

TRUSTMARK CORP
Form 10-Q
May 08, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2014

or

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

For the transition period from _____ to _____

Commission file number 000-03683

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

Mississippi	64-0471500
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

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

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

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company” in Rule 12b of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

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

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of April 30, 2014, there were 67,439,562 shares outstanding of the registrant’s common stock (no par value).

Forward-Looking Statements

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

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

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

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	(Unaudited) March 31, 2014	December 31, 2013
Assets		
Cash and due from banks (noninterest-bearing)	\$ 423,819	\$ 345,761
Federal funds sold and securities purchased under reverse repurchase agreements	-	7,253
Securities available for sale (at fair value)	2,382,441	2,194,154
Securities held to maturity (fair value: \$1,154,606-2014; \$1,150,833-2013)	1,155,569	1,168,728
Loans held for sale (LHFS)	120,446	149,169
Loans held for investment (LHFI)	5,923,766	5,798,881
Less allowance for loan losses, LHFI	67,518	66,448
Net LHFI	5,856,248	5,732,433
Acquired loans:		
Noncovered loans	713,647	769,990
Covered loans	32,670	34,216
Less allowance for loan losses, acquired loans	10,540	9,636
Net acquired loans	735,777	794,570
Net LHFI and acquired loans	6,592,025	6,527,003
Premises and equipment, net	203,771	207,283
Mortgage servicing rights	67,614	67,834
Goodwill	365,500	372,851
Identifiable intangible assets	39,697	41,990
Other real estate, excluding covered other real estate	111,536	106,539
Covered other real estate	4,759	5,108
FDIC indemnification asset	13,487	14,347
Other assets	576,390	582,363
Total Assets	\$ 12,057,054	\$ 11,790,383
Liabilities		
Deposits:		
Noninterest-bearing	\$ 2,879,341	\$ 2,663,503
Interest-bearing	7,242,778	7,196,399
Total deposits	10,122,119	9,859,902
	259,341	251,587

Federal funds purchased and
securities sold under
repurchase agreements

Short-term borrowings	59,671	66,385
Long-term FHLB advances	8,341	8,458
Subordinated notes	49,912	49,904
Junior subordinated debt securities	61,856	61,856
Other liabilities	121,919	137,338
Total Liabilities	10,683,159	10,435,430

Shareholders' Equity

Common stock, no par value:

Authorized: 250,000,000

shares

Issued and

outstanding: 67,439,562 shares

- 2014;

67,372,980 shares - 2013

Capital surplus	14,051	14,038
Retained earnings	352,402	349,680
Accumulated other	1,045,939	1,034,966

comprehensive loss, net of tax	(38,497)	(43,731)
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Total Shareholders' Equity	1,373,895	1,354,953
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Total Liabilities and

Shareholders' Equity	\$ 12,057,054	\$ 11,790,383
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See notes to consolidated financial statements.

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

	Three Months Ended March 31, 2014	2013
Interest Income		
Interest and fees on LHFI & LHFS	\$ 63,074	\$ 64,463
Interest and fees on acquired loans	16,786	12,782
Interest on securities:		
Taxable	19,220	16,539
Tax exempt	1,248	1,312
Interest on federal funds sold and securities purchased under reverse repurchase agreements	5	4
Other interest income	375	355
Total Interest Income	100,708	95,455
Interest Expense		
Interest on deposits	4,365	4,909
Interest on federal funds purchased and securities sold under repurchase agreements	76	81
Other interest expense	1,363	1,490
Total Interest Expense	5,804	6,480
Net Interest Income	94,904 (805)	88,975 (2,968)

Provision for loan losses, LHFI			
Provision for loan losses, acquired loans	63		130
Net Interest Income After Provision for Loan Losses	95,646		91,813
Noninterest Income			
Service charges on deposit accounts	11,568		11,681
Bank card and other fees	9,081		7,945
Mortgage banking, net	6,829		11,583
Insurance commissions	8,097		7,242
Wealth management	8,135		6,875
Other, net	(21)	(1,191)
Securities gains, net	389		204
Total Noninterest Income	44,078		44,339
Noninterest Expense			

(i) Sole power to vote or to direct
the vote:

1,507,316

(ii) Shared power to vote or to
direct the vote:

0

(iii) Sole power to dispose or to
direct the disposition of:

1,507,316

(iv)

Shared power to dispose or to
direct the disposition of:

0

Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following .

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than five percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

Not Applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person.

If a parent holding company or Control person has filed this schedule, pursuant to Rule 13d-1(b)(1)(ii)(G), so indicate under Item 3(g) and attach an exhibit stating the identity and the Item 3 classification of the relevant subsidiary. If a parent holding company or control person has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identification of the relevant subsidiary.

Not Applicable.

Item 8. Identification and Classification of Members of the Group

If a group has filed this schedule pursuant to §240.13d-1(b)(1)(ii)(J), so indicate under Item 3(j) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to §240.13d-1(c) or §240.13d-1(d), attach an exhibit stating the identity of each member of the group.

Not Applicable.

Item

9. Notice of Dissolution of Group

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity. See Item 5.

Not Applicable.

Item

10. Certification

The following certification shall be included if the statement is filed pursuant to §240.13d-1(c):

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date:	January 14, 2008
By:	<u>/s/ John Liviakis</u>
Name:	John Liviakis