

TRUSTMARK CORP
Form 10-Q
November 04, 2016

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 September 30, 2016

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 (I.R.S. Employer
incorporation or organization) 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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b of the Exchange Act.

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

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

As of October 31, 2016, there were 67,627,272 shares outstanding of the registrant’s common stock (no par value).

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q 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,” “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 “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 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 issues relating to the European financial system and monetary and other governmental actions designed to address the level and volatility of interest rates and the volatility of securities, currency and other markets, the enactment of legislation and changes in existing regulations or enforcement practices or the adoption of new regulations, changes in accounting standards and practices, including changes in the interpretation of existing standards, that affect our consolidated financial statements, changes in consumer spending, borrowings and savings habits, technological changes, changes in the financial performance or condition of our borrowers, changes in our ability to control expenses, changes in our compensation and benefit plans, including those associated with the planned termination of our noncontributory tax-qualified defined benefit pension plan, 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. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Trustmark Corporation and Subsidiaries

Consolidated Balance Sheets

(\$ in thousands)

	(Unaudited)	
	September 30, 2016	December 31, 2015
Assets		
Cash and due from banks (noninterest-bearing)	\$383,945	\$277,751
Federal funds sold and securities purchased under reverse repurchase agreements	500	250
Securities available for sale (at fair value)	2,410,947	2,345,422
Securities held to maturity (fair value: \$1,173,101-2016; \$1,195,367-2015)	1,143,234	1,187,818
Loans held for sale (LHFS)	242,097	160,189
Loans held for investment (LHFI)	7,499,204	7,091,385
Less allowance for loan losses, LHFI	70,871	67,619
Net LHFI	7,428,333	7,023,766
Acquired loans:		
Noncovered loans	291,825	372,711
Covered loans	3,912	17,700
Less allowance for loan losses, acquired loans	11,380	11,992
Net acquired loans	284,357	378,419
Net LHFI and acquired loans	7,712,690	7,402,185
Premises and equipment, net	190,930	195,656
Mortgage servicing rights	65,514	74,007
Goodwill	366,156	366,156
Identifiable intangible assets	22,366	27,546
Other real estate, excluding covered other real estate	64,993	77,177
Covered other real estate	—	1,651
FDIC indemnification asset	—	738
Other assets	558,166	562,350
Total Assets	\$13,161,538	\$12,678,896
Liabilities		
Deposits:		
Noninterest-bearing	\$3,111,603	\$2,998,694
Interest-bearing	6,574,098	6,589,536
Total deposits	9,685,701	9,588,230
Federal funds purchased and securities sold under repurchase agreements	514,918	441,042
Short-term borrowings	412,792	412,617
Long-term FHLB advances	751,075	501,155
Subordinated notes	49,993	49,969

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Junior subordinated debt securities	61,856	61,856
Other liabilities	150,442	150,970
Total Liabilities	11,626,777	11,205,839
Shareholders' Equity		
Common stock, no par value:		
Authorized: 250,000,000 shares		
Issued and outstanding: 67,626,939 shares - 2016; 67,559,128 shares - 2015	14,090	14,076
Capital surplus	365,553	361,467
Retained earnings	1,172,193	1,142,908
Accumulated other comprehensive loss, net of tax	(17,075)	(45,394)
Total Shareholders' Equity	1,534,761	1,473,057
Total Liabilities and Shareholders' Equity	\$13,161,538	\$12,678,896

See notes to consolidated financial statements.

Trustmark Corporation and Subsidiaries

Consolidated Statements of Income

(\$ in thousands except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest Income				
Interest and fees on LHFS & LHFH	\$76,524	\$69,458	\$222,555	\$203,836
Interest and fees on acquired loans	6,781	11,607	21,854	39,242
Interest on securities:				
Taxable	19,351	20,264	58,839	59,581
Tax exempt	902	1,046	2,804	3,306
Interest on federal funds sold and securities purchased under reverse repurchase agreements	5	2	10	4
Other interest income	223	392	653	1,177
Total Interest Income	103,786	102,769		