investment securities) could materially decline in value, any one of which, or any combination of more than one of which, could have a material adverse effect on Trustmark's financial condition or results of operations.
- Management's ability to measure the fair value of Trustmark's assets could be adversely affected by market disruptions that could make valuation of assets more difficult and subjective. If Management determines that a significant portion of its assets have values that are significantly below their recorded carrying value, Trustmark could recognize a material charge to earnings in the quarter during which such determination was made, Trustmark's capital ratios would be adversely affected by any such charge, and a rating agency might downgrade Trustmark's credit rating or put Trustmark on credit watch.
- The price per barrel of crude oil remained volatile during 2017. As of December 31, 2017, energy-related LHFI represented approximately 2.6% of Trustmark's total LHFI portfolio, and consisted principally of loans within the oilfield services and midstream segments. Additionally, as of December 31, 2017, approximately 9.7% of Trustmark's energy-related LHFI, or 0.3% of Trustmark's total LHFI portfolio, were classified as nonperforming or nonaccrual. Trustmark has no loan exposure where the source of repayment, or the underlying security of such exposure, is tied to the realization of value from energy reserves. Nonetheless, if oil prices remain at current levels or below for an extended period of time, Trustmark could experience weakening or increased losses within its energy-related LHFI portfolio.

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

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

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

Additionally, Trustmark may rely on information furnished by or on behalf of customers and counterparties in deciding whether to extend credit or enter into other transactions. This information could include financial statements, credit reports, business plans, and other information. Trustmark may also rely on representations of those customers, counterparties, or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports, or other information could have a material adverse impact on Trustmark's business, financial condition, and results of operations.

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

Liquidity refers to Trustmark's ability to ensure that sufficient cash flow and liquid assets are available to satisfy current and future financial obligations, including demand for loans and deposit withdrawals, funding operating costs and other corporate purposes. Liquidity risk arises whenever the maturities of financial instruments included in assets and liabilities differ or when assets cannot be liquidated at fair market value as needed. Trustmark obtains funding through deposits and various short-term and long-term wholesale borrowings, including federal funds purchased and securities sold under agreements to repurchase, the Federal Reserve Discount Window (Discount Window) and Federal Home Loan Bank (FHLB) advances. Any significant restriction or disruption of Trustmark's ability to obtain funding from these or other sources could have a negative effect on Trustmark's ability to satisfy its current and future financial obligations, which could materially affect Trustmark's financial condition or results of operations.

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

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

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

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

Trustmark is subject to stringent capital requirements.

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

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

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

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

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

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

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

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

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

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

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

When Trustmark consummates an acquisition, a portion of the purchase price is generally allocated to goodwill and other identifiable intangible assets. The amount of the purchase price that is allocated to goodwill and other intangible assets is determined by the excess of the purchase price over the net identifiable assets acquired. At December 31, 2017, goodwill and other identifiable intangible assets were $396.0 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 2017 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, 2017, Trustmark held $43.2 million of other real estate, compared to $62.1 million at December 31, 2016. The amount of other real estate held by Trustmark may increase in the future as a result of, among other things, business combinations, increased uncertainties in the housing market or increased levels of credit stress in residential real estate loan portfolios. Increased other real estate balances could lead to greater expenses as Trustmark incurs costs to manage, maintain and dispose of real properties as well as to remediate any environmental cleanup costs incurred in connection with any contamination discovered on real property on which Trustmark has foreclosed and to which Trustmark has taken title. As a result, Trustmark's earnings could be negatively affected by various expenses associated with other real estate owned, including personnel costs, insurance and taxes, completion and repair costs, valuation adjustments and other expenses associated with real property ownership, as well as by the funding costs associated with other real estate assets. The expenses associated with holding a significant amount of other real estate could have a material adverse effect on Trustmark's financial condition or results of operations.

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

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

On a quarterly basis, Trustmark evaluates investments and other assets for impairment indicators. As of December 31, 2017, gross unrealized losses on temporarily impaired securities totaled $42.1 million. Trustmark may be required to record impairment charges if these investments suffer a decline in value that is other-than-temporary. If it is determined that a significant impairment has occurred, Trustmark would be required to charge against earnings the credit-related portion of the other-than-temporary impairment, which could have a material adverse effect on results of operations in the period in which a write-off, if any, occurs.

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

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

Trustmark operates in a highly competitive financial services industry.

Trustmark faces substantial competition in all areas of its operations from a variety of different competitors, many of which are larger and may have greater financial resources. Such competitors primarily include national and regional banks, as well as community banks within the various markets in which Trustmark operates. At this time, major international banks do not materially compete directly with Trustmark in its markets, although they may do so in the future. Trustmark also faces competition from many other types of financial institutions, including savings and loans, credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. Additionally, fintech developments, such as blockchain and other distributed ledger technologies, have the potential to disrupt the financial industry and change the way banks do business. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation.

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

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

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

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

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

The soundness of other financial institutions could adversely affect Trustmark.

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

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

Trustmark is dependent upon communications and information systems to conduct business as such systems are used to manage virtually all aspects of Trustmark's business. Trustmark's operations rely on the secure processing, storage and transmission of confidential and other information within its computer systems and networks. Trustmark has taken protective measures, which are continuously monitored and modified as warranted; however, Trustmark's computer systems, software and networks may fail to operate properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond Trustmark's control. There could be sudden increases in customer transaction volume; electrical, telecommunications or other major physical infrastructure outages; natural disasters; and events arising from local or larger scale political or social matters, including terrorist acts. Further, Trustmark's operational and security systems and infrastructure may be vulnerable to breaches, unauthorized access, misuse, computer viruses or other malicious codes and cyber-attacks that could affect their information system security. If one or more of these events were to occur, Trustmark's or its customers' confidential and other information would be jeopardized, or such an event could cause interruptions or malfunctions in Trustmark's or its customers' or counterparties' operations. Trustmark may be required to expend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures in its computer systems and networks, and Trustmark may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by Trustmark. Any such losses, which may be difficult to detect, could adversely affect Trustmark's financial condition or results of operations. In addition, the occurrence of such a loss could expose Trustmark to reputational risk, the loss of customer business and additional regulatory scrutiny.

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

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

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

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

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

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

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

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

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

The volatility in the stock prices of companies in the financial services industry, such as Trustmark, may make it more difficult for shareholders to resell Trustmark common stock at attractive prices in a timely manner. Trustmark's stock price can fluctuate significantly in response to a variety of factors, including factors affecting the financial industry as a whole. The factors affecting financial stocks generally and Trustmark's stock price in particular include:

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

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

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

Trustmark's accounting policies and methods are fundamental to how Trustmark records and reports its financial condition and results of operations. From time to time, the Financial Accounting Standards Board (FASB) changes the financial accounting and reporting standards that govern the preparation of Trustmark's financial statements. The most recent economic recession resulted in increased scrutiny of accounting standards by regulators and legislators, particularly as they relate to fair value accounting principles. In addition, ongoing efforts to achieve convergence between U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards may result in changes to GAAP. Any such changes can be difficult to predict and can materially affect how Trustmark records and reports its financial condition or results of operations. For example, in June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which replaces the current incurred loss impairment methodology with a methodology that reflects all current expected credit losses (CECL) and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. Trustmark intends to adopt ASU 2016-13 during the first quarter of 2020, and adoption of this ASU could materially affect its allowance for loan losses methodology, financial condition, capital levels and results of operations, including expenses Trustmark may incur in implementing this ASU. For additional details regarding recently adopted and pending accounting pronouncements, see Note 1 – Significant Accounting Policies included in Part II. Item 8. - Financial Statements and Supplementary Data of this report.

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

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

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

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Trustmark's principal offices are housed in its complex located in downtown Jackson, Mississippi and owned by TNB. Approximately 235,000 square feet, or 89%, of the available space in the main office building is allocated to bank use with the remainder occupied or available for occupancy by tenants on a lease basis. As of December 31, 2017, Trustmark, through TNB, also operated 178 full-service branches, 20 limited-service branches and an ATM network, which included 180 ATMs at on-premise locations, 66 ATMs located at off-premise sites and three interactive teller machines (ITMs) located at off-premise sites. In addition, Trustmark's Mortgage Banking Group utilized six off-site locations, the Wealth Management Division utilized one off-site location and the Insurance Division utilized five off-site locations. Trustmark leases 90 of its 279 locations with the remainder being owned. Trustmark believes its properties are suitable and adequate to operate its financial services business.

ITEM 3. LEGAL PROCEEDINGS

Trustmark's wholly-owned subsidiary, TNB, has been named as a defendant in three lawsuits related to the collapse of the Stanford Financial Group. The first is a purported class action complaint that was filed on August 23, 2009 in the District Court of Harris County, Texas, by Peggy Roif Rotstain, Guthrie Abbott, Catherine Burnell, Steven

Queyrouze, Jaime Alexis Arroyo Bornstein and Juan C. Olano (collectively, Class Plaintiffs), on behalf of themselves and all others similarly situated, naming TNB and four other financial institutions unaffiliated with Trustmark as defendants. The complaint seeks to recover (i) alleged fraudulent transfers from each of the defendants in the amount of fees and other monies received by each defendant from entities controlled by R. Allen Stanford (collectively, the Stanford Financial Group) and (ii) damages allegedly attributable to alleged conspiracies by one or more of the defendants with the Stanford Financial Group to commit fraud and/or aid and abet fraud on the asserted grounds that defendants knew or should have known the Stanford Financial Group was conducting an illegal and fraudulent scheme. Plaintiffs have demanded a jury trial. Plaintiffs did not quantify damages.

In November 2009, the lawsuit was removed to federal court by certain defendants and then transferred by the United States Panel on Multidistrict Litigation to federal court in the Northern District of Texas (Dallas) where multiple Stanford related matters are being consolidated for pre-trial proceedings. In May 2010, all defendants (including TNB) filed motions to dismiss the lawsuit. In August

2010, the court authorized and approved the formation of an Official Stanford Investors Committee (OSIC) to represent the interests of Stanford investors and, under certain circumstances, to file legal actions for the benefit of Stanford investors. In December 2011, the OSIC filed a motion to intervene in this action. In September 2012, the district court referred the case to a magistrate judge for hearing and determination of certain pretrial issues. In December 2012, the court granted the OSIC's motion to intervene, and the OSIC filed an Intervenor Complaint against one of the other defendant financial institutions. In February 2013, the OSIC filed a second Intervenor Complaint that asserts claims against TNB and the remaining defendant financial institutions. The OSIC seeks to recover: (i) alleged fraudulent transfers in the amount of the fees each of the defendants allegedly received from Stanford Financial Group, the profits each of the defendants allegedly made from Stanford Financial Group deposits, and other monies each of the defendants allegedly received from Stanford Financial Group; (ii) damages attributable to alleged conspiracies by each of the defendants with the Stanford Financial Group to commit fraud and/or aid and abet fraud and conversion on the asserted grounds that the defendants knew or should have known the Stanford Financial Group was conducting an illegal and fraudulent scheme; and (iii) punitive damages. The OSIC did not quantify damages.

In July 2013, all defendants (including TNB) filed motions to dismiss the OSIC's claims. In March 2015, the court entered an order authorizing the parties to conduct discovery regarding class certification, staying all other discovery and setting a deadline for the parties to complete briefing on class certification issues. In April 2015, the court granted in part and denied in part the defendants' motions to dismiss the Class Plaintiffs' claims and the OSIC's claims. The court dismissed all of the Class Plaintiffs' fraudulent transfer claims and dismissed certain of the OSIC's claims. The court denied the motions by TNB and the other financial institution defendants to dismiss the OSIC's constructive fraudulent transfer claims.

On June 23, 2015, the court allowed the Class Plaintiffs to file a Second Amended Class Action Complaint (SAC), which asserted new claims against TNB and certain of the other defendants for (i) aiding, abetting and participating in a fraudulent scheme, (ii) aiding, abetting and participating in violations of the Texas Securities Act, (iii) aiding, abetting and participating in breaches of fiduciary duty, (iv) aiding, abetting and participating in conversion and (v) conspiracy. On July 14, 2015, the defendants (including TNB) filed motions to dismiss the SAC and to reconsider the court's prior denial to dismiss the OSIC's constructive fraudulent transfer claims against TNB and the other financial institutions that are defendants in the action. On July 27, 2016, the court denied the motion by TNB and the other financial institution defendants to dismiss the SAC and also denied the motion by TNB and the other financial institution defendants to reconsider the court's prior denial to dismiss the OSIC's constructive fraudulent transfer claims. On August 24, 2016, TNB filed its answer to the SAC. On October 20, 2017, the OSIC filed a motion seeking an order lifting the discovery stay and establishing a trial schedule. On November 7, 2017, the court denied the OSIC's motion seeking class certification and designation of class representatives and counsel, finding that common issues of fact did not predominate. The court granted the OSIC's motion to lift the discovery stay that it had previously ordered.

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

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

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

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

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Common Stock Prices and Dividends

Trustmark's common stock is listed on the NASDAQ Stock Market and is traded under the symbol TRMK. The table below represents, for each quarter of 2017 and 2016, the high and low intra-day sales price per share of Trustmark's common stock and the cash dividends declared per common share.

	2017		2016	
Sales Price Per Share	High	Low	High	Low
First quarter	$36.58	$30.03	$23.64	$19.75
Second quarter	34.15	29.99	25.29	21.93
Third quarter	33.42	28.16	28.70	23.67
Fourth quarter	35.09	31.24	36.79	26.81

Dividends Per Share	2017	2016
First quarter	$0.23	$0.23
Second quarter	0.23	0.23
Third quarter	0.23	0.23
Fourth quarter	0.23	0.23
Total	$0.92	$0.92

At January 31, 2018, there were approximately 3,700 registered shareholders of record and approximately 38,000 beneficial account holders of shares in nominee name of Trustmark's common stock. Other information required by this item can be found in Note 17 - Shareholders' Equity included in Part II. Item 8. - Financial Statements and Supplementary Data of this report.

Stock Repurchase Program

On March 11, 2016, the Board of Directors of Trustmark authorized a stock repurchase program under which $100.0 million of Trustmark's outstanding common stock may be acquired through March 31, 2019. The shares may be purchased from time to time at prevailing market prices, through open market or privately negotiated transactions, depending on market conditions. Trustmark repurchased none of its common stock during the year ended December 31, 2017. Trustmark repurchased approximately 34 thousand shares of its common stock valued at approximately $750 thousand during the year ended December 31, 2016.

Performance Graph

The following graph compares Trustmark's annual percentage change in cumulative total return on common shares over the past five years with the cumulative total return of companies comprising the NASDAQ market value index and the Morningstar Banks – Regional – US index. The Morningstar Banks – Regional – US index is an industry index published by Morningstar and consists of 1,000 large, regional, diverse financial institutions serving the corporate, government and consumer needs of retail banking, investment banking, trust management, credit cards and mortgage banking in the United States. This presentation assumes that $100 was invested in shares of the relevant issuers on December 31, 2012, 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	2012	2013	2014	2015	2016	2017
Trustmark	100.00	123.88	117.73	114.87	183.94	169.18
Morningstar Banks - Regional - US	100.00	138.74	149.60	156.82	212.44	231.79
NASDAQ	100.00	140.12	160.78	171.97	187.22	242.71

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, 2017 ($ in thousands, except per share data). The data should be read in conjunction with Part II. Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8. – Financial Statements and Supplementary Data.

Years Ended December 31,	2017	2016	2015	2014	2013
Consolidated Statements of Income					
Total interest income	$449,795	$412,080	$412,225	$426,882	$414,346
Total interest expense	42,245	24,547	20,460	21,546	25,859
Net interest income	407,550	387,533	391,765	405,336	388,487
Provision for loan losses, LHFI	15,094	10,957	8,375	1,211	(13,421)
Provision for loan losses, acquired loans	(7,395)	3,757	3,425	6,171	6,039
Noninterest income	184,663	173,943	173,149	173,142	173,859
Noninterest expense	430,169	407,298	401,662	409,005	415,731
Income before income taxes	154,345	139,464	151,452	162,091	153,997
Income taxes	48,715	31,053	35,414	38,529	36,937
Net Income	$105,630	$108,411	$116,038	$123,562	$117,060
Revenue (1)					
Total revenue	$592,213	$561,476	$564,914	$578,478	$562,346
Per Share Data					
Basic earnings per share	$1.56	$1.60	$1.72	$1.83	$1.75
Diluted earnings per share	1.56	1.60	1.71	1.83	1.75
Cash dividends per share	0.92	0.92	0.92	0.92	0.92
Performance Ratios					
Return on average equity	6.77 %	7.14 %	7.94 %	8.83 %	8.75 %
Return on average tangible equity	9.39 %	9.99 %	11.36 %	12.97 %	13.09 %
Return on average assets	0.77 %	0.84 %	0.95 %	1.03 %	1.02 %
Average equity/average assets	11.38 %	11.73 %	11.90 %	11.63 %	11.60 %
Net interest margin (fully taxable equivalent)	3.48 %	3.53 %	3.78 %	4.03 %	4.01 %
Dividend payout ratio	58.97 %	57.50 %	53.49 %	50.27 %	52.57 %
Credit Quality Ratios (2)					
Net charge-offs (recoveries)/average loans	0.11 %	0.10 %	0.15 %	-0.03 %	-0.02 %
Provision for loan losses/average loans	0.18 %	0.14 %	0.12 %	0.02 %	-0.23 %
Nonperforming loans/total loans (incl LHFS*)	0.77 %	0.61 %	0.76 %	1.21 %	1.10 %
Nonperforming assets/total loans (incl LHFS*) plus ORE**	1.26 %	1.38 %	1.81 %	2.57 %	2.84 %
Allowance for loan losses/total loans (excl LHFS*)	0.90 %	0.91 %	0.95 %	1.08 %	1.15 %

December 31,	2017		2016		2015		2014		2013	
Consolidated Balance Sheets										
Total assets	$13,797,953		$13,352,333		$12,678,896		$12,250,633		$11,790,383	
Securities	3,295,121		3,515,325		3,533,240		3,545,252		3,362,882	
Total loans (incl LHFS* and acquired loans)	9,011,996		8,299,387		7,641,985		7,131,074		6,752,256	
Deposits	10,577,512		10,056,012		9,588,230		9,698,358		9,859,902	
Total shareholders' equity	1,571,701		1,520,208		1,473,057		1,419,940		1,354,953	
Stock Performance										
Market value - close	$31.86		$35.65		$23.04		$24.54		$26.84	
Book value	23.20		22.48		21.80		21.04		20.11	
Tangible book value	17.35		16.76		15.98		15.13		13.95	
Capital Ratios										
Total equity/total assets	11.39	%	11.39	%	11.62	%	11.59	%	11.49	%
Tangible equity/tangible assets	8.77	%	8.74	%	8.79	%	8.62	%	8.26	%
Tangible equity/risk-weighted assets	11.13	%	11.39	%	11.68	%	12.17	%	11.88	%
Tier 1 leverage ratio	9.67	%	9.90	%	10.03	%	9.63	%	9.06	%
Tier 1 common risk-based capital ratio - BASEL I	—		—		—		12.75	%	12.21	%
Common equity tier 1 risk-based capital ratio - BASEL III	11.77	%	12.16	%	12.57	%	—		—	
Tier 1 risk-based capital ratio	12.33	%	12.76	%	13.21	%	13.47	%	12.97	%
Total risk-based capital ratio	13.10	%	13.59	%	14.07	%	14.56	%	14.18	%

(1) Consistent with Trustmark's audited financial statements, revenue is defined as net interest income plus noninterest income
(2) Excludes Acquired Loans and Covered Other Real Estate
* LHFS is Loans Held for Sale
** ORE is Other Real Estate

The following unaudited tables represent Trustmark's summary of quarterly operations for the years ended December 31, 2017 and 2016 ($ in thousands, except per share data):

2017	1Q	2Q	3Q	4Q
Interest income	$104,906	$111,776	$116,114	$116,999
Interest expense	7,316	9,772	12,202	12,955
Net interest income	97,590	102,004	103,912	104,044
Provision for loan losses, LHFI	2,762	2,921	3,672	5,739
Provision for loan losses, acquired loans	(1,605)	(2,564)	(1,653)	(1,573)
Noninterest income	46,033	50,190	44,480	43,960
Noninterest expense	102,057	122,075	103,086	102,951
Income before income taxes	40,409	29,762	43,287	40,887
Income taxes	9,161	5,727	8,708	25,119
Net income	$31,248	$24,035	$34,579	$15,768
Earnings per share				
Basic	$0.46	$0.35	$0.51	$0.23
Diluted	0.46	0.35	0.51	0.23

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

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

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

Executive Overview

Trustmark continued to achieve solid financial results with total revenue of $148.0 million and $592.2 million for the three months and year ended December 31, 2017, respectively. Trustmark continued to maintain and expand customer relationships as reflected by growth across all five market regions in the LHFI portfolio, which increased $718.8 million, or 9.2%, during year ended December 31, 2017. During the first quarter of 2017, Trustmark reclassified $36.7 million of acquired loans not accounted for under FASB ASC Topic 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" to LHFI due to the discount on these loans being fully amortized. Excluding the reclassified acquired loans, LHFI increased $682.0 million, or 8.7%, during 2017. Credit quality remained strong and continued to be an important contributor to Trustmark's financial success. Trustmark is committed to investments to support profitable revenue growth as well as reengineering and efficiency opportunities to enhance shareholder value. Trustmark's capital position remained solid, reflecting the consistent profitability of its diversified financial services businesses. Trustmark's Board of Directors declared a quarterly cash dividend of $0.23 per share. The dividend is payable March 15, 2018, to shareholders of record on March 1, 2018.

During August 2017, the Texas Gulf Coast region was severely impacted by Hurricane Harvey. None of Trustmark's banking facilities in its Texas market region sustained damage, and all were able to reopen as soon as practical following the storm. In the aftermath of Hurricane Harvey, Trustmark initiated a process to assess the storm's impact on its customers. Trustmark identified all loans where the collateral, project or mailing addresses were located within Federal Emergency Management Association (FEMA) designated disaster zip codes and proactively surveyed these customers to determine the extent of any damages. Potential loss exposure was calculated based upon customer responses as to the extent of damage suffered and applicable insurance coverage. As a result, Trustmark increased its allowance for loan losses for LHFI during the third quarter of 2017 by $1.1 million due to the potential loss exposure caused by Hurricane Harvey.

On April 7, 2017, Trustmark completed its previously announced merger with RB Bancorporation (Reliance). Reliance was the holding company for Reliance Bank, which had seven offices serving the Huntsville, Alabama metropolitan service area in northern Alabama. Reliance Bank was merged into TNB simultaneously with the merger of Trustmark and Reliance. Under the terms of the merger agreement dated November 14, 2016, Trustmark paid $22.00 in cash for each share of Reliance common stock outstanding, which represented payment to Reliance common shareholders of approximately $23.7 million. In addition, Trustmark paid off Reliance preferred stock of $1.1 million bringing the total consideration paid to $24.8 million. The operations of Reliance are included in Trustmark's operating results from April 7, 2017 and did not have a material impact on Trustmark's results of operations. During the second quarter of 2017, Trustmark included non-routine merger transaction expenses in other expense totaling $3.2 million.

As previously reported, on July 26, 2016, the Board of Directors of Trustmark authorized the termination of the Trustmark Capital Accumulation Plan (the Plan), a noncontributory tax-qualified defined benefit pension plan, effective as of December 31, 2016. The final distributions were made from current plan assets and a one-time pension settlement expense of $17.6 million was recognized when paid by Trustmark during the second quarter of 2017.

Financial Highlights

Trustmark reported net income of $15.8 million, or basic and diluted earnings per share (EPS) of $0.23, in the fourth quarter of 2017, compared to $28.9 million, or basic and diluted EPS of $0.43, in the fourth quarter of 2016. The decrease in net income when the fourth quarter of 2017 is compared to the same time period in 2016 was principally due to an one-time charge to income taxes resulting from the re-measurement of Trustmark's net deferred tax assets due to the enactment of the Tax Cuts and Jobs Act of 2017 (Tax Reform Act) and the elimination of a deferred tax valuation allowance related to a prior merger, which collectively reduced net income by $17.0 million, or $0.25 per diluted share. Excluding these non-routine transactions, net income for the fourth quarter of 2017 totaled $32.7 million, or diluted EPS of $0.48. The increase in net income, excluding the non-routine transactions, when the fourth quarter of 2017 is compared to the same time period in 2016 was principally due to an increase in total revenue (primarily due to increases in interest and fees on LHFS and LHFI, mortgage banking, net and other income, net principally as a result of proceeds received related to bank-owned life insurance) partially offset by an increase in noninterest expense. These factors are discussed in greater detail below. Trustmark's reported performance during the quarter ended December 31, 2017, produced a return on average tangible equity of 5.60%, a return on average assets of 0.45%, an average equity to average assets ratio of 11.40% and a dividend payout ratio of 100.00%, compared to a return on average tangible equity of 10.41%, a return on average assets of 0.87%, an average equity to average assets ratio of 11.63% and a dividend payout ratio of 53.49% during the quarter ended December 31, 2016. For a reconciliation between the reported net income and the net income adjusted for significant non-routine transactions as well as select financial ratios, please see the section captioned "Significant Non-routine Transactions."

Revenue, which is defined as net interest income plus noninterest income, totaled $148.0 million for the quarter ended December 31, 2017 compared to $140.6 million for the quarter ended December 31, 2016, an increase of $7.4 million, or 5.3%. The increase in total revenue for the fourth quarter of 2017 was principally the result of increases in interest and fees on LHFS and LHFI, mortgage banking, net and other income, net, partially offset by an increase in total interest expense.

Interest and fees on LHFS and LHFI increased $14.0 million, or 18.2%, when the fourth quarter of 2017 is compared to the same time period in 2016, primarily due to an increase in the LHFI portfolio and higher interest rates. LHFI totaled $8.570 billion at December 31, 2017, an increase of $718.8 million, or 9.2%, when compared to December 31, 2016, as a result of net growth across all of Trustmark's market regions and all categories in its LHFI portfolio. Mortgage banking, net for the fourth quarter of 2017 increased $856 thousand, or 15.8%, when compared to the same time period in 2016, principally due to a decrease in the net negative mortgage valuation adjustment, partially offset by a decline in gain on sales of loans, net. Other income, net for the three months ended December 31, 2017 increased $589 thousand, or 28.2%, when compared to the same time period in 2016 primarily due to non-taxable proceeds of $1.7 million related to bank-owned life insurance received during the fourth quarter of 2017. Interest expense for the fourth quarter of 2017 increased $6.4 million, or 98.9%, when compared to the same time period in 2016 principally due to rising interest rates in general, which result in increases in interest on deposits and other interest expense. Interest expense on deposits for the three months ended December 31, 2017 increased $3.9 million when compared to the same time period in 2016, principally due to rising interest rates in general, accompanied by increases in average balances of all categories of interest-bearing accounts. Other interest expense increased $1.9 million, or 71.1%, when the fourth quarter of 2017 is compared to the same time period in 2016, principally due to increases in rates in general and average balances of short-term FHLB advances partially offset by the decline in interest expense on the subordinated notes.

Trustmark's provision for loan losses, LHFI for the three months ended December 31, 2017 totaled $5.7 million, an increase of $3.9 million when compared to a provision for loan losses, LHFI of $1.8 million for the three months ended December 31, 2016. The increase in the provision for loan losses, LHFI for the fourth quarter of 2017 when compared to the same time period in 2016 was primarily due to an increase in the amount of provision required for existing and newly impaired LHFI, primarily in the Texas and Mississippi market regions, and an increase in the amount of provision related to quantitative reserve factors. Please see the section captioned "Provision for Loan Losses, LHFI," for additional information regarding the provision for loan losses, LHFI. The provision for loan losses, acquired loans for the three months ended December 31, 2017 totaled a negative $1.6 million, a decrease of $2.7 million when compared to the same time period in 2016 principally due to changes in expectations based on the periodic re-estimations performed during the respective periods and a decline in acquired loan balances. Please see the section captioned "Provision for Loan Losses, Acquired Loans," for additional information regarding the provision for loan losses, acquired loans. In total, the provision for loan losses, net was $4.2 million for the fourth quarter of 2017, an increase of $1.2 million, or 39.6%, when compared to the same time period in 2016.

For the year ended December 31, 2017, Trustmark reported net income of $105.6 million, or basic and diluted EPS of $1.56, compared to $108.4 million, or basic and diluted EPS of $1.60, for the year ended December 31, 2016 and $116.0 million, or basic and diluted EPS of $1.72 and $1.71, respectively, for the year ended December 31, 2015. The decrease in net income when 2017 is compared to 2016 was primarily due to increases in income taxes and noninterest expense (principally due to non-routine transaction expenses), which was partially offset by an increase in total revenue (primarily due to increases in interest and fees on LHFS and LHFI and other income, net principally as a result of proceeds received related to life insurance) and the decline in the provision for loan losses, acquired loans. These factors are discussed in greater detail below. During the fourth quarter of 2017, Trustmark incurred non-routine income tax expenses of $17.0 million related to the re-measurement of Trustmark's net deferred tax assets due to the enactment of the Tax Reform Act and the elimination of a deferred tax valuation allowance related to a prior merger. During the second quarter of 2017, Trustmark received $4.9 million in non-routine, nontaxable proceeds related to life insurance acquired in a previous acquisition. Additionally, Trustmark incurred non-routine transaction expenses of $17.6 million related to the termination of the defined benefit pension plan and $3.2 million related to the completion of the Reliance merger during the second quarter of 2017. Excluding these non-routine transactions, net income for 2017 totaled $130.6 million, or diluted EPS of $1.92. Trustmark's reported performance for the year ended December 31, 2017, produced a return on average tangible equity of 9.39%, a return on average assets of 0.77% and a dividend payout ratio of 58.97%, compared to a return on average tangible equity of 9.99%, a return on average assets of 0.84% and a dividend payout ratio of 57.50% for the year ended December 31, 2016 and a return on average tangible equity of 11.36%, a return on average assets of 0.95% and a dividend payout ratio of 53.49% for the year ended December 31, 2015. Trustmark's average equity to average assets ratio was 11.38%, 11.73% and 11.90% for the years ended December 31, 2017, 2016 and 2015, respectively. For a reconciliation between the reported net income and the net income adjusted for significant non-routine transactions as well as select financial ratios, please see the section captioned "Significant Non-routine Transactions."

Revenue totaled $592.2 million for the year ended December 31, 2017, compared to $561.5 million and $564.9 million for the years ended December 31, 2016 and 2015, respectively. The increase in total revenue for 2017 compared to 2016 was principally the result of increases in interest and fees on LHFS and LHFI and other income, net partially offset by an increase in total interest expense.

Interest and fees on LHFS and LHFI for 2017 increased $45.0 million, or 15.0%, compared to 2016, primarily due to the year-over-year increase in the LHFI portfolio. Other income, net for 2017 increased $8.3 million when compared to 2016 primarily due to non-taxable proceeds of $4.4 million related to bank-owned life insurance received during 2017 and the $4.9 million in non-routine, non-taxable proceeds related to life insurance acquired in a previous acquisition received during the second quarter of 2017. Interest expense for 2017 increased $17.7 million, or 72.1%, when compared to 2016 due to rising interest rates in general. Interest expense on deposits for 2017 increased $10.0 million, or 78.2%, when compared to 2016, principally due to rising rates in general, accompanied by increases in average balances of all categories of interest-bearing deposits. Interest on federal funds purchased and securities sold under repurchase agreements increased $2.4 million when 2017 is compared to 2016 principally due to increases in the target range for the federal funds rate by the FRB. Other interest expense increased $5.3 million, or 52.5%, when the year ended December 31, 2017 is compared to the year ended December 31, 2016, principally due to increases in rates in general, accompanied by increases in average balances of short-term FHLB advances partially offset by the decline in interest expense on the subordinated notes.

Trustmark's provision for loan losses, LHFI, for 2017 totaled $15.1 million, an increase of $4.1 million, or 37.8%, when compared to a provision for loan losses, LHFI of $11.0 million for 2016. The increase in the provision for loan losses, LHFI for 2017 when compared to 2016 was primarily due to an increase in the amount of provision required related to existing and newly impaired LHFI, and the $1.1 million of additional reserves due to the potential loss exposure caused by Hurricane Harvey. Please see the section captioned "Provision for Loan Losses, LHFI," for additional information regarding the provision for loan losses, LHFI. The provision for loan losses, acquired loans for 2017 totaled a negative $7.4 million, a decrease of $11.2 million when compared to 2016 principally due to changes in expectations based on the periodic re-estimations performed during the respective periods and a decline in acquired loan balances. Please see the section captioned "Provision for Loan Losses, Acquired Loans," for additional information regarding the provision for loan losses, acquired loans. In total, the provision for loan losses, net was $7.7 million for 2017, a decrease of $7.0 million, or 47.7%, when compared to 2016.

At December 31, 2017, nonperforming assets, excluding acquired loans, totaled $110.8 million, a decrease of $482 thousand, or 0.4%, compared to December 31, 2016 due to a decline in other real estate, which was largely offset by an increase in nonaccrual LHFI. Total nonaccrual LHFI were $67.6 million at December 31, 2017, representing an increase of $18.3 million, or 37.3%, relative to December 31, 2016 principally due to three large substandard credits moving to nonaccrual status during 2017. The percentage of loans, excluding acquired loans, that are 30 days or more past due and nonaccrual LHFI increased in 2017 to 1.53% compared to 1.33% in 2016 and 1.44% in 2015. Other real estate declined $18.8 million, or 30.3%, during 2017 primarily due to properties sold in all five market of Trustmark's market regions as well as write-downs of properties in Trustmark's Mississippi, Florida and Alabama market regions partially offset by properties foreclosed in all five market regions.

LHFI totaled $8.570 billion at December 31, 2017, an increase of $718.8 million, or 9.2%, compared to December 31, 2016. During the first quarter of 2017, Trustmark reclassified $36.7 million of acquired loans not accounted for under FASB ASC Topic 310-30 to LHFI due to the discount on these loans being fully amortized. Excluding the reclassified acquired loans, LHFI increased $682.0 million, or 8.7%, during 2017. The increase in LHFI, excluding the reclassified acquired loans, during 2017 represented net growth across all five of Trustmark's market regions and all loan categories. For additional information regarding changes in LHFI and comparative balances by loan category, see the section captioned "LHFI."

Both classified and criticized LHFI balances remain at low levels and continue to reflect strong credit quality. As of December 31, 2017, classified LHFI balances decreased $13.9 million, or 6.2%, while criticized LHFI balances decreased $602 thousand, or 0.2%, when compared to balances at December 31, 2016. All of the credits have been appropriately reserved.

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

Total deposits were $10.578 billion at December 31, 2017, an increase of $521.5 million, or 5.2% compared to December 31, 2016, primarily due to growth in interest-bearing deposits. During 2017, noninterest-bearing deposits increased $4.8 million, or 0.2%, primarily due to growth in consumer and public demand deposit accounts, which were largely offset by a decline in commercial demand deposit accounts, while interest-bearing deposits increased $516.7 million, or 7.3%, primarily due to growth in all categories of interest-bearing demand deposit accounts with the exception of public interest checking and money market accounts, reflecting the Reliance merger and increases in interest rates. At December 31, 2017, the balance of deposits for branches associated with the

Reliance merger was $163.6 million. Excluding these Reliance deposits, total deposits at December 31, 2017 increased $357.9 million, or 3.6%.

Trustmark uses short-term borrowings to fund growth of earning assets in excess of deposits growth. Short-term borrowings totaled $1.441 billion at December 31, 2017, an increase of $131.3 million, or 10.0%, when compared to December 31, 2016 as a result of the increase in earning assets, principally LHFI, out-pacing the growth in deposits. The increase in short-term borrowings was primarily due to an increase in the outstanding balance of short-term FHLB advances as Trustmark continues to utilize this funding source to fund the difference between loan and deposit growth. Short-term FHLB advances increased $200.0 million during 2017 as a result of a $450.0 million increase in outstanding short-term advances with the FHLB of Dallas as well as the $250.0 million long-term FHLB advance with the FHLB of Dallas which was reclassified to short-term in May 2017 partially offset by the $500.0 million advance with the FHLB of Dallas that matured in December 2017.

Critical Accounting Policies

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

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

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

Allowance for Loan Losses, LHFI

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

A significant shift in one or more factors included in the allowance for loan loss methodology could result in a material change to Trustmark's allowance for loan losses, LHFI. For example, if there were changes in one or more of the estimates, assumptions or judgments used as they relate to a portfolio of commercial LHFI, Trustmark could find that it needs to increase the level of future provisions for possible loan losses with respect to that portfolio. Additionally, credit deterioration of specific borrowers due to changes in these factors could cause the internally assigned risk rating to shift to a more severe category. As a result, Trustmark could find that it needs to increase the level of future provisions for possible loan losses with respect to these LHFI. Given the nature of many of these estimates, assumptions and judgments, it is not possible to provide meaningful estimates of the impact of any such potential shifts.

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

Acquired Loans

Acquired loans are recorded at their estimated fair value as of the acquisition date. The fair value of acquired loans is determined using a discounted cash flow model based on assumptions regarding the amount and timing of principal and interest payments, estimated prepayments, estimated default rates, estimated loss severity in the event of defaults, and current market rates. Estimated credit losses are included in the determination of fair value; therefore, an allowance for loan losses is not recorded on the acquisition date.

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

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

Mortgage Servicing Rights (MSR)

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

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

By way of example, an increase in either the prepayment speed or discount rate assumption will result in a decrease in the fair value of the MSR, while a decrease in either assumption will result in an increase in the fair value of the MSR. In recent years, there have been significant market-driven fluctuations in loan prepayment speeds and discount rates. These fluctuations can be rapid and may continue to be significant. Therefore, estimating prepayment speed and/or discount rates within ranges that market participants would use in determining the fair value of the MSR requires significant management judgment.

At December 31, 2017, the MSR fair value was approximately $84.3 million. The impact on the MSR fair value of either a 10% adverse change in prepayment speeds or a 100 basis point increase in discount rates at December 31, 2017, would be a decline in fair value of approximately $3.1 million. Changes of equal magnitude in the opposite direction would produce similar increases in fair value in the respective amounts.

Goodwill and Identifiable Intangible Assets

Trustmark records all assets and liabilities acquired in purchase acquisitions, including goodwill and other intangible assets, at fair value as required by FASB ASC Topic 805. The carrying amount of goodwill at December 31, 2017 totaled $334.6 million for the General Banking Division and $45.0 million for the Insurance Division, a consolidated total of $379.6 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 $16.4 million at December 31, 2017, 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, 2017, 2016, and 2015, respectively, which indicated that no impairment charge was required. The impairment test for the General Banking Division utilized valuations based on comparable deal values for financial institutions while the test for the Insurance Division utilizes varying valuation scenarios for the multiple of earnings before interest, income taxes, depreciation and amortization method based on recent acquisition activity. Based on this analysis, Trustmark concluded that the fair value of the reporting units exceeded the carrying value for both the General Banking Division and the Insurance Division; therefore, no impairment charge was required. Significant changes in future profitability and value of our reporting units could affect Trustmark's impairment evaluation.

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

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

Other Real Estate

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

Defined Benefit Plans

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

- Population and Characteristics of Participants. Benefit cost is directly related to the number of participants covered by the plan and characteristics such as salary, age, years of service and benefit terms. At December 31, 2017, the census for Trustmark's plans totaled 124 participants.
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- Discount Rate. The discount rate utilized in determining the present value of the future benefit obligation was 3.32% at December 31, 2017 (as compared to 3.71% at December 31, 2016). The discount rate for the plans is determined by matching the expected cash flows of the plans to a yield curve based on long term, high quality fixed income debt instruments available as of the measurement date (December 31, 2017). 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 plans and kept all other assumptions constant, the benefit cost associated with Trustmark's plans would decrease or increase by approximately $281 thousand and $314 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 Continuing Plan, the pre-tax expected rate of return on the plan assets used in 2017 was 5.00%, versus 6.00% for the first half of the year and 2.50% thereafter in 2016 as a result of Trustmark's de-risking investment strategy. This expected rate of return is dependent upon the asset allocation decisions made with respect to plan assets. Annual differences, if any, between expected and actual return are included in the unrecognized net actuarial gain or loss amount. Trustmark generally amortizes any cumulative unrecognized net actuarial gain or loss in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets. If

Trustmark assumes a 1.00% increase or decrease in the expected long-term rate of return for the Continuing Plan, holding all other actuarial assumptions constant, the pension cost would decrease or increase by approximately $40 thousand.

- 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.

Contingent Liabilities

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

Recent Legislative and Regulatory Developments

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

Non-GAAP Financial Measures

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

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

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

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

		Years Ended December 31,		
TANGIBLE EQUITY		2017	2016	2015
AVERAGE BALANCES				
Total shareholders' equity		$1,560,884	$1,517,955	$1,460,650
Less: Goodwill		(375,947)	(366,156)	(365,613)
Identifiable intangible assets		(18,885)	(24,132)	(30,686)
Total average tangible equity		$1,166,052	$1,127,667	$1,064,351
PERIOD END BALANCES				
Total shareholders' equity		$1,571,701	$1,520,208	$1,473,057
Less: Goodwill		(379,627)	(366,156)	(366,156)
Identifiable intangible assets		(16,360)	(20,680)	(27,546)
Total tangible equity	(a)	$1,175,714	$1,133,372	$1,079,355
TANGIBLE ASSETS				
Total assets		$13,797,953	$13,352,333	$12,678,896
Less: Goodwill		(379,627)	(366,156)	(366,156)
Identifiable intangible assets		(16,360)	(20,680)	(27,546)
Total tangible assets	(b)	$13,401,966	$12,965,497	$12,285,194
Risk-weighted assets	(c)	$10,566,818	$9,952,123	$9,242,902
NET INCOME ADJUSTED FOR INTANGIBLE AMORTIZATION				
Net income		$105,630	$108,411	$116,038
Plus: Intangible amortization net of tax		3,810	4,240	4,829
Net income adjusted for intangible amortization		$109,440	$112,651	$120,867
Period end common shares outstanding	(d)	67,746,094	67,628,618	67,559,128
TANGIBLE EQUITY MEASUREMENTS				
Return on average tangible equity (1)		9.39 %	9.99 %	11.36 %
Tangible equity/tangible assets	(a)/(b)	8.77 %	8.74 %	8.79 %
Tangible equity/risk-weighted assets	(a)/(c)	11.13 %	11.39 %	11.68 %
Tangible book value	(a)/(d)*1,000	$17.35	$16.76	$15.98
COMMON EQUITY TIER 1 CAPITAL (CET1) - BASEL III				
Total shareholders' equity		$1,571,701	$1,520,208	$1,473,057
AOCI-related adjustments		48,248	45,798	45,394
CET1 adjustments and deductions:				
Goodwill net of associated deferred tax liabilities (DTLs)		(366,461)	(347,442)	(348,873)
Other adjustments and deductions for CET1 (2)		(10,248)	(8,637)	(7,980)
CET1 capital	(e)	1,243,240	1,209,927	1,161,598
Additional tier 1 capital instruments plus related surplus		60,000	60,000	60,000
Less: Additional tier 1 capital deductions		(2)	(267)	(1,063)
Additional tier 1 capital		59,998	59,733	58,937
Tier 1 capital		$1,303,238	$1,269,660	$1,220,535
Common equity tier 1 risk-based capital ratio	(e)/(c)	11.77 %	12.16 %	12.57 %

(1) Calculated using net income adjusted for intangible amortization divided by total average tangible equity

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

Significant Non-routine Transactions

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

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

	Years Ended December 31,					
	2017		2016		2015	
	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS
Net Income (GAAP)	$105,630	$ 1.556	$108,411	$ 1.599	$116,038	$ 1.714
Significant non-routine transactions:						
Re-measurement of net deferred taxes	25,619	0.377	—	—	—	—
Elimination of deferred tax valuation allowance	(8,650)	(0.127)	—	—	—	—
Defined benefit plan termination, net of tax	10,895	0.160	—	—	—	—
Reliance merger transaction expenses, net of tax	1,999	0.029	—	—	—	—
Non-taxable gain on acquired life insurance proceeds	(4,894)	(0.072)	—	—	—	—
Early retirement program expense, net of tax	—	—	6,049	0.089	—	—
Pension expense due to de-risking strategy in Plan assets portfolio, net of tax	—	—	820	0.012	—	—
Net Income adjusted for significant non-routine transactions (Non-GAAP)	$130,599	$ 1.923	$115,280	$ 1.700	$116,038	$ 1.714

	Reported (GAAP)	Adjusted (Non-GAAP)	Reported (GAAP)	Adjusted (Non-GAAP)	Reported (GAAP)	Adjusted (Non-GAAP)
Return on average equity	6.77 %	8.37 %	7.14 %	7.59 %	7.94 %	n/a
Return on average tangible equity	9.39 %	11.53 %	9.99 %	10.60 %	11.36 %	n/a
Return on average assets	0.77 %	0.95 %	0.84 %	0.89 %	0.95 %	n/a

Re-measurement of Net Deferred Taxes

During the fourth quarter of 2017, Trustmark re-measured its net deferred tax assets subsequent to the enactment of the Tax Reform Act which resulted in the reduction of the corporate federal income tax rate. In accordance with FASB ASC Topic 740, “Income Taxes,” Trustmark recorded a one-time increase in deferred income tax expense of $25.6 million for the year ended December 31, 2017.

Elimination of Deferred Tax Valuation Allowance

During 2013, a deferred tax valuation allowance was created as a result of Trustmark's merger with BancTrust Financial Group, Inc. (BancTrust) and was established to reduce deferred tax assets to the amount that was more likely than not to be realized in future years. Trustmark has continually evaluated this allowance since inception and, based on the weight of the available evidence, has determined that the deferred tax assets will not be subject to the limitations of Internal Revenue Code, Section 382 on the deductibility of built-in losses in future years. During the fourth quarter of 2017, Trustmark eliminated the valuation allowance and recorded a one-time decrease in deferred income tax expense of $8.7 million.

Defined Benefit Pension Plan Termination Expense

As previously reported, on July 26, 2016, the Board of Directors of Trustmark authorized the termination of the Plan, a noncontributory tax-qualified defined benefit pension plan, effective as of December 31, 2016. The final distributions were made from current plan assets and a one-time pension settlement expense of $17.6 million, before taxes, which is included in noninterest expense for the year ended December 31, 2017.

Reliance Merger Transaction Expenses

On April 7, 2017, Trustmark completed its previously announced merger with Reliance. The operations of Reliance are included in Trustmark's operating results from April 7, 2017 and did not have a material impact on Trustmark's results of operations. During the second quarter of 2017, Trustmark included non-routine merger transaction expenses in other expense totaling $3.2 million, before tax.

Non-taxable Gain on Acquired Life Insurance Proceeds

During the second quarter of 2017, Trustmark received non-routine, non-taxable proceeds related to life insurance acquired in a previous acquisition. Included in other income, net for the year ended December 31, 2017 were non-routine, non-taxable proceeds of $4.9 million.

Early Retirement Program Expense

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

Pension Expense Due to De-risking Strategy in Plan Assets Portfolio

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

Results of Operations

Net Interest Income

Net interest income is the principal component of Trustmark's income stream and represents the difference, or spread, between interest and fee income generated from earning assets and the interest expense paid on deposits and borrowed funds. Fluctuations in interest rates, as well as volume and mix changes in earning assets and interest-bearing liabilities, can materially impact net interest income. The net interest margin is computed by dividing fully taxable equivalent (FTE) net interest income by average interest-earning assets and measures how effectively Trustmark utilizes its interest-earning assets in relationship to the interest cost of funding them. The accompanying Yield/Rate Analysis Table shows the average balances for all assets and liabilities of Trustmark and the interest income or expense associated with earning assets and interest-bearing liabilities. The yields and rates have been computed based upon interest income and expense adjusted to a FTE basis using a 35.0% federal marginal tax rate for all periods shown. Loans on nonaccrual have been included in the average loan balances, and interest collected prior to these loans having been placed on nonaccrual has been included in interest income. Loan fees included in interest associated with the average loan balances are immaterial.

Net interest income-FTE for 2017 increased $21.5 million, or 5.3%, when compared with 2016. The net interest margin decreased 5 basis points to 3.48% for 2017 when compared to 2016. The decrease in the net interest margin was primarily the result of increases in the cost of interest-bearing liabilities in conjunction with rising rates in general, partially offset by an increase in the yield on LHFS and LHFI. 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 2017 was 3.36%, a decrease of 1 basis point when compared to 2016, due to the factors discussed above.

Average interest-earning assets for 2017 were $12.274 billion compared to $11.485 billion for 2016 an increase of $789.1 million, or 6.9%. The growth in average earning assets during 2017 was primarily due to an increase in average loans (LHFS and LHFI) of $820.5 million, or 10.8%, partially offset by a decrease in average acquired loans of $46.8 million, or 14.1%. The increase in average loans (LHFS and LHFI) was primarily attributable to the $718.8

million, or 9.2%, increase in the LHFI portfolio when balances at December 31, 2017 are compared to balances at December 31, 2016. This increase represented net growth across all of Trustmark's market regions and all categories in its LHFI portfolio. The decline in average acquired loans during 2017 was primarily attributable to anticipated pay-offs of acquired loans, principally related to the BancTrust merger, as well as the reclassification of $36.7 million of acquired loans not accounted for under FASB ASC Topic 310-30 to LHFI due to the discount on these loans being fully amortized, partially offset by the loans acquired in the Reliance merger.

During 2017, interest and fees on LHFS and LHFI-FTE increased $46.8 million, or 14.8%, when compared to 2016, due to growth in LHFI, while the yield on loans (LHFS and LHFI) increased 15 basis points to 4.31% as a result of increases in interest rates. During 2017, interest and fees on acquired loans decreased $5.7 million, or 18.8%, compared to 2016, due to declines in recoveries on settlement of debt and accretion income, primarily related to loans acquired in the BancTrust merger, as acquired loans continue to pay-down as anticipated, partially offset by interest and fees on loans acquired in the Reliance merger. As a result, the yield on acquired loans decreased 50 basis points to 8.59% when 2017 is compared to 2016. During 2017, interest on securities decreased $2.5 million, or 3.0%, and the yield on securities declined 8 basis points to 2.31%, compared to 2016, principally due to calls, maturities and pay-downs of the underlying loans of higher yielding securities being replaced with lower yielding securities as well as a decline in the yield maintenance payments on prepaid mortgage-backed securities. As a result of these factors, interest income-FTE increased $39.2 million, or 9.1%, when 2017 is compared to 2016, while the yield on total earning assets increased 8 basis points to 3.83%.

Average interest-bearing liabilities for 2017 totaled $8.963 billion compared to $8.281 billion for 2016, an increase of $682.1 million, or 8.2%. The increase in average interest-bearing liabilities was principally due to increases in average short-term borrowings and interest-bearing deposits, partially offset by a decline in average long-term FHLB advances. Average short-term borrowings for 2017 increased $768.3 million when compared to 2016, principally due to the increased balance in outstanding short-term FHLB advances with the FHLB of Dallas. Average interest-bearing deposits for 2017 increased $481.3 million, or 7.2%, when compared to 2016 principally due to growth in all categories of interest-bearing deposits as well as the deposits acquired in the Reliance merger. Average long-term FHLB advances decreased $536.7 million, or 84.6%, during 2017, primarily due to the $500.0 million long-term FHLB advance obtained from the FHLB of Dallas that was reclassified to short-term during December 2016 and the $250.0 million long-term FHLB advance obtained from the FHLB of Dallas during May 2016 that was reclassified to short-term in May 2017.

Total interest expense for 2017 increased $17.7 million, or 72.1%, when compared with 2016, principally due to rising interest rates in general. Interest expense on deposits for 2017 increased $10.0 million, or 78.2%, when compared to 2016, principally due to rising rates in general, accompanied by increases in average balances of all categories of interest-bearing deposits. The rate on interest-bearing deposits increased 13 basis points to 0.32% for 2017 compared to 0.19% for 2016. Interest on federal funds purchased and securities sold under repurchase agreements increased $2.4 million while the rate increased 46 basis points to 0.81% when 2017 is compared to 2016 principally due to increases in the target range for the federal funds rate by the FRB. Other interest expense increased $5.3 million, or 52.5%, while the rate on other borrowings increased 27 basis points to 1.18% when the year ended December 31, 2017 is compared to the year ended December 31, 2016, principally due to increases in rates in general, accompanied by increases in average balances of short-term FHLB advances partially offset by the decline in interest expense on the subordinated notes which matured in December 2016. As a result of these factors, the overall rate on interest-bearing liabilities increased 17 basis points to 0.47% when 2017 is compared with 2016.

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

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

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

Average interest-bearing liabilities for 2016 totaled $8.281 billion compared to $7.890 billion for 2015, an increase of $391.0 million, or 5.0%. The increase in average interest-bearing liabilities was attributable to an increase in average long-term FHLB advances partially offset by declines in all other categories of average interest-bearing liabilities. Average long-term FHLB advances increased

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

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

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

	Years Ended December 31,								
	2017			2016			2015		
	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	$2,229	$33	1.48%	$1,105	$14	1.27%	$835	$8	0.96%
Securities available for sale:									
Taxable	2,296,070	52,806	2.30%	2,236,663	53,005	2.37%	2,231,507	55,621	2.49%
Nontaxable	73,373	3,042	4.15%	97,942	3,982	4.07%	118,579	4,763	4.02%
Securities held to maturity:									
Taxable	1,091,108	23,386	2.14%	1,120,267	24,609	2.20%	1,140,182	25,109	2.20%
Nontaxable	32,874	1,575	4.79%	34,616	1,672	4.83%	37,883	1,888	4.98%
Loans (LHFS and LHFI)	8,412,673	362,795	4.31%	7,592,223	316,007	4.16%	6,745,970	288,538	4.28%
Acquired loans	284,898	24,478	8.59%	331,736	30,144	9.09%	462,602	51,152	11.06%
Other earning assets	80,468	1,466	1.82%	70,029	988	1.41%	53,613	1,579	2.95%
Total interest-earning assets	12,273,693	469,581	3.83%	11,484,581	430,421	3.75%	10,791,171	428,658	3.97%
Cash and due from banks	311,642			291,868			275,246		
Other assets	1,215,019			1,243,985			1,286,139		
Allowance for loan losses	(84,708)			(82,414)			(82,361)		
Total Assets	$13,715,646			$12,938,020			$12,270,195		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Interest-bearing demand deposits	$2,114,475	6,820	0.32%	$1,866,225	3,297	0.18%	$1,901,478	3,235	0.17%
Savings deposits	3,308,027	6,047	0.18%	3,140,060	2,657	0.08%	3,124,393	2,547	0.08%
Time deposits	1,730,569	9,850	0.57%	1,665,516	6,794	0.41%	1,820,437	6,816	0.37%

Federal funds purchased and securities sold under repurchase agreements	512,085	4,152	0.81%	495,197	1,717	0.35%	503,077	801	0.16 %
Short-term borrowings	1,138,353	12,981	1.14%	370,008	3,695	1.00%	415,081	2,859	0.69 %
Long-term FHLB advances	97,561	566	0.58%	634,300	2,104	0.33%	13,533	49	0.36 %
Subordinated notes	—	—	—	47,662	2,775	5.82%	49,951	2,895	5.80 %
Junior subordinated debt securities	61,856	1,829	2.96%	61,856	1,508	2.44%	61,856	1,258	2.03 %
Total interest-bearing liabilities	8,962,926	42,245	0.47%	8,280,824	24,547	0.30%	7,889,806	20,460	0.26 %
Noninterest-bearing demand deposits	3,028,982			2,996,886			2,781,682		
Other liabilities	162,854			142,355			138,057		
Shareholders' equity	1,560,884			1,517,955			1,460,650		
Total Liabilities and Shareholders' Equity	$13,715,646			$12,938,020			$12,270,195		
Net Interest Margin		427,336	3.48%		405,874	3.53%		408,198	3.78 %
Less tax equivalent adjustments:									
Investments		1,616			1,979			2,328	
Loans		18,170			16,362			14,105	
Net Interest Margin per Income Statements		$407,550			$387,533			$391,765	

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

	2017 Compared to 2016 Increase (Decrease) Due To:			2016 Compared to 2015 Increase (Decrease) Due To:		
	Volume	Yield/ Rate	Net	Volume	Yield/ Rate	Net
Interest earned on:						
Federal funds sold and securities purchased under reverse repurchase agreements	$17	$2	$19	$3	$3	$6
Securities available for sale:						
Taxable	1,389	(1,588)	(199)	125	(2,741)	(2,616)
Nontaxable	(1,017)	77	(940)	(839)	58	(781)
Securities held to maturity:						
Taxable	(597)	(626)	(1,223)	(500)	—	(500)
Nontaxable	(83)	(14)	(97)	(160)	(56)	(216)
Loans, net of unearned income (LHFS and LHFI)	35,083	11,705	46,788	35,684	(8,215)	27,469
Acquired loans	(4,077)	(1,589)	(5,666)	(12,891)	(8,117)	(21,008)
Other earning assets	162	316	478	392	(983)	(591)
Total interest-earning assets	30,877	8,283	39,160	21,814	(20,051)	1,763
Interest paid on:						
Interest-bearing demand deposits	515	3,008	3,523	(76)	138	62
Savings deposits	139	3,251	3,390	110	—	110
Time deposits	278	2,778	3,056	(651)	629	(22)
Federal funds purchased and securities sold under repurchase agreements	61	2,374	2,435	(13)	929	916
Short-term borrowings	8,699	587	9,286	(338)	1,174	836
Long-term FHLB advances	(1,538)	—	(1,538)	2,055	—	2,055
Subordinated notes	(1,388)	(1,387)	(2,775)	(130)	10	(120)
Junior subordinated debt securities	—	321	321	—	250	250
Total interest-bearing liabilities	6,766	10,932	17,698	957	3,130	4,087
Change in net interest income on a tax equivalent basis	$24,111	$(2,649)	$21,462	$20,857	$(23,181)	$(2,324)

The change in interest due to both volume and yield or rate has been allocated to change due to volume and change due to yield or rate in proportion to the absolute value of the change in each. Tax-exempt income has been adjusted to a tax equivalent basis using a tax rate of 35.0% for each of the three years presented. The balances of nonaccrual loans and related income recognized have been included for purposes of these computations.

Provision for Loan Losses, LHFI

The provision for loan losses, LHFI is determined by Management as the amount necessary to adjust the allowance for loan losses, LHFI to a level, which, in Management's best estimate, is necessary to absorb probable losses within the existing loan portfolio. The provision for loan losses, LHFI reflects loan quality trends, including the levels of and trends related to nonaccrual LHFI, past due LHFI, potential problem LHFI, criticized LHFI, net charge-offs or recoveries and growth in the LHFI portfolio among other factors. Accordingly, the amount of the provision reflects the necessary increases or decreases in the allowance for loan losses, LHFI related to adjustments for specific loans or loan pools as a result of growth in the portfolio and evaluation of current impairment analyses, actions taken with respect to risk ratings on loans and other adjustments resulting from changes in qualitative factors. The provision for loan losses, LHFI totaled $15.1 million for 2017, $11.0 million for 2016 and $8.4 million for 2015. See the section captioned “Allowance for Loan Losses, LHFI” for further analysis of the provision for loan losses, LHFI.

Provision for Loan Losses, Acquired Loans

The provision for loan losses, acquired loans is recognized subsequent to acquisition to the extent it is probable that Trustmark will be unable to collect all cash flows expected at acquisition plus additional cash flows expected to be collected arising from changes in estimates after acquisition, considering both the timing and amount of those expected cash flows. Provisions may be required when actual losses of unpaid principal incurred exceed previous loss expectations to date, or future cash flows previously expected to be collectible are no longer probable of collection. The provision for loan losses, acquired loans is reflected as a valuation allowance netted against the carrying value of the acquired loans. The decrease in the provision for loan losses, acquired loans when 2017 is compared to 2016 was principally due to changes in expectations based on the periodic re-estimations performed during the respective periods and a decline in acquired loan balances. The increase in the provision for loan losses, acquired loans when 2016 is compared to 2015 was principally due to changes in expectations based on the periodic re-estimations performed during the year, primarily related to loans acquired from BancTrust.

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

	Years Ended December 31,		
	2017	2016	2015
BancTrust	$(6,089)	$4,143	$3,899
Bay Bank	(1,323)	(50)	(24)
Heritage	(122)	(336)	(450)
Reliance	139	—	—
Total provision for loan losses, acquired loans	$(7,395)	$3,757	$3,425

Noninterest Income

Noninterest income represented 31.2%, 31.0% and 30.7% of total revenue, before securities gains (losses), net in 2017, 2016 and 2015, respectively. The following table provides the comparative components of noninterest income for the periods presented ($ in thousands):

	Years Ended December 31,					
	2017		2016		2015	
	Amount	% Change	Amount	% Change	Amount	% Change
Service charges on deposit accounts	$44,003	-2.8 %	$45,253	-4.5 %	$47,366	-2.7 %
Bank card and other fees	28,286	1.4 %	27,906	-1.4 %	28,298	-14.2 %
Mortgage banking, net	29,902	6.0 %	28,212	-6.5 %	30,176	21.8 %
Insurance commissions	38,168	3.8 %	36,764	0.9 %	36,424	8.8 %
Wealth management	30,340	-0.5 %	30,492	-2.8		