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, 2021

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	**TRMK**	**Nasdaq Global Select Market**
(Title of Class)	**(Trading Symbol)**	**(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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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, 2021, 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 $1.228 billion.

As of January 31, 2022, there were issued and outstanding 61,493,625 shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Trustmark's 2022 Annual Meeting of Shareholders to be held April 27, 2022 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," "project," "potential," "seek," "continue," "could," "would," "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. Furthermore, many of these risks and uncertainties are currently amplified by and may continue to be amplified by or may, in the future, be amplified by, the novel coronavirus (COVID-19) pandemic, and also by the effectiveness of varying governmental responses in ameliorating the impact of the pandemic on our customers and the economies where they operate.

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, an increase in unemployment levels and slowdowns in economic growth, our ability to manage the impact of the COVID-19 pandemic on our markets, as well as the effectiveness of actions of federal, state and local governments and agencies (including the Board of Governors of the Federal Reserve System (FRB)) to mitigate its spread and economic impact, local, state and national economic and market conditions, 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, levels of and volatility in 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 related to the European financial system and monetary and other governmental actions designed to address credit, securities, and/or commodity 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, 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, pandemics or other health crises, acts of war or terrorism, and other risks described in our filings with the Securities and Exchange Commission (SEC).

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, 2021, TNB had total assets of $17.593 billion, which represented approximately 99.99% 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 180 offices and 2,692 full-time equivalent associates (measured at December 31, 2021) 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 the Memphis and 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 Segment is also assisted by Trustmark Investment Advisors, Inc. (TIA), a SEC-registered investment adviser and a wholly-owned subsidiary of TNB. TIA provides customized investment management services to TNB's Wealth Management Segment, which in turn 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 three years ($ in thousands):

December 31,	2021	2020	2019
Securities	$ 3,581,414	$ 2,529,887	$ 2,340,503
Total securities growth (decline)	$ 1,051,527	$ 189,384	$ (380,953)
Total securities growth (decline)	41.6%	8.1%	(14.0%)
Loans *	$ 10,247,829	$ 9,824,524	$ 9,408,229
Total loans growth (decline)	$ 423,305	$ 416,295	$ 465,429
Total loans growth (decline)	4.3%	4.4%	5.2%
Assets	$ 17,595,636	$ 16,551,840	$ 13,497,877
Total assets growth (decline)	$ 1,043,796	$ 3,053,963	$ 211,417
Total assets growth (decline)	6.3%	22.6%	1.6%
Deposits	$ 15,087,160	$ 14,048,764	$ 11,245,557
Total deposits growth (decline)	$ 1,038,396	$ 2,803,207	$ (118,854)
Total deposits growth (decline)	7.4%	24.9%	(1.0%)
Equity	$ 1,741,311	$ 1,741,117	$ 1,660,702
Total equity growth (decline)	$ 194	$ 80,415	$ 69,249
Total equity growth (decline)	—	4.8%	4.4%
Years Ended December 31,			
Revenue **	$ 640,261	$ 701,130	$ 613,634
Total revenue growth (decline)	$ (60,869)	$ 87,496	$ 9,378
Total revenue growth (decline)	(8.7%)	14.3%	1.6%

** 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.

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 or acquired loans.
- *Loans Held for Sale (LHFS)* – Mortgage loans purchased from wholesale customers or originated in Trustmark's General Banking Segment, other than mortgage loans that are retained in the LHFI portfolio based on banking relationships or certain investment strategies.
- *Paycheck Protection Program (PPP) Loans* – Loans originated by Trustmark through the PPP administered by the Small Business Administration (SBA). PPP loans are fully guaranteed by the SBA and forgivable, in whole or in part, if the proceeds are used for permitted purposes.

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. PPP loans are excluded from this summary, as these loans are not part of Trustmark's ordinary lending business and were originated under specific program guidelines. Discussion of Trustmark's PPP loans is contained in the section captioned "Paycheck Protection Program" included in Part II. Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations of 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, other commercial borrowers and 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 Trustmark's 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 (NFNR LHFI) – 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 COVID-19 pandemic and actions taken to mitigate the spread of it have had and may continue to have an adverse impact on economic activity globally, nationally and locally, including the geographic area in which Trustmark operates and industries in which Trustmark regularly extends credit. For additional information regarding Trustmark's exposure to industries impacted by the COVID-19 pandemic, please see the section captioned "COVID-19 Update - Exposure to Stressed Industries" included in Part II. Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations of this report. Economic activity during 2021 increased as certain restrictions were lifted following increased COVID-19 vaccination rates; however, restrictions remain in place for many areas and the long-term effectiveness of the vaccine and the full impact of the COVID-19 pandemic on economies and financial markets remains unknown.

Additionally, the COVID-19 pandemic has significantly affected the financial markets and has resulted in a number of actions by the FRB during 2020 and continuing in 2021. Market interest rates have declined to historical lows. During 2020, the ten-year Treasury yield fell below 1.00% for the first time, and the FRB reduced the target federal funds rate to a range of 0.00% to 0.25% and announced a $700 billion quantitative easing program in response to the expected economic downturn caused by the COVID-19 pandemic. The FRB reduced the interest that it pays on excess reserves from 1.60% to 0.10% during the first quarter of 2020. These rates continued throughout 2021, although the FRB has announced its intent to increase rates and wind down securities purchases commencing in March 2022. The prolonged period of low interest rates has had an adverse effect on net interest income and margins and profitability for financial institutions, including Trustmark.

In the January 2022 "Summary of Commentary on Current Economic Conditions by Federal Reserve District," the twelve Federal Reserve Districts' reports suggested that economic activity during the reporting period (covering the period from November 21, 2021 through January 3, 2022) expanded at a modest pace across Districts; however, many Districts indicated growth continued to be constrained by ongoing supply chain disruptions and labor shortages. Reports by the twelve Federal Reserve Districts noted the following during the reporting period:

•Demand for materials and inputs, and demand for workers, remained elevated among businesses. Consumer spending continued to grow at a steady pace; however, most Districts noted a sudden pull back in leisure travel, hotel occupancy and patronage at restaurants as the number of new cases of the Omicron COVID-19 variant increased. The manufacturing sector continued to expand nationally, with some regional differences in the pace of growth. Activity in the transportation sector expanded at a moderate pace. Farm incomes were elevated throughout 2021; however, agricultural conditions were marred by drought conditions across several Districts.

•Lending activity picked up slightly toward the end of the year, led by commercial real estate borrowers.

•Employment grew modestly during the reporting period, but demand for additional workers remains strong in most Districts. Job openings were up but overall payroll growth was constrained by persistent labor shortages. Tightness in labor markets drove robust wage growth nationwide, with some Districts highlighting additional growth in labor costs associated with non-wage benefits. Compensation growth remained well above historical averages across industries, worker demographics and geographies. In addition to wage gains, many contacts indicated adjustments to job demands, such as accommodating part-time work or adjusting qualification requirements, to attract more applicants and retain existing workforces.

•Most Districts reported solid growth in prices charged to customers, but some also noted that price increases had decelerated a bit from the robust pace experienced in recent months. Wholesale and materials prices contributed to pricing pressures across a wide range of industries, spanning service providers and goods producers. Many contacts attributed the high cost of inputs to ongoing supply chain disruptions. Some Districts reported that transportation bottlenecks had stabilized in recent weeks, though procurement costs remained elevated. Ongoing labor shortages and associated wage growth also added cost pressures to businesses.

•Optimism remained high in general, though several Districts cited reports from businesses that expectations for growth over the next several months cooled somewhat as a result of the uncertainty of the Omicron variant's impact.

Reports by the Federal Reserve’s Sixth District, Atlanta (which includes Trustmark’s Alabama, Florida and Mississippi market regions), Eighth District, St. Louis (which includes Trustmark’s Tennessee market region), and Eleventh District, Dallas (which includes Trustmark’s Texas market region), noted similar findings for the reporting period as those discussed above. The Federal Reserve’s Sixth District also noted that banking conditions remained steady, though loan growth trended downward amid renewed uncertainties about the course of the pandemic and growing underwriting competition from nonbank lenders, deposit levels declined slightly but remained elevated, financial institutions continued to hold higher balances in cash accounts and their securities portfolios, asset quality remained healthy without any notable increases in nonperforming loans or charge-offs, and increased earnings driven by lower loan loss provision expenses and reductions in noninterest expenses, though margin pressures persisted due to the low interest rate environment. The Federal Reserve’s Eleventh District also reported that oilfield activity rose with a notable increase in rig count, industry sentiment was dented by the Omicron variant and steady global production increases, though outlooks remained positive and contacts expect rigs to rise steadily through the end of 2022 leading to an increase in drilling.

It is unknown what the complete financial effect of the COVID-19 pandemic will be on Trustmark. It is reasonably possible that estimates made in the financial statements, including the expected credit losses on loans and off-balance sheet credit exposures, could be materially and adversely impacted in the near term as a result of the adverse conditions associated with the COVID-19 pandemic.

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, 2021, Trustmark's deposit market share ranked within the top three positions in 55.0% of the 56 counties served and within the top five positions in 71.0% of the counties served. The table below presents Federal Deposit Insurance Corporation (FDIC) deposit data regarding TNB's deposit market share by state as of June 30, 2021. 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 section captioned "Description of Business" above).

State	Deposit Market Share
Alabama	1.66 %
Florida	0.16 %
Mississippi	13.64 %
Tennessee	0.32 %
Texas	0.05 %

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

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

Trustmark's ability to compete effectively is a result of providing customers with desired products and services in a convenient and cost-effective manner. Customers for commercial, consumer and mortgage banking as well as wealth management and insurance services are influenced by convenience, quality of service, personal contacts, availability of products and services and competitive pricing. Trustmark continually reviews its products, locations, alternative delivery channels, and pricing strategies to maintain and enhance its competitive position. While Trustmark's position varies by market, Management believes it can compete effectively as a result of 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), as amended by the Economic Growth, Regulatory Relief and Consumer Protection Act (EGRRCPA).

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 requires the FRB to consider the competitive impact of the transaction, 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, including the applicant's record of performance under the Community Reinvestment Act (CRA). The FRB is also required to take into account in evaluating such a transaction the effectiveness of the parties in combatting money laundering activities. 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, as amended by the interstate banking provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Riegle-Neal Act), permits a bank holding company, such as 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, if the company is well-capitalized. The Riegle-Neal Act also generally permits national and state-chartered banks to branch interstate through acquisitions of banks in other states, if the resulting institution would be well-capitalized and well-managed.

In addition, 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.

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. Additionally, a provision of the BHC Act known as the Volcker Rule places limits on the ability of Trustmark and TNB to acquire or retain ownership interests in, or act as sponsor to, certain investment funds, including hedge funds and private equity funds, or to engage in proprietary trading (*i.e.*, engaging as principal in any purchase or sale of one or more financial instruments for a trading account).

Certain acquisitions of Trustmark's voting stock may be subject to regulatory approval or notice under federal law. Under the Change in Bank Control Act and BHC Act, a person or company that directly or indirectly acquires control of a bank holding company or bank must obtain the non-objection or approval of the institution's appropriate federal banking agency in advance of the acquisition. For a publicly-traded bank holding company such as Trustmark, control for purposes of the Change in Bank Control Act is presumed to exist if the acquirer will have 10% or more of any class of the company's voting securities.

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 involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors. The FRB and the OCC, the primary regulators of Trustmark and TNB, respectively, have established substantially similar minimum risk-based capital ratio and leverage ratio requirements for bank holding companies and banks.

Under capital requirements applicable to Trustmark and TNB, Trustmark and TNB are required to meet a common equity Tier 1 capital to risk-weighted assets ratio of at least 7.0% (a minimum of 4.5% plus a capital conservation buffer of 2.5%), a Tier 1 capital to risk-weighted assets ratio of at least 8.5% (a minimum of 6.0% plus a capital conservation buffer of 2.5%), a total capital to risk-weighted assets ratio of at least 10.5% (a minimum of 8.0% plus a capital conservation buffer of 2.5%), and a leverage ratio of Tier 1 capital to total consolidated assets of at least 4.0%.

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). Newly issued trust preferred securities and cumulative perpetual preferred stock may not be included in Tier 1 capital. Smaller depository institution holding companies (those with assets of less than $15 billion as of year-end 2009, including Trustmark) and most mutual holding companies are generally 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. However, a smaller depository institution holding company that has $15 billion or

more in assets following an acquisition of another depository institution holding company generally is no longer allowed to count outstanding non-qualifying capital instruments toward its Tier 1 capital. Trustmark currently has outstanding trust preferred securities that are 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, including issuance of a capital directive, the termination of deposit insurance by the FDIC and certain other restrictions on its business. 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.

In addition, the FDI Act's "prompt corrective action" framework identifies five capital categories for insured depository institutions: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. For an insured depository institution to be "well-capitalized," it must have a common equity Tier 1 capital ratio of at least 6.5%, a Tier 1 capital ratio of at least 8.0%, a total capital ratio of at least 10.0% and a leverage ratio of at least 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. An insured depository institution is subject to differential regulation corresponding to the capital category within which the institution falls. For example, 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.

At December 31, 2021, Trustmark exceeded its minimum capital requirements with common equity Tier 1 capital, Tier 1 capital and total capital equal to 11.29%, 11.77% and 13.55% of its total risk-weighted assets, respectively. At December 31, 2021, TNB also exceeded these requirements with common equity Tier 1 capital, Tier 1 capital and total capital equal to 12.03%, 12.03% and 12.84% of its total risk-weighted assets, respectively. At December 31, 2021, the leverage ratios for Trustmark and TNB were 8.73% and 8.94%, respectively. At December 31, 2021, TNB was well-capitalized based on the ratios and guidelines described above.

In December 2018, the federal banking agencies issued a final rule that allows institutions to elect to phase in the regulatory capital effects of the Current Expected Credit Losses (CECL) accounting standard over three years. In addition, as a result of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) enacted on March 27, 2020 in response to the COVID-19 pandemic, the federal bank regulatory agencies issued rules that allow banking organizations that implemented CECL in 2020 to elect to mitigate the effects of the CECL accounting standard on their regulatory capital for two years. This two-year delay is in addition to the three-year transition period that the agencies had already made available. Trustmark elected to defer the regulatory capital effects of CECL in accordance with these rules, which largely delayed the effects of the adoption of CECL on its regulatory capital through December 31, 2021. The effects are being phased-in over a three-year period from January 1, 2022 through December 31, 2024.

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. In addition, the FRB has adopted the policy that a bank holding company should pay cash dividends only to the extent that the company's net income for the past year is sufficient to cover the cash dividends, and that the company's rate of earning retention is consistent with the company's capital needs, asset quality and overall financial condition. In addition, a bank holding company is required to consult with or notify the FRB prior to purchasing or redeeming its outstanding equity securities in certain circumstances, including if the gross consideration for the purchase or redemption, when aggregated with the net consideration paid by the company for all such purchases or redemptions during the preceding twelve months, is equal to 10% or more of the company's consolidated net worth. A bank holding company that is well-capitalized, well-managed and not the subject of any unresolved supervisory issues is exempt from this notice requirement.

Anti-Money Laundering (AML) Initiatives and Sanctions Compliance

Trustmark and TNB are subject to extensive laws and regulations aimed at combatting money laundering and terrorist financing, including the USA Patriot Act of 2001 (USA Patriot Act) and the Bank Secrecy Act. Regulations implementing these statutes 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 and of beneficial owners of their legal entity 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 federal Financial Crimes Enforcement Network of the Department of the Treasury, in addition to federal bank regulatory agencies, is authorized

to impose significant civil money penalties for violations of these requirements, and has recently engaged in coordinated enforcement efforts with state and federal banking regulators, the U.S. Department of Justice, the Consumer Financial Protection Bureau (CFPB), the Drug Enforcement Administration and the Internal Revenue Service. Violations of AML requirements can also lead to criminal penalties. In addition, the federal banking agencies are required to consider the effectiveness of a financial institution's AML activities when reviewing proposed bank mergers and bank holding company acquisitions.

The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) is responsible for helping to ensure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and Acts of Congress. OFAC administers and enforces economic and trade sanctions programs, including publishing lists of persons, organizations, and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. OFAC 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 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.

Under section 22 of the Federal Reserve Act, as implemented by the FRB's Regulation O, restrictions also apply to extensions of credit by a bank to its executive officers, directors, principal shareholders and their related interests, and to similar individuals at the holding company or affiliates. In general, such extensions of credit (i) may not exceed certain dollar limitations, (ii) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties and (iii) must not involve more than the normal risk of repayment or present other unfavorable features.

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% 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% 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).

Community Reinvestment Act

The CRA requires an insured depository institution's appropriate federal banking regulator to evaluate the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, and to consider this record in its evaluation of certain applications to banking regulators, such as an application for approval of a merger or the establishment of a branch. A rating of less than "Satisfactory" may provide a basis for denial of such an application. Federal regulations require, among other things, that evidence of discrimination against applicants on a prohibited basis, and illegal or abusive lending practices be considered in the CRA evaluation. As of its last examination from the OCC, TNB received a CRA rating of "Satisfactory." On December 15, 2021, the OCC adopted a final rule, which took effect on January 1, 2022, to rescind changes to the OCC's CRA regulations that the agency had adopted in June 2020 and to restore the CRA standards that previously applied to OCC-regulated institutions. The federal banking agencies have indicated their intent to engage in an interagency rulemaking process to modernize the CRA regulatory framework.

Consumer Protection Laws

TNB is subject to a number of federal and state laws designed to protect customers and promote lending to various sectors of the economy and population. These consumer protection laws apply to a broad range of TNB's activities and to various aspects of its business, and include laws relating to interest rates, fair lending, disclosures of credit terms and estimated transaction costs to consumer borrowers, debt collection practices, the use of and the provision of information to consumer reporting agencies and the prohibition of unfair, deceptive or abusive acts or practices in connection with the offer, sale or provision of consumer financial products and services. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act and their state law counterparts. At the federal level, most consumer financial protection laws are administered by the CFPB, which supervises TNB.

Violations of applicable consumer protection laws can result in significant potential liability, including actual damages, restitution and injunctive relief, from litigation brought by customers, state attorneys general and other plaintiffs, as well as enforcement actions by banking regulators and reputational harm.

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.

Financial Privacy Laws and Cybersecurity

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.

In addition, the federal banking agencies pay close attention to the cybersecurity practices of banks, and the agencies include review of an institution's information technology and its ability to thwart cyberattacks in their examinations. An institution's failure to have adequate cybersecurity safeguards in place can result in supervisory criticism, monetary penalties and/or reputational harm. Additionally, federal banking agencies issued a final rule in November 2021 which requires banking organizations to notify their primary federal regulator of significant computer security incidents within 36 hours of determining that such an incident has occurred. The compliance date of this rule is May 1, 2022.

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 with $10.0 billion or more in assets, such as TNB, 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.

The FRB also has established rules governing routing and exclusivity that require debt card issuers to offer two unaffiliated networks for routing transactions on each debit or prepaid product.

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 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. A bank's deposit insurance assessment base is generally equal to the bank's total assets minus its average tangible equity during the assessment period.

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. The methodology that the FDIC uses to calculate assessment amounts is also based on the FDIC's designated reserve ratio, which is currently 2.0%. Since the outbreak of the COVID-19 pandemic, the amount of total estimated insured deposits has grown rapidly while the funds in the DIF have grown at a normal rate, causing the DIF reserve ratio to fall below the statutory minimum of 1.35%. The FDIC adopted a restoration plan on September 15, 2020, to restore the DIF reserve ratio to at least 1.35% by September 30, 2028. Under the restoration plan, the FDIC will continue to closely monitor the factors that affect the DIF reserve ratio and maintain its current schedule of assessment rates.

The FDIC may terminate the deposit insurance of any insured depository institution, including the TNB, if the FDIC determines after a hearing that the institution has engaged or is engaging in unsafe or unsound banking practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. The FDIC also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance if the institution has no tangible capital.

In 2021, TNB's expenses related to deposit insurance premiums totaled $5.5 million.

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 it is active. SCC is subject to the supervision and regulation of the CDFI Fund and the State of Mississippi.

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.

Relief Measures Under the CARES Act

Congress, various federal agencies and state governments have taken measures to address the economic and social consequences of the pandemic, including the enactment on March 27, 2020 of the CARES Act, which, among other things, established various initiatives to protect individuals, businesses and local economies in an effort to lessen the impact of the COVID-19 pandemic on consumers and businesses. These initiatives included the PPP, relief with respect to troubled debt restructurings (TDRs), mortgage forbearance and extended unemployment benefits. The Consolidated Appropriations Act, 2021, enacted on December 27, 2020, extended some of these relief provisions in certain respects.

The PPP permitted small businesses, sole proprietorships, independent contractors and self-employed individuals to apply for loans from existing SBA lenders and other approved regulated lenders that enrolled in the program, subject to numerous limitations and eligibility criteria. The CARES Act appropriated $349.0 billion to fund the PPP, and Congress appropriated an additional $320.0 billion to the PPP on April 24, 2020. Congress amended the PPP on June 5, 2020 to make the terms of the PPP loans and loan forgiveness more flexible. PPP loans are forgivable, in whole or in part, if the proceeds are used for permitted purposes. Consistent with the terms of the PPP, if not forgiven in whole or in part, these loans carry a fixed interest rate of 1.00% per annum and are 100% guaranteed by the SBA. TNB began submitting PPP applications on behalf of and originating loans to qualified small businesses under this program in April 2020. The SBA discontinued accepting applications in August 2020. Additionally, the Consolidated Appropriations Act, 2021 appropriated a further $284.0 billion to the PPP, and permitted certain PPP borrowers to make "second draw" loans. TNB began submitting PPP applications on behalf of and originating loans to qualified small businesses under this third round of PPP funding in January 2021, and the third round of PPP lending ended on May 31, 2021. The American Rescue Plan Act of 2021, enacted on March 11, 2021, expanded the eligibility criteria for both first and second draw PPP loans and revised the exclusions from payroll costs for purposes of loan forgiveness. The PPP Extension Act of 2021, enacted on March 30, 2021, extended the PPP through May 31, 2021. TNB's participation in the PPP could subject it to increased governmental and regulatory scrutiny, negative publicity or increased exposure to litigation, which could increase our operational, legal and compliance costs and damage our reputation.

The CARES Act and related guidance from the federal banking agencies provide financial institutions the option to temporarily suspend requirements under U.S. generally accepted accounting principles (GAAP) related to classification of certain loan modifications as TDRs, to account for the current and anticipated effects of the COVID-19 pandemic. The CARES Act, as amended by the Consolidated Appropriations Act, 2021, specified that COVID-19 related loan modifications executed between March 1, 2020 and the earlier of (i) 60 days after the date of termination of the national emergency declared by the President and (ii) January 1, 2022, on loans that were current as of December 31, 2019 are not TDRs. Additionally, under guidance from the federal banking agencies, other short-term modifications made on a good faith basis in response to the COVID-19 pandemic to borrowers that were current prior to any relief are not TDRs under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 310-40, "Troubled Debt Restructuring by Creditors." These modifications include short-term (*i.e.*, up to six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant. Since the outset of the pandemic, TNB has granted loan modifications to its customers primarily in the form of interest only payments for 90 days or full payment deferrals for 90 days.

The CARES Act also included a range of other provisions designed to support the U.S. economy and mitigate the impact of the COVID-19 pandemic on financial institutions and their customers. For example, provisions of the CARES Act require mortgage servicers to grant, on a borrower's request, forbearance for up to 180 days (which can be extended for an additional 180 days) on a federally-backed single-family mortgage loan, or forbearance up to 30 days (which can be extended for two additional 30-day periods) on a federally-backed multifamily mortgage loan when the borrower experienced financial hardship due to the COVID-19 pandemic.

Further, in response to the COVID-19 pandemic, the FRB established a number of facilities to provide emergency liquidity to various segments of the U.S. economy and financial markets, all of which have now expired.

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, 2021, Trustmark employed 2,692 full-time equivalent associates, none of which are represented by a collective bargaining agreement. Trustmark believes its employee relations to be satisfactory.

Information about Executive Officers of Trustmark

As of the filing date, the executive officers of Trustmark and its primary bank subsidiary, TNB, including their ages, positions and principal occupations for the last five years are as follows:

Gerard R. Host, 67
- Trustmark Corporation
  - Executive Chairman since January 2021
  - Chairman from April 2020 to December 2020
  - President and Chief Executive Officer from January 2011 to December 2020
- Trustmark National Bank
  - Executive Chairman since January 2021
  - Chairman from April 2020 to December 2020
  - Chief Executive Officer from January 2011 to December 2020
  - President from January 2011 to December 2019

Duane A. Dewey, 63
- Trustmark Corporation
  - President and Chief Executive Officer since January 2021
- Trustmark National Bank
  - Chief Executive Officer since January 2021
  - President since January 2020
  - Chief Operating Officer from January 2019 to December 2020
  - President – Corporate Banking from September 2011 to December 2018

George T. Chambers, Jr., 62
- Trustmark Corporation
  - Principal Accounting Officer since March 2021
- Trustmark National Bank
  - Executive Vice President and Chief Accounting Officer since March 2021
  - Senior Vice President and Controller from March 2009 to February 2021

Monica A. Day, 61
- Trustmark National Bank
  - President – Institutional Banking since April 2019
  - Executive Vice President and Real Estate Banking Manager from May 2017 to April 2019
  - Senior Vice President and Corporate Commercial Real Estate Manager from October 2008 to May 2017

Robert Barry Harvey, 62
- Trustmark National Bank
  - Chief Credit and Operations Officer since June 2021
  - Chief Credit Officer from March 2010 to May 2021
  - Executive Vice President since March 2010

Thomas C. Owens, 57
- Trustmark Corporation
  - Treasurer and Principal Financial Officer since March 2021
- Trustmark National Bank
  - Chief Financial Officer since March 2021
  - Bank Treasurer from September 2013 to February 2021
  - Executive Vice President since 2013

W. Arthur Stevens, 56
- Trustmark National Bank
  - President – Retail Banking since September 2011

Maria Luisa "Ria" Sugay, 40
Trustmark National Bank
Bank Treasurer since March 2021
Bank Co-Treasurer from July 2020 to February 2021
Executive Vice President since July 2020
USAA
Director, Asset Liability Management from June 2016 to June 2020

Granville Tate, Jr., 65
Trustmark Corporation
Secretary since December 2015
Trustmark National Bank
Chief Administrative Officer since January 2021
Chief Risk Officer from June 2016 to November 2021
General Counsel from December 2015 to November 2021
Executive Vice President and Secretary since December 2015

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.

Risks Related to Trustmark's Business

Interest Rate Risks

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. Additionally, the COVID-19 pandemic has significantly affected the financial markets and has resulted in a number of actions by the FRB. Market interest rates have declined to historical lows. During 2020, the ten-year Treasury yield fell below 1.00% for the first time, and the FRB reduced the target federal funds rate to a range of 0.00% to 0.25% and announced a $700 billion quantitative easing program in response to the expected economic downturn caused by the COVID-19 pandemic. The FRB reduced the interest that it pays on excess reserves from 1.60% to 0.10% during the first quarter of 2020. These rates continued through 2021, although the FRB has announced its intent to increase rates and wind down securities purchases commencing in March 2022. The prolonged period of low interest rates has had an adverse effect on net interest income and margins and profitability for financial institutions, including Trustmark.

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, 2021, estimated that in the event of a hypothetical 200 basis point increase in interest rates, net interest income may increase 20.1%, while a hypothetical 100 basis point increase in interest rates, may increase net interest income 9.7%. In the event of a hypothetical 100 basis point decrease in interest rates using static balances at December 31, 2021, it is estimated net interest income may decrease by 6.7%.

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 may be adversely affected by the transition from the London Interbank Offered Rate (LIBOR) as a reference rate.

In 2017, the United Kingdom's Financial Conduct Authority (FCA), which regulates LIBOR, announced that after the end of 2021 it would no longer compel banks to submit the rates required to calculate LIBOR. On March 5, 2021, the FCA confirmed that the publication of most LIBOR term rates will end on June 30, 2023 (excluding one-week U.S. LIBOR and two-month U.S. LIBOR, the publication of which ended on December 31, 2021). The Alternative Reference Rates Committee (ARRC), a committee of U.S. financial market participants, has identified the Secured Overnight Financing Rate (SOFR) as the reference rate that represents best practice as the alternative to LIBOR for use in derivatives and other financial contracts that are currently indexed to USD-LIBOR. However, there are conceptual and technical differences between LIBOR and SOFR. The federal banking agencies have encouraged banking organizations to cease entering into new contracts that use US$ LIBOR as a reference rate by no later than December 31, 2021, and to ensure existing contracts have robust fallback language that includes a clearly defined alternative reference rate. Market participants are currently working on industry-wide and company-specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. While the benchmark provider for US$ LIBOR (which was typically the benchmark that Trustmark used) intends to provide the benchmark for some tenors of US$ LIBOR through June 2023, Trustmark has transitioned to SOFR for new variable rate loans, derivative contracts, borrowings and other financial instruments as of January 1, 2022.

Trustmark has a significant number of existing loans, derivative contracts, borrowings and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. The transition from LIBOR has resulted in and could continue to result in added costs and employee efforts and could present additional risk. Since alternative reference rates are calculated differently than LIBOR, payments under contracts referencing new alternative reference rates will differ from those referencing LIBOR. The transition has changed and will continue to change, Trustmark's market risk profiles, requiring changes to risk and pricing models, valuation tools, product design and hedging strategies. Trustmark cannot predict what the ultimate impact of the transition from LIBOR will be;

however, failure to adequately manage the transition could have a material adverse effect on Trustmark's business, financial condition, results of operations and reputation with its customers.

Credit and Lending Risks

Trustmark is subject to lending risk, which could impact the adequacy of the allowance for credit 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, 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 credit losses and may require an increase in the provision for credit 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 make further increases in its provision for credit 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 environmental liability risk associated with lending activities.

A significant portion of Trustmark's loan portfolio is secured by real property. During the ordinary course of business, Trustmark forecloses on and takes title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, Trustmark may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require Trustmark to incur substantial expenses and may materially reduce the affected property's value or limit Trustmark's ability to use or ability to sell the affected property or to repay the indebtedness secured by the property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase Trustmark's exposure to environmental liability. Environmental reviews of nonresidential real estate before initiating foreclosure actions may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on Trustmark's business, financial condition and results of operations.

Declines in asset values may result in credit losses 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 expected credit losses. At December 31, 2021, gross unrealized losses on securities for which an allowance for credit losses has not been recorded totaled $31.0 million. Trustmark may be required to record credit loss expense if these investments suffer a decline in value that is the result of a credit loss. If Trustmark determines that a credit loss exists, the credit portion of the allowance would be measured using a discounted cash flow (DCF) analysis using the effective interest rate as of the security's purchase date. The amount of credit loss Trustmark may record is limited to the amount by which the amortized cost exceeds the fair value, which could have a material adverse effect on results of operations in the period in which a credit loss, if any, occurs.

Liquidity Risk

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 repurchase agreements, 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.

External and Market-Related Risks

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

The COVID-19 pandemic and actions taken to mitigate the spread of it have had and may continue to have an adverse impact on economic activity globally, nationally and locally, including the geographical area in which Trustmark operates and industries in which Trustmark regularly extends credit. 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, 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.

Interest rates remain within a historically low level that, when combined with the extended period of lower interest rates in recent years, continue to place pressure on net interest margins for Trustmark (as well as its competitors). Conversely, 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 changes to interest rates, or the impact rate changes will have on Trustmark's results of operations.

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 credit 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.
- At December 31, 2021, energy-related LHFI represented approximately 1.1% of Trustmark's total LHFI portfolio and consisted principally of loans within the oilfield services and midstream segments. Additionally, at December 31, 2021, less than 1 basis point of Trustmark's energy-related LHFI were classified as 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 fall to levels that compromise the financial condition of market participants generally, or of Trustmark's energy-related borrowers specifically, 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.

For a further discussion of the potential risks posed by the COVID-19 pandemic, see the risk factors under the section captioned "Risks Related to the COVID-19 Pandemic" below.

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 banks, as well as community banks operating nationwide and regionally within the various markets in which Trustmark operates. 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.

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.

Compliance and Regulatory Risks

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 numerous laws designed to protect consumers, including fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under fair lending laws and regulations could result in a wide variety of direct or indirect negative consequences, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on geographic expansion, and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on Trustmark's business, financial condition or results of operations. TNB recently settled a fair lending enforcement action with the Department of Justice, the OCC and the CFPB. See the section captioned "Executive Overview" included in Part II. Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations of this report.

In addition, financial institutions face scrutiny on actions and policies that are deemed to adversely impact consumers under the Dodd-Frank Act's prohibition against unfair, deceptive or abusive acts and practices and Section 5 of the Federal Trade Commission Act's prohibition against unfair or deceptive acts and practices. Bank regulators and the CFPB are responsible for enforcing these prohibitions against banking organizations. These prohibitions have been applied to prohibit perceived customer abuse in connection with a range of products, services, and practices, including account openings and fees charged where inadequate or no services are rendered for which charges were imposed, as well as other instances where consumers may have been misled through bank disclosures. In addition, the enforcement priorities of the agencies enforcing consumer protection laws have evolved over time and may continue to do so.

Failure by Trustmark to perform satisfactorily on its CRA evaluations could make it more difficult for Trustmark's business to grow.

The performance of a bank under the CRA in meeting the credit needs of its community is a factor that must be taken into consideration when the federal banking agencies evaluate applications related to mergers and acquisitions, as well as branch opening and relocations. If TNB is unable to maintain at least a "Satisfactory" CRA rating, its ability to complete the acquisition of another financial institution or open a new branch will be adversely impacted. If TNB received an overall CRA rating of less than "Satisfactory," the FDIC would not re-evaluate its rating until its next CRA examination, which may not occur for several more years, and it is possible that a low CRA rating would not improve in the future. As of its last examination, TNB received a CRA rating of "Satisfactory."

Trustmark is subject to stringent capital requirements.

Under the regulatory capital rules of the FRB, OCC, and FDIC that implement a set of capital requirements issued by the Basel Committee on Banking Supervision known as Basel III, Trustmark and TNB are required to maintain a common equity Tier 1 capital to risk-weighted assets ratio of at least 7.0% (a minimum of 4.5% plus a capital conservation buffer of 2.5%), a Tier 1 capital to risk-weighted assets ratio of at least 8.5% (a minimum of 6.0% plus a capital conservation buffer of 2.5%), a total capital to risk-weighted assets ratio of at least 10.5% (a minimum of 8.0% plus a capital conservation buffer of 2.5%) and a leverage ratio of Tier 1 capital to total consolidated assets of at least 4.0%. In addition, for TNB to be "well-capitalized" under the banking agencies' prompt corrective action framework, it must have a common equity Tier 1 capital ratio of at least 6.5%, a Tier 1 capital ratio of at least 8.0%, a total capital ratio of at least 10.0% and a leverage ratio of at least 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.

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, but this grandfather provision may cease to apply if Trustmark consummates an acquisition of a depository institution holding company and the resulting organization has $15 billion of more in total assets.

FASB Accounting Standard Codification (ASC) Topic 326, "*Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*," requires Trustmark to recognize all expected credit losses over the life of a loan based on historical experience,

current conditions and reasonable and supportable forecasts. FASB ASC Topic 326 generally is expected to result in earlier recognition of credit losses, which would increase reserves and decrease capital. Additionally, the allowance for credit losses model could be materially impacted by changes in current and forecasted macroeconomic conditions. It is not possible to predict the timing or magnitude of changes in macroeconomic conditions or the impact such changes could have on Trustmark's allowance for credit losses; however, material changes in the allowance for credit losses could have a material impact on Trustmark's reserves and capital.

The regulatory capital rules applicable to Trustmark and TNB may continue to evolve as a result of new requirements established by the Basel Committee on Banking Supervision or legislative, regulatory or accounting changes in the United States. Management cannot predict the effect that any changes to current capital requirements would have on Trustmark and TNB.

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. These regulatory expectations may change, and potentially become more rigorous in certain ways, due to an interagency effort to replace existing guidance on the risk management of third-party relationships with new guidance. 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.

Operational Risks

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

Trustmark relies on statistical and 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, 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 expected credit losses are inadequate, the allowance for credit 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.

If Trustmark consummates an acquisition, a portion of the purchase price would generally be 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, 2021, goodwill and other identifiable intangible assets were $389.3 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 2021 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 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, 2021, Trustmark held $4.6 million of other real estate, compared to $11.7 million at December 31, 2020. 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.

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 Representations and Warranties Framework, which provides that FNMA and FHLMC will not exercise their remedies, including a putback request, for breaches of certain selling representations and warranties if the mortgage loans satisfy certain criteria, such as payment history or quality control review.

Changes in retail distribution strategies and consumer behavior may adversely impact Trustmark's investments in premises, equipment, technology and other assets and may lead to increased expenditures to change its retail distribution channel.

Trustmark has significant investments in bank premises and equipment for its branch network. Advances in technology such as ecommerce, telephone, internet and mobile banking, and in-branch self-service technologies including interactive teller machines (ITMs) and other equipment, as well as an increasing customer preference for these other methods of accessing Trustmark's products and services, could decrease the value of its branch network, technology, or other retail distribution physical assets and may cause Trustmark to change its retail distribution strategy, close and/or sell certain branches or parcels of land held for development and restructure or reduce its remaining branches and work force. These actions could lead to losses on these assets or could adversely impact the carrying value of any long-lived assets and may lead to increased expenditures to renovate, reconfigure or close a number of Trustmark's remaining branches or to otherwise reform its retail distribution channel.

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 continues to invest in technology to facilitate the ability of its customers to engage in financial transactions, and otherwise enhance the customer experience with respect to its products and services. 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 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.

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 its 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 or illegal 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.

Risk Related to Acquisition Activity

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

Trustmark continuously monitors the market for merger or acquisition opportunities and, depending upon business and other considerations, may elect to pursue one or more such opportunities in the future. Any such merger or acquisition candidate would need to have a similar culture to Trustmark, have experienced management and possess either significant market presence or have potential for improved profitability through financial management, economies of scale or expanded services. 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.

Risks Related to the COVID-19 Pandemic

The COVID-19 pandemic and actions taken to mitigate its spread and economic impact could adversely affect Trustmark's business activities, financial condition and results of operations.

The spread of COVID-19, and actions taken by governmental and public health authorities to mitigate its spread, such as instituting quarantines, travel restrictions and "shelter in place" orders, have caused and may continue to cause severe disruptions in both domestic and international economies, which could continue to disrupt the business, activities and operations of Trustmark's customers, as well as its business and operations. Moreover, since the beginning of January 2020, the COVID-19 pandemic and actions taken to mitigate the spread of it have had and may continue to have an adverse impact on economic activity globally, nationally and locally.

Trustmark's business is dependent upon the willingness and ability of its customers to conduct banking and other financial transactions. A significant increase in the number of COVID-19 cases may result in a significant decrease in business and/or cause Trustmark's customers to be unable to meet existing payment or other obligations, particularly in the event of a significant increase in COVID-19 cases in Trustmark's market regions. Although Trustmark maintains contingency plans for pandemic outbreaks, a significant increase in COVID-19 case above current levels could also negatively impact the availability of key personnel necessary to conduct its business activities. Such an increase or outbreak could also negatively impact the business and operations of third-party service providers who perform critical services for Trustmark. If COVID-19 spreads or the response to contain COVID-19 is unsuccessful, Trustmark could experience a material adverse effect to its business, financial condition, and results of operations.

Additionally, the COVID-19 pandemic has significantly affected the financial markets and has resulted in a number of actions by the FRB that affect Trustmark. Market interest rates have declined significantly. In March of 2020, the ten-year Treasury yield fell below 1.00% for the first time, and the FRB reduced the target federal funds rate by 150 basis points to a range of 0.00% to 0.25% and announced a $700 billion quantitative easing program in response to the expected economic downturn caused by the COVID-19 pandemic. The FRB also reduced the interest that it pays on excess reserves from 1.60% to 0.10% during March of 2020. These rates continued throughout 2021. The FRB has announced that it intends to begin raising rates and withdrawing other support measures starting in March 2022. It is not clear how the markets will react to these changes; heightened volatility resulting therefrom, especially if prolonged, could adversely affect Trustmark's net results of operations or financial condition. In addition, the federal banking agencies also issued guidance encouraging financial institutions to prudently work with affected borrowers and providing relief from reporting loan classifications due to modifications related to the COVID-19 pandemic. Pursuant to such guidance and related provisions of the CARES Act, Trustmark is not treating certain COVID-19-related loan modifications as TDRs. For additional details regarding COVID-related loan modification, see the section captioned "COVID-19 Update – Loan Concessions" included in Part II. Item 7. – Management's Discussion and Analysis of Financial Condition and Results of Operations of this report. Finally, in response to the

COVID-19 pandemic, the FRB established numerous emergency programs, including various liquidity facilities, intended to mitigate disruptions to certain financial markets, all of which have since expired. The absence of such emergency programs could result in further financial market disruptions, and adversely affect Trustmark's business, if economic conditions decline.

In addition, the spread of COVID-19 has caused and may continue to cause Trustmark to modify its business practices, including the implementation of temporary branch and office closures. Trustmark may be required to take further actions by government authorities related to the COVID-19 pandemic, and may also take further actions that it determines are in the best interests of its employees, customers and business partners. Although Trustmark has initiated certain protocol and restricted business travel in its workforce, if significant portions of its workforce, including key personnel, are unable to work effectively because of illness, government actions or other restrictions in connection with the pandemic, the impact of the pandemic on Trustmark's business could be exacerbated. Further, increased levels of remote access may create additional opportunities for cybercriminals to attempt to exploit vulnerabilities, and Trustmark's employees may be more susceptible to phishing and social engineering attempts in the remote environment. In addition, Trustmark's technological resources may be strained due to the number of remote users.

The spread of COVID-19 and its impact on the economy heightens the risk associated with many of the risk factors described in this report, such as those related to credit losses and Trustmark's reliance on its executives and third-party service providers, for example. The extent to which the COVID-19 pandemic will impact Trustmark's business, results of operations and financial condition, as well as its regulatory capital, liquidity ratios and stock price, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic.

As a participating lender in the SBA's PPP, Trustmark is subject to additional risks of litigation from its customers or other parties regarding TNB's processing of loans for the PPP and risks that the SBA may not fund some or all PPP loan guaranties.

Trustmark participated as a lender under the PPP. Since the opening of the PPP, several financial institutions have been subject to litigation regarding the processes and procedures used in processing applications for the PPP. Trustmark may be exposed to the risk of similar litigation, from both customers and non-customers that approached TNB regarding PPP loans, regarding its processes and procedures used in processing applications for the PPP. In addition to litigation, Trustmark's participation in the PPP exposes Trustmark to the possibility of governmental investigations, enforcement actions and negative publicity. If any such litigation, enforcement action or other action is filed against Trustmark and is not resolved in a manner favorable to Trustmark, it may result in significant financial liability or adversely affect Trustmark's reputation. In addition, litigation and investigations can be costly, regardless of outcome. Any financial liability, litigation and investigation costs or reputational damage caused by PPP related litigation could have a material adverse impact on Trustmark's business, financial condition and results of operations.

Trustmark also has credit risk on PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced by TNB, such as an issue with the eligibility of a borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded, or serviced by TNB, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency from Trustmark.

General Risk Factors

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 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 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 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 development 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.

Climate change and societal responses to climate change could adversely affect Trustmark's business and results of operations, including indirectly through impact to its customers.

The current and anticipated effects of climate change are creating an increasing level of concern for the state of the global environment. As a result, political and social attention to the issue of climate change has increased. In recent years, governments across the world have entered into international agreements to attempt to reduce global temperatures, in part by limiting greenhouse gas emissions. The United States Congress, state legislatures and federal and state regulatory agencies have continued to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. These agreements and measures may result in the imposition of taxes and fees, the required purchase of emission credits and the implementation of significant operational changes, each of which may require businesses to expend significant capital and incur compliance, operating, maintenance and remediation costs. Consumers and businesses also may change their behavior on their own as a result of these concerns.

It is not possible to predict how climate change may impact Trustmark's financial condition and operations; however, Trustmark operates in areas where its business and the activities of its customers could be impacted by the effects of climate change. The effects of climate change may include increased frequency or severity of weather-related events, such as severe storms, hurricanes, flooding and droughts and rising sea levels. These effects can disrupt business operations, damage property, devalue assets and change customer and business preferences, which may adversely affect borrowers, increase credit risk and reduce demand for Trustmark's products and services. Trustmark and its customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. Trustmark and its customers may face cost increases, asset value reductions, operating process changes and the like. The impact to Trustmark's customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. In addition, Trustmark could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Trustmark's efforts to take these risks into account may not be effective in protecting it from the negative

impact of new laws and regulations or changes in consumer or business behavior and could have a material adverse effect on Trustmark's financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

Trustmark's principal offices are housed in its main office building located in downtown Jackson, Mississippi and owned by TNB. Trustmark's main office building is primarily allocated for bank use with a small portion available for occupancy by tenants on a lease basis, although such incidental leasing activity is not material to Trustmark's operations. At December 31, 2021, Trustmark, through TNB, operated 167 full-service branches, 13 limited-service branches and an automated teller machine (ATM) network, which included 198 ATMs and 69 ITMs at its branches and other locations. In addition, Trustmark operated 11 offices in various locations providing mortgage banking, wealth management and insurance services. Trustmark leases 32 of its branch and other office locations with the remainder being owned. Trustmark believes its properties are suitable and adequate to operate its financial services business.

ITEM 3. LEGAL PROCEEDINGS

Information required in this section is set forth under the heading "Legal Proceedings" of Note 17 – Commitments and Contingencies in Part II. Item 8. – Financial Statements and Supplementary Data of this report.

In accordance FASB ASC Subtopic 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, Trustmark believes, based on its evaluation and the advice of legal counsel, 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."

Trustmark paid quarterly cash dividends to shareholders of $0.23 per share, or $0.92 per share annually, in 2021. As a component of return to common shareholders, Trustmark intends to pay cash dividends when corporate financial performance and capital strength allow it to do so. All dividend payments must be approved and declared by the Board of Directors of Trustmark and are required to be in compliance with all applicable laws and regulations.

At January 31, 2022, there were approximately 3,183 registered shareholders of record and approximately 20,576 beneficial account holders of shares in nominee name of Trustmark's common stock. Other information required by this item can be found in Note 18 - Shareholders' Equity included in Part II. Item 8. - Financial Statements and Supplementary Data of this report.

Stock Repurchase Program

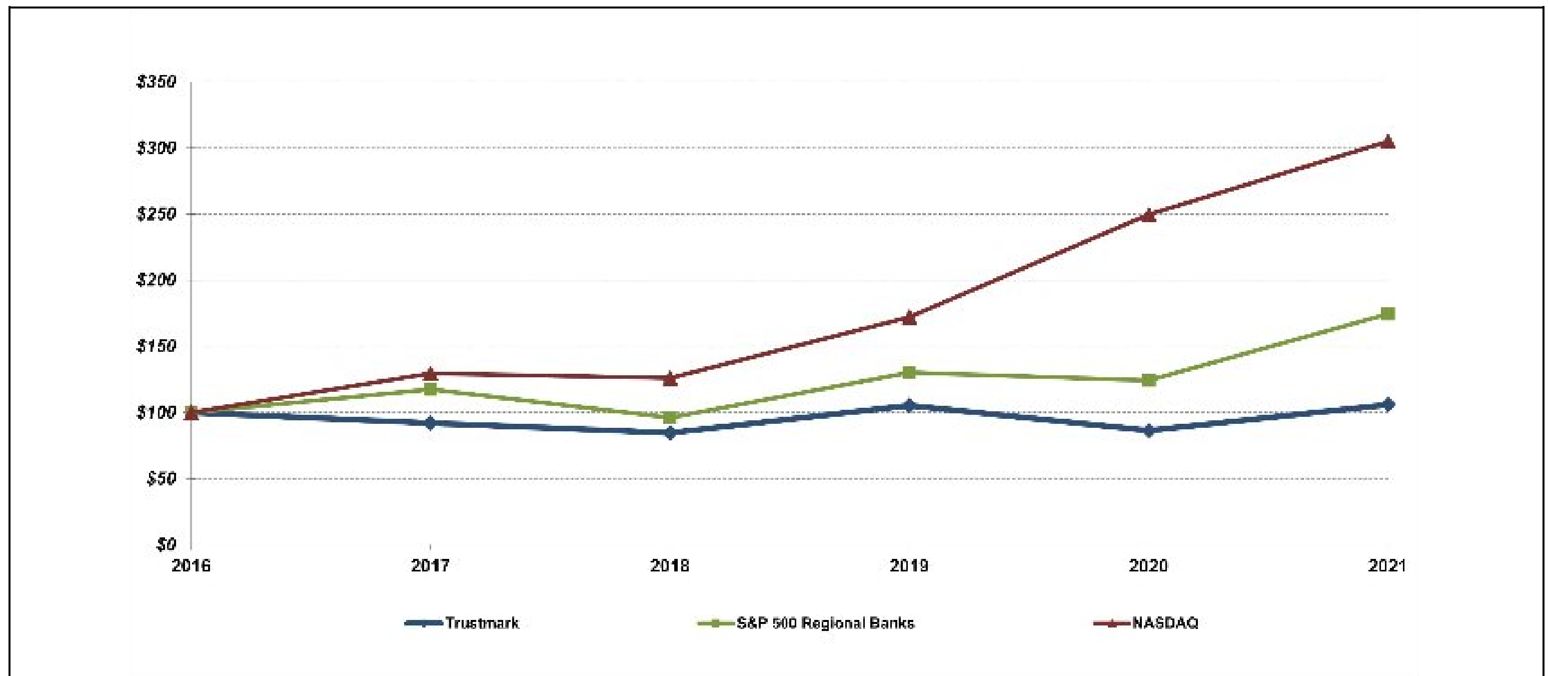
The Board of Directors of Trustmark authorized a stock repurchase program effective April 1, 2019, under which $100.0 million of Trustmark's outstanding common shares could be acquired through March 31, 2020. Under this authority, Trustmark repurchased approximately 1.5 million shares of its common stock valued at $47.2 million.

On January 28, 2020, the Board of Directors of Trustmark authorized a new stock repurchase program, effective April 1, 2020, under which $100.0 million of Trustmark's outstanding common stock may be acquired through December 31, 2021. On March 9, 2020, Trustmark suspended its share repurchase programs to preserve capital to support customers during the COVID-19 pandemic. Trustmark resumed the repurchase of its shares in January 2021. Under this authority, Trustmark repurchased approximately 1.9 million shares of its outstanding common stock valued at $61.8 million during 2021.

On December 7, 2021, the Board of Directors of Trustmark authorized a new stock repurchase program, effective January 1, 2022, under which $100.0 million of Trustmark's outstanding common stock may be acquired through December 31, 2022. These shares may be purchased from time to time at prevailing market prices, through open market or private transactions, depending on market conditions, and in conjunction with its disciplined share repurchase framework. There is no guarantee as to the number of shares that may be repurchased by Trustmark, and Trustmark may discontinue repurchases at any time at Management's discretion. Under this authority, Trustmark repurchased approximately 156 thousand shares of its common stock value at $5.2 million during January 2022.

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 S&P 500 – Regional Banks index. The S&P 500 – Regional Banks index is an industry index published by S&P Dow Jones Indices, a division of S&P Global, and is comprised of stock in the S&P Total Market Index that are classified in the Global Industry Classification Standard regional banks sub-industry. This presentation assumes that $100 was invested in shares of the relevant issuers on December 31, 2016, 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		2016		2017		2018		2019		2020		2021
Trustmark	$	100.00	$	91.98	$	84.42	$	105.29	$	86.44	$	105.78
NASDAQ Composite-Total Return		100.00		129.64		125.96		172.18		249.51		304.85
S&P 500 - Regional Banks		100.00		117.43		96.08		130.11		124.21		174.55

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ITEM 6. SELECTED FINANCIAL DATA

The following unaudited consolidated financial data is derived from Trustmark's audited financial statements as of and for the three years ended December 31, 2021 ($ 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,	2021	2020	2019
Consolidated Statements of Income			
Total interest income	$ 442,511	$ 468,335	$ 510,492
Total interest expense	24,160	41,798	83,903
Net interest income	418,351	426,537	426,589
Provision for credit losses (PCL), LHFI *(1)*	(21,499)	36,113	10,797
PCL, off-balance sheet credit exposures *(2)*	(2,949)	8,934	—
Provision for loan losses, acquired loans *(1)*	—	—	42
Noninterest income	221,910	274,593	187,045
Noninterest expense *(2)*	489,296	466,301	429,002
Income before income taxes	175,413	189,782	173,793
Income taxes	28,048	29,757	23,333
Net Income	$ 147,365	$ 160,025	$ 150,460
Total Revenue *(3)*	$ 640,261	$ 701,130	$ 613,634
Per Share Data			
Basic earnings per share	$ 2.35	$ 2.52	$ 2.33
Diluted earnings per share	2.34	2.51	2.32
Cash dividends per share	0.92	0.92	0.92
Performance Ratios			
Return on average equity	8.32%	9.52%	9.28%
Return on average tangible equity	10.81%	12.58%	12.45%
Return on average assets	0.86%	1.05%	1.11%
Average equity/average assets	10.38%	11.05%	12.02%
Net interest margin (fully taxable equivalent)	2.76%	3.19%	3.62%
Dividend payout ratio	39.15%	36.51%	39.48%
Credit Quality Ratios *(4)*			
Net charge-offs (recoveries)/average loans	-0.04%	0.02%	0.06%
PCL/average loans *(1)*	-0.21%	0.36%	0.12%
Nonaccrual LHFI/(LHFI + LHFS)	0.60%	0.61%	0.56%
Nonperforming assets/(LHFI + LHFS) plus other real estate	0.64%	0.73%	0.86%
Allowance for credit losses (ACL) LHFI/LHFI *(1)*	0.97%	1.19%	0.90%

(1)Effective January 1, 2020, Trustmark adopted FASB ASU 2016-13 using the modified retrospective approach; therefore, prior period balances are presented under legacy GAAP and may not be comparable to current period presentation.
(2)During 2021, Trustmark reclassified its credit loss expense on off-balance sheet credit exposures from noninterest expense to PCL, off-balance sheet credit exposures. Prior periods have been reclassified accordingly.
(3)Consistent with Trustmark's audited financial statements, total revenue is defined as net interest income plus noninterest income.
(4)Excludes PPP and acquired loans.

December 31,	2021	2020	2019
Consolidated Balance Sheets			
Total assets	$ 17,595,636	$ 16,551,840	$ 13,497,877
Securities	3,581,414	2,529,887	2,340,503
Total loans (incl. PPP, LHFS and acquired loans)	10,556,871	10,881,609	9,634,576
Deposits	15,087,160	14,048,764	11,245,557
Total shareholders' equity	1,741,311	1,741,117	1,660,702
Stock Performance			
Market value - close	$ 32.46	$ 27.31	$ 34.51
Book value	28.25	27.45	25.87
Tangible book value	21.93	21.26	19.84
Capital Ratios			
Total equity/total assets	9.90 %	10.52 %	12.30 %
Tangible equity/tangible assets	7.86 %	8.34 %	9.72 %
Tangible equity/risk-weighted assets	10.71 %	11.22 %	11.58 %
Tier 1 leverage ratio *(1)*	8.73 %	9.33 %	10.48 %
Common equity tier 1 risk-based capital ratio *(1)*	11.29 %	11.62 %	11.93 %
Tier 1 risk-based capital ratio *(1)*	11.77 %	12.11 %	12.48 %
Total risk-based capital ratio *(1)*	13.55 %	14.12 %	13.25 %

(1)Effective 2020, Trustmark elected the five-year phase-in transition period related to adopting FASB ASU 2016-13 for regulatory capital purposes.

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. Discussion and analysis of Trustmark's financial condition and results of operations for the years ended December 31, 2020 and 2019 are included in the respective sections within Part II. Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations of Trustmark's Annual Report filed on Form 10-K for the year ended December 31, 2020.

COVID-19 Update

Trustmark has been proactive in responding to the COVID-19 pandemic, taking comprehensive action to support customers, associates and the communities it serves. Trustmark activated its Pandemic Preparedness Plan in March 2020 to protect the health and safety of its employees and customers, and continues to take additional precautions as recommended by the Centers for Disease Control and Prevention (CDC) and mandated by government ordinances. Trustmark remains committed to serving its customers through its branches, actively promoting digital touchpoints including its ATM and ITM network and robust digital and mobile banking options. To date, Trustmark has not incurred any significant disruptions to its business activities.

Exposure to Stressed Industries

The full impact of COVID-19 is unknown and continues to evolve rapidly. It has caused substantial disruption in international and domestic economies, markets and employment. The pandemic has had and may continue to have a significant adverse impact on certain industries Trustmark serves. The following provides a summary of Trustmark's exposure to COVID-19 impacted industries within the LHFI portfolio at December 31, 2021:

- Restaurants: Aggregate outstanding balance of $100.0 million, credit exposure of $115.0 million, 296 total loans, represents 1.0% of Trustmark's outstanding LHFI portfolio, 88.0% of the loans are real estate secured, 38.0% are full-service restaurants, 59.0% are limited-service restaurants and 3.0% are other.
- Hotels: Aggregate outstanding balance of $358.0 million, credit exposure of $369.0 million, 86 total loans, represents 3.5% of Trustmark's outstanding LHFI portfolio, 99.0% of the loans are real estate secured, consists of experienced operators and carry secondary guarantor support, 95.0% operate under a major hotel chain.
- Retail (Commercial Real Estate): Aggregate outstanding balance of $415.0 million, credit exposure of $508.0 million, 298 total loans, represents 4.1% of Trustmark's outstanding LHFI portfolio, 23.0% are stand-alone buildings with strong essential

services tenants, 2.0% are national grocery store-anchored, 19.0% are investment grade anchored centers, mall exposure in only one borrower with $4.0 million outstanding.

•Energy: Aggregate outstanding balance of $112.1 million, credit exposure of $321.9 million, 112 total loans, represents 1.1% of Trustmark's outstanding LHFI portfolio, no loans where repayment or underlying security ties to realization of value from energy reserves.

•Higher Risk Commercial and Industrial: Aggregate outstanding balance of $10.0 million, credit exposure of $13.5 million, one borrower.

Because of the significant uncertainties related to the ultimate duration of the COVID-19 pandemic and its potential effects on clients and prospects, and on the global, national and local economy as a whole, there can be no assurances as to how the crisis may ultimately affect Trustmark's loan portfolio.

Loan Concessions

On March 22, 2020, the federal banking agencies issued an "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus". This guidance encouraged financial institutions to work prudently with borrowers that may be unable to meet their contractual obligations because of the effects of COVID-19. The guidance went on to explain that, in consultation with the FASB staff, that the federal banking agencies conclude that short-term modifications (e.g., six months) made on a good faith basis to borrowers that were current as of the implementation date of a relief program are not TDRs. On March 27, 2020, the CARES Act, a stimulus package intended to provide relief to businesses and consumers in the United States struggling as a result of the pandemic, was signed into law. Section 4013 of the CARES Act also addressed COVID-19 related modifications and specified that COVID-19 related modifications on loans that were current at December 31, 2019 are not TDRs. On April 7, 2020, the federal banking agencies revised its earlier guidance to clarify the interaction between the March 22, 2020 interagency statement and section 4013 of the CARES Act, as well as the agencies' views on consumer protection considerations. The Consolidated Appropriations Act, 2021, enacted on December 27, 2020, amended section 4013 of the CARES Act to provide an extension of the period in which TDR relief was available to financial institutions. At December 31, 2021, the balance of loans remaining under some type of COVID-19 related concession totaled $1.1 million compared to $34.2 million at December 31, 2020. Commercial concessions were primarily either interest only for 90 days or full payment deferrals for 90 days. Consumer concessions were 90-day full payment deferrals.

Paycheck Protection Program

A provision in the CARES Act included initial funds for the creation of the PPP through the SBA and Treasury Department. The PPP was intended to provide loans to small businesses, sole proprietorships, independent contractors and self-employed individuals to pay their employees, rent, mortgage interest and utilities. PPP loans are forgivable, in whole or in part, if the proceeds were used for payroll and other permitted purposes in accordance with the requirements of the PPP. The loans are 100% guaranteed by the SBA. The SBA and Treasury Department released a series of rules, guidance documents and processes governing the PPP, including a streamlined process for loan forgiveness of PPP loans of $150 thousand or less. The Consolidated Appropriations Act, 2021 extended some of the relief provisions in certain respects of the CARES Act, and appropriated additional funds to the PPP and permitted certain PPP borrowers to make "second draw" loans. Subsequently, the American Rescue Plan Act of 2021, enacted on March 11, 2021, expanded the eligibility criteria for both first and second draw PPP loans and revised the exclusions from payroll costs for purposes of loan forgiveness. The PPP Extension Act of 2021, enacted on March 30, 2021, extended the PPP through May 31, 2021.

From April to August 2020, Trustmark originated PPP loans for qualified small businesses and other borrowers. Trustmark resumed submitting PPP applications to the SBA on behalf of qualified small businesses and other borrowers under the CARES Act, amended by the Consolidated Appropriations Act, 2021, in January 2021. Trustmark originated 5,727 PPP loans totaling $376.2 million ($354.5 million net of $21.7 million of deferred fees and costs) during 2021, compared to 9,691 PPP loans originated in 2020 totaling $970.0 million ($944.3 million net of $25.7 million of deferred fees and costs).

On June 30, 2021, Trustmark announced the sale of approximately $354.2 million of its outstanding PPP loans, substantially all PPP loans originated in 2021, to The Loan Source, Inc. (Loan Source), a firm with significant expertise in PPP loans. As a result of this transaction, Loan Source assumed responsibility for the servicing and forgiveness process for the loans it acquired from Trustmark. This transaction allowed Trustmark to focus on more traditional lending efforts and increase its ability to provide customers with financial services in an improving economic environment. Trustmark accelerated the recognition of unamortized PPP loan origination fees, net of costs, of approximately $18.6 million in the second quarter of 2021 due to the sale. This revenue was substantially the same as Trustmark would expect to recognize upon maturity or forgiveness of the PPP loans sold in this transaction, and thus this transaction served to accelerate revenue anticipated in future periods and recognize it during the second quarter of 2021.

At December 31, 2021, Trustmark had 109 PPP loans outstanding totaling $33.8 million ($33.3 million net of $500 thousand of deferred fees and costs), compared to 7,398 PPP loans outstanding totaling $623.0 million ($610.1 million net of $12.9 million of deferred fees and costs) at December 31, 2020. In addition to the loans sold, PPP loans totaling $605.5 million were forgiven by the SBA during 2021, compared to $346.9 million forgiven by the SBA during the fourth quarter of 2020.

Due to the amount and nature of the PPP loans, these loans are not included in Trustmark's LHFI portfolio and are presented separately in the accompanying consolidated balance sheets. Trustmark cannot predict the amount of PPP loans that will be forgiven in whole or in part by the SBA, nor can it predict the magnitude and timing of the impact the PPP loans and related fees will have on Trustmark's net interest margin.

Executive Overview

Trustmark has been committed to meeting the banking and financial needs of its customers and communities for over 130 years and remains focuses on providing support, advice and solutions to its customers' unique needs. Trustmark's financial performance during 2021 reflected continued balance sheet growth, with growth in LHFI of $423.3 million, or 4.3%, and deposits of $1.038 billion, or 7.4%, as well as strong credit quality and disciplined expense management. Trustmark remains focused on expanding customer relationships, which was reflected in the solid performance of its banking, insurance and wealth management businesses. Mortgage banking revenue remained strong during 2021 following record setting levels in the prior year.

During the third quarter of 2021, Trustmark completed a voluntary early retirement program, resulting in non-routine expenses of $5.7 million (salaries and employee benefits expense of $5.6 million and other miscellaneous expense of $89 thousand). In addition, during the third quarter of 2021, Trustmark entered into a settlement with regulatory authorities to resolve fair lending allegations in the Memphis metropolitan statistical area (MSA). As previously disclosed, Trustmark incurred a one-time settlement expense of $5.0 million and made other commitments to enhance credit opportunities to residents of majority-Black and Hispanic neighborhoods in the Memphis MSA.

Trustmark is committed to managing the franchise for the long term, supporting investments to promote profitable revenue growth, realigning delivery channels to support changing customer preferences as well as reengineering and efficiency opportunities to enhance long-term shareholder value. Trustmark's capital position remained solid, reflecting the consistent profitability of its diversified financial services businesses. The Board of Directors of Trustmark declared a quarterly cash dividend of $0.23 per share. The dividend is payable March 15, 2022, to shareholders of record on March 1, 2022.

Financial Highlights

Trustmark reported net income of $26.2 million, or basic and diluted earnings per share (EPS) of $0.42, for the fourth quarter of 2021, compared to $51.2 million, or basic and diluted EPS of $0.81, in the fourth quarter of 2020. Trustmark's reported performance during the quarter ended December 31, 2021, produced a return on average tangible equity of 7.72%, a return on average assets of 0.60%, an average equity to average assets ratio of 10.12% and a dividend payout ratio of 54.76%, compared to a return on average tangible equity of 15.47%, a return on average assets of 1.28%, an average equity to average assets ratio of 10.82% and a dividend payout ratio of 28.40% during the quarter ended December 31, 2020.

Revenue, which is defined as net interest income plus noninterest income, totaled $149.1 million for the quarter ended December 31, 2021 compared to $177.5 million for the quarter ended December 31, 2020, a decrease of $28.4 million, or 16.0%. The decrease in total revenue for the fourth quarter of 2021 compared to the same time period in 2020 was principally due to declines in mortgage banking, net and interest and fees on PPP loans.

Net interest income for the fourth quarter of 2021 totaled $98.3 million, a decrease of $13.1 million, or 11.7%, when compared to the fourth quarter of 2020, principally due to a decline in interest and fees on PPP loans of $14.5 million, or 97.3%, as a result of PPP loans that have been forgiven by the SBA. Noninterest income for the fourth quarter of 2021 totaled $50.8 million, a decrease of $15.4 million, or 23.2%, when compared to the fourth quarter of 2020, principally due to a decrease in mortgage banking, net of $16.5 million, or 58.8%. The decrease in mortgage banking, net for the fourth quarter of 2021 was principally due to a decrease in gain on sales of loans, net partially offset by an increase in the net hedge ineffectiveness. Noninterest expense for the fourth quarter of 2021 totaled $119.5 million, a decrease of $425 thousand, or 0.4%, when compared to the fourth quarter of 2020, principally due to declines in salaries and employee benefits of $1.4 million, or 2.0%, primarily as a result of declines in performance incentives and COVID-related salary expense, and other expense of $1.3 million, or 8.3%, primarily attributed to decreases in other miscellaneous expenses and loan expenses, which were largely offset by increases in other real estate expense, net of $1.1 million and services and fees of $577 thousand, or 2.6%. The increase in other real estate expense, net was principally due to a net loss on sale of other real estate during the fourth quarter of 2021 compared to a net gain on sale of other real estate during the fourth quarter of 2020, partially offset by a decrease in other real estate write-downs. The increase in services and fees when the fourth quarter of 2021 is compared to the fourth quarter of 2020 was

principally due to increases in data processing charges related to software and advertising expenses partially offset by a decline in outside services and fees.

Trustmark's PCL, LHFI for the three months ended December 31, 2021 totaled a negative $4.5 million compared to a negative $4.4 million for the three months ended December 31, 2020, a decrease of $102 thousand, or 2.3%. The PCL, off-balance sheet credit exposures totaled $2.9 million for the three months ended December 31, 2021 compared to a negative $1.1 million for the three months ended December 31, 2020, an increase of $4.0 million. The increase in the PCL, off-balance sheet credit exposures for the fourth quarter of 2021 was primarily due to an increase in the balance of unfunded commitments to extend credit. Please see the section captioned "Provision for Credit Losses," for additional information regarding the PCL on LHFI and off-balance sheet credit exposures.

For the year ended December 31, 2021, Trustmark reported net income of $147.4 million, or basic and diluted EPS of $2.35 and $2.34, respectively, compared to $160.0 million, or basic and diluted EPS of $2.52 and $2.51, respectively, for the year ended December 31, 2020 and $150.5 million, or basic and diluted EPS of $2.33 and $2.32, respectively, for the year ended December 31, 2019. Trustmark's reported performance for the year ended December 31, 2021, produced a return on average tangible equity of 10.81%, a return on average assets of 0.86% and a dividend payout ratio of 39.15%, compared to a return on average tangible equity of 12.58%, a return on average assets of 1.05% and a dividend payout ratio of 36.51% for the year ended December 31, 2020 and a return on average tangible equity of 12.45%, a return on average assets of 1.11% and a dividend payout ratio of 39.48% for the year ended December 31, 2019. Trustmark's average equity to average assets ratio was 10.38%, 11.05% and 12.02% for the years ended December 31, 2021, 2020 and 2019, respectively.

Revenue totaled $640.3 million for the year ended December 31, 2021, compared to $701.1 million and $613.6 million for the years ended December 31, 2020 and 2019, respectively, a decrease of $60.9 million, or 8.7%, and an increase of $87.5 million, or 14.3%, respectively. The decrease in total revenue for 2021 compared to 2020 was principally due to a decline in gain on sales of loans, net of $54.9 million, or 49.5%, included in mortgage banking, net. See the section captioned "Noninterest Income" for additional information on the change in mortgage banking, net.

Net interest income for the year ended December 31, 2021 totaled $418.4 million, a decrease of $8.2 million, or 1.9%, when compared to the year ended December 31, 2020, principally due to declines in interest and fees on LHFS and LHFI and interest on securities, partially offset by a decline in interest expense on deposits and an increase in interest and fees on PPP loans. Interest and fees on LHFS and LHFI declined $27.0 million, or 6.9%, and interest on securities declined $10.1 million, or 20.4%, when 2021 is compared to 2020 as a result of lower interest rates. Interest expense on deposits declined $20.5 million, or 54.8%, when 2021 is compared to 2020 principally due to declines in interest rates on interest checking and money market deposit accounts as well as declines in average balances and interest rates on certificates of deposits. Interest and fees on PPP loans increased $10.1 million, or 37.8%, when 2021 is compared to 2020 principally due to the accelerated recognition of the unamortized loan fees on the PPP loans sold during the second quarter of 2021 partially offset by PPP loans that were forgiven by the SBA.

Noninterest income totaled $221.9 million for 2021, a decrease of $52.7 million, or 19.2%, when compared to 2020, principally due to a decrease in mortgage banking, net partially offset by increases in bank card and other fees, wealth management income and insurance commissions. Mortgage banking, net decreased $62.1 million, or 49.3%, when 2021 is compared to 2020, principally due to decreases in gain on sales of loans, net and the net hedge ineffectiveness as well as an increase in the MSR run-off. Bank card and other fees increased $3.6 million, or 11.7%, when 2021 is compared to 2020 principally due to an increase in interchange income. Wealth management income increased $3.6 million, or 11.3%, when 2021 is compared to 2020 principally due to increases in income from brokerage services and trust management services. Insurance commissions increased $3.3 million, or 7.4%, when 2021 is compared to 2020 principally due to increases in property and casualty commissions and other commission income.

Noninterest expense totaled $489.3 million for 2021, an increase of $23.0 million, or 4.9%, when compared to 2020, principally due to increases in salaries and employee benefits, services and fees and other expense. Salaries and employee benefits expense increased $11.9 million, or 4.4%, when 2021 is compared to 2020 principally due to non-routine expenses related to the voluntary early retirement program completed during the third quarter of 2021 and increases in salaries expense primarily related to general merit increases, commissions expense primarily related to increased mortgage production and improvements in insurance and wealth management, and annual performance incentives, partially offset by non-routine expenses related to the voluntary early retirement program completed during the first quarter of 2020 and a decline in COVID-related salary expense. Trustmark completed voluntary early retirement programs during 2021 and 2020 and incurred $5.6 million and $4.3 million, respectively, of non-routine salaries and employee benefits expense related to these programs. Excluding these non-routine expenses, salaries and employee benefits increased $10.6 million, or 3.9%, when 2021 is compared to 2020. Services and fees increased $5.6 million, or 6.7%, when 2021 is compared to 2020, primarily due to increases in data processing charges related to software. Other expense increased $2.3 million, or 3.9%, when 2021 is compared to 2020 principally due to the $5.0 million regulatory settlement expense incurred during the third quarter of 2021 partially offset by declines in sponsorships and contributions expense and property valuation adjustments related to properties transferred to assets held for sale. Excluding the non-routine settlement expense, other expense declined $2.7 million, or 4.7%, when 2021 is compared to 2020.

Trustmark's PCL, LHFI for 2021 totaled a negative $21.5 million compared to $36.1 million for 2020, a decrease of $57.6 million. The PCL, off-balance sheet credit exposures totaled a negative $2.9 million for 2021 compared to $8.9 million for 2020, a decrease of $11.9 million. The decreases in the PCL on LHFI and off-balance sheet credit exposures were principally due to improvements in macroeconomic forecasts and credit quality. Please see the section captioned "Provision for Credit Losses" for additional information regarding the PCL on LHFI and off-balance sheet credit exposures.

At December 31, 2021, nonperforming assets totaled $67.3 million, a decrease of $7.5 million, or 10.1%, compared to December 31, 2020 principally due to a decline other real estate. Total nonaccrual LHFI were $62.7 million at December 31, 2021, representing a slight decrease of $430 thousand, or 0.7%, relative to December 31, 2020, as reductions, pay-offs and charge-offs of nonaccrual LHFI were largely offset by LHFI placed on nonaccrual status. The percentage of loans, excluding PPP loans, that are 30 days or more past due and nonaccrual LHFI decreased in 2021 to 1.51% compared to 2.08% in 2020. Other real estate totaled $4.6 million at December 31, 2021, a decline of $7.1 million, or 60.9%, when compared to December 31, 2020, principally due to properties sold in Trustmark's Mississippi, Alabama, and Tennessee market regions.

LHFI totaled $10.248 billion at December 31, 2021, an increase of $423.3 million, or 4.3%, compared to December 31, 2020. The increase in LHFI during 2021 was primarily due to net growth in LHFI secured by nonfarm, nonresidential properties (NFRN LHFI), LHFI secured by 1-4 family residential properties, state and other political subdivision LHFI and commercial and industrial LHFI, partially offset by a net decline in other real estate secured LHFI. For additional information regarding changes in LHFI and comparative balances by loan category, see the section captioned "LHFI."

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. See the section captioned "Liquidity" for further discussion of the components of Trustmark's excess funding capacity.

Total deposits were $15.087 billion at December 31, 2021, an increase of $1.038 billion, or 7.4%, compared to December 31, 2020, reflecting increases in both noninterest-bearing and interest-bearing deposit accounts. During 2021, noninterest-bearing deposits increased $422.1 million, or 9.7%, primarily due to growth in all categories of noninterest-bearing deposit accounts. Interest-bearing deposits increased $616.3 million, or 6.4%, during 2021, primarily due to growth in consumer and commercial interest checking and Money Market Deposit Accounts (MMDA) as well as consumer savings accounts, partially offset by declines in all categories of certificates of deposits and public interest checking accounts.

Critical Accounting Policies and Accounting Estimates

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 historical experience, current information and other factors deemed relevant 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. An accounting estimate is considered critical if the accounting estimate requires Management to make assumptions about matters with a significant level of uncertainty and if the accounting estimate, or changes to the accounting estimate that are reasonably likely to occur from period to period, have had or are reasonable likely to have a material impact to the consolidated financial statements.

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 Credit Losses (ACL)

LHFI

The ACL for LHFI is a valuation account, calculated in accordance with FASB ASC Topic 326, that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. The ACL for LHFI represents Management's best estimate of current expected credit losses on Trustmark's existing LHFI portfolio considering available information, from internal and external sources, relevant to assessing exposure to credit loss over the contractual term of the instrument. The ACL for LHFI is adjusted through the PCL, LHFI and reduced by the charge off of loan amounts, net of recoveries.

The credit loss estimation process involves procedures to appropriately consider the unique characteristics of Trustmark's LHFI portfolio segments. These segments are further disaggregated into loan classes, the level at which credit risk is estimated. When computing allowance levels, credit loss assumptions are estimated using a model that categorizes loan pools based on loss history, delinquency status and other credit trends and risk characteristics, including current conditions and reasonable and supportable forecasts about the future. Evaluations of the portfolio and individual credits are inherently subjective, as they require estimates, assumptions and judgments as to the facts and circumstances of particular situations. Determining the appropriateness of the ACL is complex and requires judgement by Management about the effect of matters that are inherently uncertain. While Management utilizes its best judgment and information available, the ultimate adequacy of Trustmark's ACL is dependent upon a variety of factors beyond its controls, including the performance of the portfolios, the economy, changes in interest rates and the view of regulatory authorities toward classification of assets. In future periods, evaluations of the overall LHFI portfolio, in light of the factors and forecasts then prevailing, may result in significant changes in the ACL and PCL, LHFI in those future periods. Given the nature of many of the factors, forecasts and assumptions in the ACL methodology, it is not possible to provide meaningful estimates of the impact of any such potential change.

For a complete description of Trustmark's ACL methodology for the LHFI portfolio, please see Note 4 – LHFI and Allowance for Credit Losses, LHFI included in Part II. Item 8. – Financial Statements and Supplementary Data of this report.

Off-Balance Sheet Credit Exposures

Trustmark maintains a separate ACL on off-balance sheet credit exposures, including unfunded loan commitments and letters of credit, which are not unconditionally cancellable. The ACL on off-balance sheet credit exposures is a liability account calculated in accordance with FASB ASC Topic 326 and presented in the accompanying consolidated balance sheets. Adjustments to the ACL on off-balance sheet credit exposures are recorded to PCL, off-balance sheet credit exposures.

Expected credit losses for off-balance sheet credit exposures are estimated by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by Trustmark. Trustmark calculates a loan pool level unfunded amount for the period. In addition to the unfunded balances, Trustmark uses a funding rate for loan pools that are considered open-ended. In order to mitigate volatility and incorporate historical experience in the funding rate, Trustmark uses a twelve-quarter moving average. For the closed-ended loan pools, Trustmark takes a conservative approach and uses a 100% funding rate. The expected funding rate is applied to each pool's unfunded commitment balances to ensure that reserves will be applied to each pool based upon balances expected to be funded based upon historical levels. In addition to the funding rate being applied to the unfunded commitment balance, a reserve rate is applied that is loan pool specific and is applied to the unfunded amount to ensure loss factors, both quantitative and qualitative, are being considered on the unfunded portion of the loan pool, consistent with the methodology applied to the funded loan pools.

Evaluations of the unfunded commitments are inherently subjective, as they require estimates, assumptions and judgments as to the facts and circumstances of particular situations. Determining the appropriateness of the ACL is complex and requires judgement by Management about the effect of matters that are inherently uncertain. While Management utilizes its best judgment and information available, the ultimate adequacy of Trustmark's ACL is dependent upon a variety of factors beyond its control, including the performance of the portfolios, the economy, changes in interest rates and the view of regulatory authorities toward classification of assets. In future periods, evaluations of off-balance sheet credit exposures, in light of the factors and forecasts then prevailing, may result in significant changes in the ACL and PCL, off-balance sheet credit exposures in those future periods. Given the nature of many of the factors, forecasts and assumptions in the ACL methodology, it is not possible to provide meaningful estimates of the impact of any such potential change.

For a complete description of Trustmark's ACL methodology for the off-balance sheet credit exposures, please see the section captioned "Lending Related" in Note 17 – Commitments and Contingencies included in Part II. Item 8. – Financial Statements and Supplementary Data of this report.

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, 2021, the MSR fair value was $87.7 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, 2021, would be a decline in fair value of approximately $4.4 million and $3.2 million, respectively. Changes of equal magnitude in the opposite direction would produce similar increases in fair value in the respective amounts. See the section captioned “MSR” in Note 7 – Mortgage Banking included in Part II. Item 8. – Financial Statements and Supplementary Data of this report for additional information regarding the valuation of the MSR.

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’s Common Equity Tier 1 capital includes common stock, capital surplus and retained earnings, and is reduced by goodwill and other intangible assets, net of associated net deferred tax liabilities as well as disallowed deferred tax assets and threshold deductions as applicable.

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		**2021**	**2020**	**2019**
AVERAGE BALANCES				
Total shareholders' equity		$ 1,770,151	$ 1,681,587	$ 1,622,013
Less: Goodwill		(384,463)	(383,582)	(379,627)
Identifiable intangible assets		(6,205)	(8,060)	(9,212)
Total average tangible equity		$ 1,379,483	$ 1,289,945	$ 1,233,174
PERIOD END BALANCES				
Total shareholders' equity		$ 1,741,311	$ 1,741,117	$ 1,660,702
Less: Goodwill		(384,237)	(385,270)	(379,627)
Identifiable intangible assets		(5,074)	(7,390)	(7,343)
Total tangible equity	**(a)**	$ 1,352,000	$ 1,348,457	$ 1,273,732
TANGIBLE ASSETS				
Total assets		$ 17,595,636	$ 16,551,840	$ 13,497,877
Less: Goodwill		(384,237)	(385,270)	(379,627)
Identifiable intangible assets		(5,074)	(7,390)	(7,343)
Total tangible assets	**(b)**	$ 17,206,325	$ 16,159,180	$ 13,110,907
Risk-weighted assets	**(c)**	$ 12,623,630	$ 12,017,378	$ 11,002,877
NET INCOME ADJUSTED FOR INTANGIBLE AMORTIZATION				
Net income		$ 147,365	$ 160,025	$ 150,460
Plus: Intangible amortization net of tax		1,738	2,289	3,088
Net income adjusted for intangible amortization		$ 149,103	$ 162,314	$ 153,548
Period end common shares outstanding	**(d)**	61,648,679	63,424,526	64,200,111
TANGIBLE EQUITY MEASUREMENTS				
Return on average tangible equity *(1)*		10.81 %	12.58 %	12.45 %
Tangible equity/tangible assets	**(a)/(b)**	7.86 %	8.34 %	9.72 %
Tangible equity/risk-weighted assets	**(a)/(c)**	10.71 %	11.22 %	11.58 %
Tangible book value	**(a)/(d)*1,000**	$ 21.93	$ 21.26	$ 19.84
COMMON EQUITY TIER 1 CAPITAL (CET1) - BASEL III				
Total shareholders' equity		$ 1,741,311	$ 1,741,117	$ 1,660,702
CECL transition adjustment *(2)*		26,000	31,199	—
AOCI-related adjustments		32,560	1,051	23,600
CET1 adjustments and deductions:				
Goodwill net of associated deferred tax liabilities (DTLs)		(370,252)	(371,333)	(365,738)
Other adjustments and deductions for CET1 *(3)*		(4,392)	(6,190)	(5,896)
CET1 capital	**(e)**	1,425,227	1,395,844	1,312,668
Additional tier 1 capital instruments plus related surplus		60,000	60,000	60,000
Tier 1 capital		$ 1,485,227	$ 1,455,844	$ 1,372,668
Common equity tier 1 risk-based capital ratio	**(e)/(c)**	11.29 %	11.62 %	11.93 %

(1)Calculated using net income adjusted for intangible amortization divided by total average tangible equity.
(2)Trustmark elected the five-year phase-in transition period related to adopting FASB ASU 2016-13 for regulatory capital purposes.
(3)Includes other intangible assets, net of DTLs, disallowed deferred tax assets and threshold deductions, 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,					
	2021		2020		2019	
	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS
Net Income (GAAP)	$ 147,365	$ 2.34	$ 160,025	$ 2.51	$ 150,460	$ 2.32
Significant non-routine transactions:						
Voluntary early retirement program	4,275	0.07	3,281	0.05	—	—
Regulatory settlement charge (not tax deductible)	5,000	0.08	—	—	—	—
Net Income adjusted for significant non-routine transactions (Non-GAAP)	$ 156,640	$ 2.49	$ 163,306	$ 2.56	$ 150,460	$ 2.32

	Reported (GAAP)	Adjusted (Non-GAAP)	Reported (GAAP)	Adjusted (Non-GAAP)	Reported (GAAP)	Adjusted (Non-GAAP)
Return on average equity	8.32 %	8.83 %	9.52 %	9.69 %	9.28 %	n/a
Return on average tangible equity	10.81 %	11.45 %	12.58 %	12.81 %	12.45 %	n/a
Return on average assets	0.86 %	0.92 %	1.05 %	1.07 %	1.11 %	n/a

Voluntary Early Retirement Program

During the third quarter of 2021, Trustmark completed a voluntary early retirement program and incurred one-time charges of $5.7 million ($5.6 million of non-routine salaries and employee benefits expense and $89 thousand of non-routine other miscellaneous expense) related to this program.

During the first quarter of 2020, Trustmark completed a voluntary early retirement program and incurred one-time charges of $4.4 million ($4.3 million of non-routine salaries and employee benefits expense and $102 thousand of non-routine other miscellaneous expense) related to this program.

Regulatory Settlement Charge

During the third quarter of 2021, Trustmark finalized a settlement with regulatory authorities to resolve fair lending allegations in the Memphis metropolitan statistical area (MSA). Trustmark incurred a one-time settlement expense of $5.0 million and made other commitments to enhance credit opportunities to residents in majority-Black and Hispanic neighborhoods in the Memphis MSA.

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 the federal statutory corporate tax rate in effect for each of the 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 LHFS and LHFI balances are immaterial.

Net interest income-FTE for the year ended December 31, 2021 decreased $8.5 million, or 1.9%, when compared with the year ended December 31, 2020. The decrease in net interest income-FTE when 2021 is compared to 2020 was principally due to declines in interest and fees on LHFS and LHFI-FTE and interest on securities-FTE, partially offset by a decline in interest on deposits and an increase in interest and fees on PPP loans. The net interest margin-FTE for 2021 decreased 43 basis points to 2.76% when compared to 2020. The net interest margin-FTE excluding PPP loans and the balance held at the Federal Reserve Bank of Atlanta (FRBA), which equals the reported net interest income-FTE excluding interest and fees on PPP loans and interest on the FRBA balance, as a percentage of average

earning assets excluding average PPP loans and the average FRBA balance, was 2.91% for 2021, a decrease of 38 basis points when compared to 3.29% for 2020. The decrease in the net interest margin-FTE excluding PPP loans and the balance held at the FRBA for 2021 was principally due to declines in the yield on the LHFS and LHFI and securities portfolios, partially offset by lower costs of interest-bearing deposits.

At December 31, 2021, Trustmark had PPP loans outstanding totaling $33.3 million, net of deferred fees and costs of $500 thousand, compared to $610.1 million, net of deferred fees and costs of $12.9 million, at December 31, 2020. Processing fees earned by TNB as the originating lender are being amortized over the life of the loans. Payments on PPP loans are deferred until the date the SBA remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, ten months after the end of the borrower's loan forgiveness covered period). During the second quarter of 2021, Trustmark sold $354.2 million of its outstanding PPP loans, resulting in accelerated recognition of $18.6 million of unamortized PPP loan origination fees, net of cost, which was included in net interest income-FTE for 2021. In addition, PPP loans totaling $605.5 million were forgiven by the SBA during 2021. Average PPP loans for 2021 totaled $350.7 million, a decrease of $296.0 million, or 45.8%, when compared to 2020. Interest and fees on PPP loans increased $10.1 million, or 37.8%, when 2021 is compared to 2020. The yield on PPP loans increased to 10.47% for 2021 compared to 4.12% for 2020. Trustmark cannot predict the amount of PPP loans that will be forgiven in whole or in part by the SBA, nor can it predict the magnitude and timing of the impact the PPP loans and related fees will have on Trustmark's net interest margin.

The average FRBA balance, included in other earning assets, for 2021 totaled $1.777 billion, an increase of $1.161 billion when compared to 2020. Interest earned on the FRBA balance increased $1.2 million when 2021 is compared to 2020. The yield on the FRBA balance was 0.13% and 0.19% for 2021 and 2020, respectively, a decrease of 6 basis points reflecting the FRBA's reduction of the interest rate that it pays on excess reserves during the first quarter of 2020.

Average interest-earning assets for 2021 were $15.569 billion compared to $13.740 billion for 2020, an increase of $1.829 billion, or 13.3%. The increase in average earning assets during 2021 was primarily due to increases in average other earning assets of $1.168 billion, average taxable available for sale securities of $797.0 million, or 44.9%, and average loans (LHFS and LHFI) of $381.7 million, or 3.8%, which were partially offset by decreases in average PPP loans of $296.0 million, or 45.8%, and average taxable held to maturity securities of $203.2 million, or 32.4%. The increase in average other earning assets when 2021 is compared to 2020 was primarily due to an increase in excess reserves held at the FRBA as a result of the increase in customer deposit account balances. The increase in average taxable available for sale securities when 2021 is compared to 2020 was principally due to purchases of available for sale securities partially offset by calls, maturities and pay-downs of the underlying loans of government-sponsored enterprise (GSE) guaranteed securities. The increase in average loans (LHFS and LHFI) was primarily attributable to the increase in the LHFI portfolio partially offset by a decrease in LHFS when balances at December 31, 2021 are compared to balances at December 31, 2020. See the sections captioned "LHFS" and "LHFI" for additional information regarding changes in the LHFS and LHFI portfolios. The decrease in average PPP loans when 2021 is compared to 2020 was principally due to the loans forgiven by the SBA. The decrease in average taxable held to maturity securities when 2021 is compared to 2020 was primarily due to calls, maturities and pay-downs of the underlying loans of GSE guaranteed securities.

Interest income-FTE totaled $454.2 million for 2021, a decrease of $26.1 million, or 5.4%, while the yield on total earning assets declined 58 basis points to 2.92% when compared to 2020. The decrease in interest income-FTE in 2021 primarily reflects declines in interest and fees on LHFS and LHFI-FTE and interest on securities-taxable partially offset by the increase in interest and fees on PPP loans. During 2021, interest and fees on LHFS and LHFI-FTE declined $27.2 million, or 6.8%, when compared to 2020, while the yield on loans (LHFS and LHFI) decreased 41 basis points to 3.62% as a result of lower interest rates. During 2021, interest on securities-taxable decreased $9.6 million, or 19.8%, while the yield on securities-taxable declined 72 basis points to 1.29% when compared to 2020, primarily due to the run off of maturing investment securities and lower interest rates on securities available for sale purchased during 2021.

Average interest-bearing liabilities for 2021 totaled $10.490 billion compared to $9.627 billion for 2020, an increase of $862.9 million, or 9.0%. The increase in average interest-bearing liabilities was primarily the result of increases in average interest-bearing deposits and average subordinated notes. Average interest-bearing deposits for 2021 increased $737.8 million, or 8.0%, when compared to 2020, reflecting growth in average interest-bearing demand deposits and savings deposits, partially offset by a decline in average time deposits. Average subordinated notes increased $112.2 million when 2021 is compared to 2020 due to the addition of the subordinated notes during the fourth quarter of 2020.

Interest expense for 2021 totaled $24.2 million, a decrease of $17.6 million, or 42.2%, when compared with 2020, while the rate on total interest-bearing liabilities decreased 20 basis points to 0.23%. The decrease in total interest expense for 2021 when compared to 2020 was primarily due to a decline in interest on deposits. Interest on deposits decreased $20.5 million, or 54.8%, while the rate on interest-bearing deposits decreased 23 basis points to 0.17% when 2021 is compared to 2020, primarily due to declines in interest on all categories of interest-bearing demand deposit accounts, reflecting declines in interest rates, and interest on time deposits, reflecting declines in both interest rates and average balances.

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,								
	2021			2020			2019		
	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	$ 79	$ —	—	$ 221	$ 1	0.45 %	$ 9,529	$ 240	2.52 %
Securities available for sale:									
Taxable	2,573,533	30,453	1.18 %	1,776,555	35,375	1.99 %	1,633,496	37,717	2.31 %
Nontaxable	5,166	199	3.85 %	10,737	384	3.58 %	29,948	1,116	3.73 %
Securities held to maturity:									
Taxable	423,763	8,245	1.95 %	626,983	12,875	2.05 %	799,726	16,932	2.12 %
Nontaxable	12,765	495	3.88 %	25,366	982	3.87 %	26,874	1,050	3.91 %
PPP loans	350,668	36,726	10.47 %	646,680	26,643	4.12 %	—	—	—
Loans (LHFS and LHFI)	10,377,941	375,330	3.62 %	9,996,192	402,539	4.03 %	9,302,037	452,578	4.87 %
Acquired loans	—	—	—	—	—	—	88,903	8,373	9.42 %
Other earning assets	1,825,134	2,767	0.15 %	657,096	1,559	0.24 %	240,622	5,363	2.23 %
Total interest-earning assets	15,569,049	454,215	2.92 %	13,739,830	480,358	3.50 %	12,131,135	523,369	4.31 %
Other assets	1,599,114			1,592,393			1,452,012		
Allowance for loan losses	(110,170)			(108,567)			(83,559)		
Total Assets	$ 17,057,993			$ 15,223,656			$ 13,499,588		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Interest-bearing demand deposits	$ 4,096,746	4,906	0.12 %	$ 3,584,249	9,985	0.28 %	$ 3,051,170	35,428	1.16 %
Savings deposits	4,622,167	7,912	0.17 %	4,149,860	13,481	0.32 %	3,650,178	19,462	0.53 %
Time deposits	1,287,663	4,127	0.32 %	1,534,673	14,021	0.91 %	1,783,928	24,281	1.36 %
Federal funds purchased and securities sold under repurchase agreements	172,782	232	0.13 %	151,805	755	0.50 %	110,915	1,420	1.28 %
Other borrowings	125,554	1,037	0.83 %	133,602	1,389	1.04 %	82,476	697	0.85 %
Subordinated notes	122,933	4,752	3.87 %	10,766	474	4.40 %	—	—	—
Junior subordinated debt securities	61,856	1,194	1.93 %	61,856	1,693	2.74 %	61,856	2,615	4.23 %
Total interest-bearing liabilities	10,489,701	24,160	0.23 %	9,626,811	41,798	0.43 %	8,740,523	83,903	0.96 %
Noninterest-bearing demand deposits	4,531,642			3,646,860			2,918,836		
Other liabilities	266,499			268,398			218,216		
Shareholders' equity	1,770,151			1,681,587			1,622,013		
Total Liabilities and Shareholders' Equity	$ 17,057,993			$ 15,223,656			$ 13,499,588		
Net Interest Margin		430,055	2.76 %		438,560	3.19 %		439,466	3.62 %
Less tax equivalent adjustments:									
Investments		146			287			455	
Loans		11,558			11,736			12,422	
Net Interest Margin per Consolidated Statements of Income		$ 418,351			$ 426,537			$ 426,589	

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):

	2021 Compared to 2020 Increase (Decrease) Due To:			2020 Compared to 2019 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	$ (1)	$ —	$ (1)	$ (130)	$ (109)	$ (239)
Securities available for sale:						
Taxable	12,509	(17,431)	(4,922)	3,142	(5,484)	(2,342)
Nontaxable	(212)	27	(185)	(689)	(43)	(732)
Securities held to maturity:						
Taxable	(4,024)	(606)	(4,630)	(3,519)	(538)	(4,057)
Nontaxable	(490)	3	(487)	(57)	(11)	(68)
PPP loans	(16,498)	26,581	10,083	26,643	—	26,643
Loans, net of unearned income (LHFS and LHFI)	14,945	(42,154)	(27,209)	32,082	(82,121)	(50,039)
Acquired loans	—	—	—	(4,187)	(4,186)	(8,373)
Other earning assets	1,974	(766)	1,208	3,808	(7,612)	(3,804)
Total interest-earning assets	8,203	(34,346)	(26,143)	57,093	(100,104)	(43,011)
Interest paid on:						
Interest-bearing demand deposits	1,279	(6,358)	(5,079)	5,290	(30,733)	(25,443)
Savings deposits	1,344	(6,913)	(5,569)	2,400	(8,381)	(5,981)
Time deposits	(1,968)	(7,926)	(9,894)	(3,046)	(7,214)	(10,260)
Federal funds purchased and securities sold under repurchase agreements	95	(618)	(523)	401	(1,066)	(665)
Other borrowings	(81)	(271)	(352)	508	184	692
Subordinated notes	4,342	(64)	4,278	474	—	474
Junior subordinated debt securities	—	(499)	(499)	—	(922)	(922)
Total interest-bearing liabilities	5,011	(22,649)	(17,638)	6,027	(48,132)	(42,105)
Change in net interest income on a tax equivalent basis	$ 3,192	$ (11,697)	$ (8,505)	$ 51,066	$ (51,972)	$ (906)

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 the federal statutory corporate tax rate in effect 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 Credit Losses

The PCL, LHFI is the amount necessary to maintain the ACL for LHFI at the amount of expected credit losses inherent within the LHFI portfolio. The amount of PCL and the related ACL for LHFI are based on Trustmark's ACL methodology. The PCL, LHFI totaled a negative $21.5 million for 2021, compared to a PCL, LHFI of $36.1 million for 2020 and a provision for loan losses, LHFI of $10.8 million for 2019. The negative PCL, LHFI for 2021 primarily reflected improvements in the macroeconomic forecasts and credit quality, partially offset by an increase in specific reserves for individually analyzed credits within the commercial and industrial LHFI portfolio.

FASB ASC Topic 326 requires Trustmark to estimate expected credit losses for off-balance sheet credit exposures which are not unconditionally cancellable by Trustmark. Trustmark maintains a separate ACL for off-balance sheet credit exposures, including unfunded commitments and letters of credit. Adjustments to the ACL on off-balance sheet credit exposures are recorded to the PCL, off-balance sheet credit exposures. The PCL, off-balance sheet credit exposures totaled a negative $2.9 million for 2021 compared to $8.9 million for 2020. The negative PCL, off-balance sheet credit exposures for 2021 primarily reflected the overall decrease in the total reserve rates applied to off-balance sheet credit exposures as a result of improvements in macroeconomic forecasts and credit quality.

See the section captioned "Allowance for Credit Losses" for information regarding Trustmark's ACL methodology as well as further analysis of the PCL.

Noninterest Income

Noninterest income represented 34.7%, 39.2% and 30.5% of total revenue, before securities gains (losses), net in 2021, 2020 and 2019, respectively. The following table provides the comparative components of noninterest income for the periods presented ($ in thousands):

	Years Ended December 31,					
	2021		2020		2019	
	Amount	% Change	Amount	% Change	Amount	% Change
Service charges on deposit accounts	$ 33,246	3.0%	$ 32,289	-24.2%	$ 42,603	-2.5%
Bank card and other fees	34,662	11.7%	31,022	-2.2%	31,736	9.8%
Mortgage banking, net	63,750	-49.3%	125,822	n/m	29,822	-14.0%
Insurance commissions	48,511	7.4%	45,176	6.6%	42,396	4.7%
Wealth management	35,190	11.3%	31,625	3.1%	30,679	1.1%
Other, net	6,551	-24.3%	8,659	-11.7%	9,809	45.6%
Total Noninterest Income	$ 221,910	-19.2%	$ 274,593	46.8%	$ 187,045	1.2%

n/m - percentage changes greater than +/- 100% are not considered meaningful

Changes in various components of noninterest income for the year ended December 31, 2021 are discussed in further detail below. For analysis of Trustmark's insurance commissions and wealth management income, please see the section captioned "Results of Segment Operations."

Bank Card and Other Fees

The increase in bank card and other fees when 2021 is compared to 2020 was principally due to an increase in interchange income.

Mortgage Banking, Net

The following table illustrates the components of mortgage banking, net included in noninterest income for the periods presented ($ in thousands):

	Years Ended December 31,					
	2021		2020		2019	
	Amount	% Change	Amount	% Change	Amount	% Change
Mortgage servicing income, net	$ 25,476	7.6%	$ 23,681	3.5%	$ 22,883	2.9%
Change in fair value-MSR from runoff	(20,160)	21.5%	(16,588)	40.2%	(11,835)	0.5%
Gain on sales of loans, net	55,976	-49.5%	110,903	n/m	30,296	39.0%
Mortgage banking income before net hedge ineffectiveness	61,292	-48.1%	117,996	n/m	41,344	28.1%
Change in fair value-MSR from market changes	13,258	n/m	(26,147)	24.0%	(21,078)	n/m
Change in fair value of derivatives	(10,800)	n/m	33,973	n/m	9,556	n/m
Net hedge ineffectiveness	2,458	-68.6%	7,826	n/m	(11,522)	n/m
Mortgage banking, net	$ 63,750	-49.3%	$ 125,822	n/m	$ 29,822	-14.0%

n/m - percentage changes greater than +/- 100% are not considered meaningful

The decrease in mortgage banking, net when 2021 is compared to 2020 was principally due to decreases in gain on sales of loans, net and the net hedge ineffectiveness as well as an increase in the MSR run-off. The decline in the positive net hedge ineffectiveness in 2021 was principally due to stabilization in spreads between mortgage and ten-year Treasury rates. Mortgage loan production totaled $2.803 billion for 2021, a decrease of $181.7 million, or 6.1%, when compared to 2020. Mortgage loan production totaled $2.985 billion for 2020, an increase of $1.222 billion, or 69.4%, when compared to 2019. The increase in mortgage loan production during 2020 was primarily due to the increase in refinance activity driven by the low interest rate environment. Loans serviced for others totaled $7.953 billion at December 31, 2021, compared with $7.657 billion at December 31, 2020, and $7.157 billion at December 31, 2019.

Representing a significant component of mortgage banking income is gain on sales of loans, net. The decrease in the gain on sales of loans, net when 2021 is compared to 2020 was primarily the result of decreases in the mortgage valuation adjustment and the volume of loans sold as well as lower profit margins in secondary marketing activities. Loan sales decreased $246.0 million, or 9.7%, during 2021 to total $2.286 billion compared to an increase of $1.128 billion, or 80.4%, during 2020 to total $2.532 billion. The decrease in loan sales during 2021 was principally due to a decline in mortgage lending activity as refinance activity slowed following the record setting levels of 2020. The increase in loan sales during 2020 was principally due to increases in mortgage lending activity as a result of lower interest rates.

Other Income, Net

The following table illustrates the components of other income, net included in noninterest income for the periods presented ($ in thousands):

	Years Ended December 31,					
	2021		2020		2019	
	Amount	% Change	Amount	% Change	Amount	% Change
Partnership amortization for tax credit purposes	$ (8,011)	40.5%	$ (5,700)	-25.4%	$ (7,644)	-12.2%
Increase in life insurance cash surrender value	6,630	-3.6%	6,881	-4.5%	7,202	1.1%
Other miscellaneous income	7,932	6.1%	7,478	-27.1%	10,251	23.2%
Total other, net	$ 6,551	-24.3%	$ 8,659	-11.7%	$ 9,809	45.6%

The decrease in other income, net when 2021 is compared to 2020 was primarily due to an increase in the amortization of tax credit partnerships as a result of new investments in tax credit partnerships during the year.

Noninterest Expense

The following table illustrates the comparative components of noninterest expense for the periods presented ($ in thousands):

	Years Ended December 31,					
	2021 (1)		2020		2019	
	Amount	% Change	Amount	% Change	Amount	% Change
Salaries and employee benefits	$ 284,158	4.4%	$ 272,257	9.9%	$ 247,717	4.1%
Services and fees	89,463	6.7%	83,816	14.3%	73,315	10.4%
Net occupancy-premises	27,043	2.1%	26,489	1.3%	26,149	-2.1%
Equipment expense	24,337	4.6%	23,277	-1.9%	23,733	-4.4%
Other real estate expense:						
Write-downs	932	-47.8%	1,786	-29.8%	2,544	n/m
Net (gain)/loss on sale	1,869	n/m	(897)	n/m	291	n/m
Carrying costs	727	-31.9%	1,067	-0.4%	1,071	-41.4%
Total other real estate expense, net	3,528	80.4%	1,956	-49.9%	3,906	95.1%
Other expense	60,767	3.9%	58,506	8.0%	54,182	-5.7%
Total noninterest expense	$ 489,296	4.9%	$ 466,301	8.7%	$ 429,002	3.3%

n/m - percentage changes greater than +/- 100% are not considered meaningful

(1)During 2021, Trustmark reclassified its credit loss expense related to off-balance sheet credit exposures from noninterest expense to PCL, off-balance sheet credit exposures. Prior periods have been reclassified accordingly.

Changes in the various component of noninterest expense for the year ended December 31, 2021 are discussed in further detail below. Management considers disciplined expense management a key area of focus in the support of improving shareholder value.

Salaries and Employee Benefits

Trustmark completed voluntary early retirement programs during 2021 and 2020 and incurred $5.6 million and $4.3 million, respectively, of non-routine salaries and employee benefits expense related to these programs. Excluding these non-routine expenses, salaries and employee benefits increased $10.6 million, or 3.9%, when 2021 is compared to 2020.

The increase in salaries and employee benefits expense, excluding the non-routine expenses, for the year ended December 31, 2021 was principally due to increases in salaries expense primarily related to general merit increases, commissions expense related to increased mortgage production and improvements in insurance and wealth management and annual performance incentives, partially offset by a decline in COVID-related salary expense.

Services and Fees

The increase in services and fees when 2021 is compared to 2020 was primarily due to increases in data processing charges related to software due to continued investments in technology to enhance growth and efficiency opportunities.

Other Real Estate Expense, Net

The increase in other real estate expense, net for 2021 compared to 2020 was principally due to an increase in net losses on sales of other real estate properties partially offset by a decline in write-downs of other real estate. For additional analysis of other real estate and foreclosure expenses, please see the section captioned "Nonperforming Assets, Excluding PPP and Acquired Loans."

Other Expense

The following table illustrates the comparative components of other noninterest expense for the periods presented ($ in thousands):

	Years Ended December 31,					
	2021		2020		2019	
	Amount	% Change	Amount	% Change	Amount	% Change
Loan expense *(1)*	$ 15,148	-0.2%	$ 15,177	18.6%	$ 12,798	4.9%
Amortization of intangibles	2,316	-24.1%	3,052	-25.9%	4,116	-21.6%
FDIC assessment expense	5,515	-9.4%	6,090	-5.5%	6,444	-31.7%
Regulatory settlement charge	5,000	n/m	—	—	—	—
Other miscellaneous expense *(1)*	32,788	-4.1%	34,187	10.9%	30,824	0.8%
Total other expense	$ 60,767	3.9%	$ 58,506	8.0%	$ 54,182	-5.7%

n/m - percentage changes greater than +/- 100% are not considered meaningful

(1)During 2021, Trustmark reclassified certain expenses related to mortgage loan appraisals from other miscellaneous expense to loan expense. Prior period amounts have been reclassified accordingly.

During the third quarter of 2021, Trustmark finalized a settlement with regulatory authorities to resolve fair lending allegations in the MSA. Trustmark incurred a one-time settlement expense of $5.0 million and made other commitments to enhance credit opportunities to residents in majority-Black and Hispanic neighborhoods in the Memphis MSA. Excluding the non-routine settlement expense, other expense decreased $2.7 million, or 4.7%, when 2021 is compared to 2020.

The decrease in other miscellaneous expense when 2021 is compared to 2020 was principally due to declines in charitable contributions and sponsorships and property valuation adjustments related to properties transferred to assets held for sale.

Results of Segment Operations

Trustmark's operations are managed along three operating segments: General Banking, Wealth Management and Insurance. A description of each segment and the methodologies used to measure financial performance and financial information by reportable segment are included in Note 21 – Segment Information located in Part II. Item 8. – Financial Statements and Supplementary Data of this report. During the first quarter of 2020, Trustmark revised the composition of its operating segments by moving the Retail Private Banking Group from the General Banking Segment to the Wealth Management Segment as a result of a change in supervision of this group for segment reporting purposes. Prior periods include reclassifications to conform to current period presentation.

The following table provides the net income by reportable segment for the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
General Banking	$ 131,247	$ 145,939	$ 136,117
Wealth Management	6,650	5,556	6,388
Insurance	9,468	8,530	7,955
Consolidated Net Income	$ 147,365	$ 160,025	$ 150,460

General Banking

Net interest income for the General Banking Segment for 2021 decreased $7.0 million, or 1.7%, when compared with 2020, principally due to declines in interest and fees on LHFS and LHFI and interest on securities, partially offset by a decline in interest expense on deposits and an increase in interest and fees on PPP loans. Net interest income for the General Banking Segment for 2020 increased $628 thousand, or 0.1%, when compared with 2019. The slight increase in net interest income was principally due to a decline in interest on deposits and the addition of interest and fees on PPP loans, largely offset by declines in all other sources of interest income. During 2021, Trustmark reclassified its credit loss expense related to off-balance sheet credit exposures from noninterest expense to PCL, off-balance sheet credit exposures. Prior periods have been reclassified accordingly. The PCL (LHFI and off-balance sheet credit exposures) for the General Banking Segment for 2021 totaled a negative $24.4 million compared to a PCL of $45.1 million during 2020

and a provision for loan losses, net of $10.6 million during 2019. For more information on these net interest income items, please see the sections captioned "Financial Highlights" and "Results of Operations."

Noninterest income for the General Banking Segment decreased $59.8 million, or 30.3%, during 2021 compared to an increase of $83.9 million, or 73.8%, during 2020. The decrease in noninterest income for the General Banking Segment during 2021 was primarily due to decrease in mortgage banking, net and other income, partially offset by an increase in bank card and other fees. The increase in noninterest income for the General Banking Segment during 2020 was primarily due to increase in mortgage banking, net partially offset by a decline in service charges on deposit accounts. Noninterest income for the General Banking Segment represented 25.0% of total revenue for 2021, 32.0% for 2020 and 21.3% for 2019. Noninterest income for the General Banking Segment includes service charges on deposit accounts; bank card and other fees; mortgage banking, net and other income, net. For more information on these noninterest income items, please see the analysis included in the section captioned "Noninterest Income."

Noninterest expense for the General Banking Segment increased $19.8 million, or 4.9%, during 2021 compared to an increase of $33.8 million, or 9.2%, during 2020. The increase in noninterest expense for the General Banking Segment for 2021 was principally due to increases in salaries and employee benefits, data processing charges related to software, other miscellaneous expenses and other real estate expense, net. During the third quarter of 2021, Trustmark completed a voluntary early retirement program which resulted in non-routine transaction expenses of $5.7 million ($5.6 million of salaries and employee benefits expense and $89 thousand of other expense). In addition, during the third quarter of 2021, Trustmark finalized a settlement with regulatory authorities to resolve fair lending allegations in the MSA. Trustmark incurred a one-time settlement expense of $5.0 million and made other commitments to enhance credit opportunities to residents in majority-Black and Hispanic neighborhoods in the Memphis MSA. The increase in noninterest expense for the General Banking Segment for 2020 was principally due to increases in salaries and employee benefits and services and fees. During the first quarter of 2020, Trustmark completed a voluntary early retirement program which resulted in non-routine transaction expenses of $4.4 million ($4.3 million of salaries and employee benefits expense and $102 thousand of other expense). For more information on these noninterest expense items, please see the analysis included in the section captioned "Noninterest Expense."

Wealth Management

During 2021, net income for the Wealth Management Segment increased $1.1 million, or 19.7%, compared to a decrease of $832 thousand, or 13.0%, during 2020. The increase in net income for the Wealth Management Segment during 2021 was principally due to an increase in noninterest income, partially offset by an increase in noninterest expense. The decrease in net income for the Wealth Management Segment during 2020 was principally due to an increase in noninterest expense as well as a decline in net interest income, partially offset by an increase in noninterest income. Net interest income for the Wealth Management Segment decreased $921 thousand, or 15.1%, during 2021 compared to a decrease of $668 thousand, or 9.9%, during 2020. The decrease in net interest income for the Wealth Management Segment during 2021 was principally due to a decline in interest and fees on loans partially offset by a decrease in interest on deposits generated by the Private Banking Group. The PCL for the Wealth Management Segment for 2021 totaled a negative $9 thousand compared to a negative PCL of $11 thousand during 2020 and a provision for loan losses, net of $217 thousand during 2019. Noninterest income for the Wealth Management Segment, which includes income related to investment management, trust and brokerage services, increased $3.8 million, or 12.0%, during 2021, principally due to an increase in income from brokerage services and trust management services. Noninterest income for the Wealth Management Segment increased $774 thousand, or 2.5%, during 2020, principally due to an increase in fees from brokerage services. Noninterest expense increased $1.4 million, or 4.6%, during 2021 compared to an increase of $1.4 million, or 5.0%, during 2020. The increase in noninterest expense for the Wealth Management Segment for 2021 was principally due to an increase in salary and employee benefit expense, primarily due to increases in commissions expense and annual performance incentives, partially offset by a decline in other miscellaneous expenses. The increase in noninterest expense for the Wealth Management Segment for 2020 was principally due to the comparison impact of insurance settlement proceeds received during 2019 related to a legal case settled in 2018, which was partially offset by declines in outside services and fees and salary and employee benefit expense.

At December 31, 2021 and 2020, Trustmark held assets under management and administration of $15.703 billion and $11.463 billion and brokerage assets of $2.417 billion and $2.148 billion, respectively.

Insurance

Net income for the Insurance Segment during 2021 increased $938 thousand, or 11.0%, compared to an increase of $575 thousand, or 7.2%, during 2020. Noninterest income for the Insurance Segment, which predominately consists of insurance commissions, increased $3.3 million, or 7.4%, during 2021, compared to an increase of $2.8 million, or 6.7%, during 2020. The increase in noninterest income for the Insurance Segment during 2021 was principally due to increases in property and casualty commissions and other commission income. The increase in noninterest income for the Insurance Segment during 2020 was primarily due to new business commission volume in the property and casualty business and increases in other commission income.

Noninterest expense for the Insurance Segment increased $1.8 million, or 5.4%, during 2021 and $2.0 million, or 6.3%, during 2020. The increase in noninterest expense for the Insurance Segment for 2021 was principally due to higher salaries expense resulting from modest general merit increases and higher commission expense due to improvements in business volumes, as well as increases in outside services and fees, partially offset by a decrease in other miscellaneous expense. The increase in noninterest expense for the Insurance Segment for 2020 was principally due to higher salaries expense resulting from modest general merit increases and higher commission expense due to improvements in business volumes and associates added as a result of an insurance agency acquired during the period, as well as increases in outside services and fees and other miscellaneous expense.

Trustmark performed an annual impairment test of the book value of goodwill held in the Insurance Segment as of October 1, 2021, 2020, and 2019. Based on this analysis, Trustmark concluded that no impairment charge was required. A renewed period of falling prices and suppressed demand for the products of the Insurance Segment could result in impairment of goodwill in the future. FBBI's ability to maintain the current income trend is dependent on the success of the subsidiary's continued initiatives to attract new business through cross referrals between practice units and bank relationships and seeking new business in other markets.

Income Taxes

For the year ended December 31, 2021, Trustmark's combined effective tax rate was 16.0% compared to 15.7% in 2020 and 13.4% in 2019. Trustmark's effective tax rate continues to be less than the statutory rate primarily due to various tax-exempt income items and its utilization of income tax credit programs. Trustmark invests in partnerships that provide income tax credits on a Federal and/or State basis (*i.e.*, new market tax credits, low income housing tax credits or historical tax credits). The income tax credits related to these partnerships are utilized as specifically allowed by income tax law and are recorded as a reduction in income tax expense.

Financial Condition

Earning assets serve as the primary revenue streams for Trustmark and are comprised of securities, loans, federal funds sold, securities purchased under reverse repurchase agreements and other earning assets. Average earning assets totaled $15.569 billion, or 91.3% of total average assets, at December 31, 2021, compared with $13.740 billion, or 90.3% of total average assets, at December 31, 2020, an increase of $1.829 billion, or 13.3%.

Securities

The securities portfolio is utilized by Management to manage interest rate risk, generate interest income, provide liquidity and use as collateral for public and wholesale funding. Risk and return can be adjusted by altering duration, composition and/or balance of the portfolio. The weighted-average life of the portfolio at December 31, 2021 and 2020 was 4.3 and 2.9 years, respectively. The increase in the weighted-average life of the portfolio was principally due to the available for sale securities purchased during 2021.

When compared with December 31, 2020, total investment securities increased by $1.052 billion, or 41.6%, during 2021. This increase resulted primarily from purchases of available for sale securities partially offset by calls, maturities and pay-downs of the underlying loans of GSE guaranteed securities and a decline in the fair market value of securities available for sale. Trustmark sold no securities during 2021 or 2020.

During 2013, Trustmark reclassified approximately $1.099 billion of securities available for sale as securities held to maturity to mitigate the potential adverse impact of a rising interest rate environment on the fair value of the available for sale securities and the related impact on tangible common equity. The resulting net unrealized holding loss is being amortized over the remaining life of the securities as a yield adjustment in a manner consistent with the amortization or accretion of the original purchase premium or discount on the associated security. At December 31, 2021, the net unamortized, unrealized loss on the transferred securities included in accumulated other comprehensive income (loss), net of tax, (AOCI) in the accompanying consolidated balance sheets totaled $6.3 million ($4.7 million net of tax) compared to $8.9 million ($6.7 million net of tax) at December 31, 2020.

Available for sale securities are carried at their estimated fair value with unrealized gains or losses recognized, net of taxes, in AOCI, a separate component of shareholders' equity. At December 31, 2021, available for sale securities totaled $3.239 billion, which represented 90.4% of the securities portfolio, compared to $1.992 billion, or 78.7%, at December 31, 2020. At December 31, 2021, unrealized losses, net on available for sale securities totaled $17.4 million compared to unrealized gains, net of $32.0 million at December 31, 2020. At December 31, 2021, available for sale securities consisted of U.S. Treasury securities, obligations of states and political subdivisions, GSE guaranteed mortgage-related securities and direct obligations of government agencies and GSEs.

Held to maturity securities are carried at amortized cost and represent those securities that Trustmark both intends and has the ability to hold to maturity. At December 31, 2021, held to maturity securities totaled $342.5 million and represented 9.6% of the total securities portfolio, compared with $538.1 million, or 21.3%, at December 31, 2020.

The following table details the the weighted-average yield for each range of maturities of securities available for sale and held to maturity using the amortized cost at December 31, 2021 (tax equivalent basis):

	Within One Year	After One, But Within Five Years	Maturing After Five, But Within Ten Years	After Ten Years	Total
Securities available for sale					
U.S. Treasury securities	—	0.77 %	1.05 %	—	0.86 %
U.S. Government agency obligations	3.92 %	1.97 %	2.85 %	2.29 %	2.46 %
Obligations of states and political subdivisions	2.07 %	2.77 %	4.52 %	—	4.04 %
Mortgage-backed securities					
Residential mortgage pass-through securities					
Guaranteed by GNMA	—	1.69 %	2.73 %	1.93 %	1.95 %
Issued by FNMA and FHLMC	—	2.02 %	1.80 %	1.08 %	1.15 %
Other residential mortgage-backed securities					
Issued or guaranteed by FNMA, FHLMC, or GNMA	—	2.35 %	1.58 %	2.16 %	2.15 %
Commercial mortgage-backed securities					
Issued or guaranteed by FNMA, FHLMC, or GNMA	—	1.85 %	1.15 %	3.37 %	1.21 %
Total securities available for sale	3.62 %	1.01 %	1.35 %	1.19 %	1.21 %
Securities held to maturity					
Obligations of states and political subdivisions	4.05 %	4.22 %	—	—	4.16 %
Mortgage-backed securities					
Residential mortgage pass-through securities					
Guaranteed by GNMA	—	—	—	2.32 %	2.32 %
Issued by FNMA and FHLMC	—	—	1.70 %	2.09 %	1.91 %
Other residential mortgage-backed securities					
Issued or guaranteed by FNMA, FHLMC, or GNMA	—	—	1.76 %	1.90 %	1.90 %
Commercial mortgage-backed securities					
Issued or guaranteed by FNMA, FHLMC, or GNMA	2.28 %	2.22 %	—	2.48 %	2.30 %
Total securities held to maturity	2.57 %	2.59 %	1.71 %	1.95 %	2.01 %

Mortgage-backed securities and collateralized mortgage obligations are included in maturity categories based on their stated maturity date. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations.

Management continues to focus on asset quality as one of the strategic goals of the securities portfolio, which is evidenced by the investment of approximately 99.7% of the portfolio in GSE-backed obligations and other Aaa-rated securities as determined by Moody's Investors Services (Moody's). None of the securities owned by Trustmark are collateralized by assets which are considered sub-prime. Furthermore, outside of stock ownership in the FHLB of Dallas, FHLB of Atlanta and Federal Reserve Bank of Atlanta, Trustmark does not hold any other equity investment in a GSE.

At December 31, 2021, Trustmark did not hold securities of any one issuer with a carrying value exceeding ten percent of total shareholders' equity, other than certain GSEs which are exempt from inclusion. Management continues to closely monitor the credit quality as well as the ratings of the debt and mortgage-backed securities issued by the GSEs and held in Trustmark's securities portfolio.

The following table presents Trustmark's securities portfolio by amortized cost and estimated fair value and by credit rating, as determined by Moody's, at December 31, 2021 ($ in thousands):

	Amortized Cost		Estimated Fair Value	
	Amount	%	Amount	%
Securities Available for Sale				
Aaa	$ 3,251,155	99.8 %	$ 3,233,163	99.8 %
A1 to A3	1,046	—	1,087	—
Not Rated *(1)*	4,088	0.2 %	4,627	0.2 %
Total securities available for sale	$ 3,256,289	100.0 %	$ 3,238,877	100.0 %
Securities Held to Maturity				
Aaa	$ 335,208	97.9 %	$ 346,121	97.9 %
Aa1 to Aa3	5,007	1.4 %	5,009	1.4 %
Not Rated *(1)*	2,322	0.7 %	2,381	0.7 %
Total securities held to maturity	$ 342,537	100.0 %	$ 353,511	100.0 %

(1)Not rated issues primarily consist of Mississippi municipal general obligations.

The table above presenting the credit rating of Trustmark's securities is formatted to show the securities according to the credit rating category, and not by category of the underlying security. At December 31, 2021, approximately 99.8% of the available for sale securities, measured at the estimated fair value, and 97.9% of the held to maturity securities, measured at amortized cost, were rated Aaa.

LHFS

At December 31, 2021, LHFS totaled $275.7 million, consisting of $191.2 million of residential real estate mortgage loans in the process of being sold to third parties and $84.5 million of Government National Mortgage Association (GNMA) optional repurchase loans. At December 31, 2020, LHFS totaled $447.0 million, consisting of $305.8 million of residential real estate mortgage loans in the process of being sold to third parties and $141.2 million of GNMA optional repurchase loans. Please refer to the nonperforming assets table that follows for information on GNMA loans eligible for repurchase which are past due 90 days or more.

Trustmark did not exercise its buy-back option on any delinquent loans serviced for GNMA during 2021 or 2020.

For additional information regarding the GNMA optional repurchase loans, please see the section captioned "Past Due LHFS" included in Note 4 – LHFI and Allowance for Credit Losses, LHFI of Part II. Item 8. – Financial Statements and Supplementary Data of this report.

LHFI

The full impact of the COVID-19 pandemic is unknown and rapidly evolving. It has caused substantial disruption in international and domestic economies, markets and employment. The pandemic has had and may continue to have a significant adverse impact on certain industries Trustmark serves, including the restaurant and food services, hotel, retail and energy industries. See the section captioned "COVID-19 Update" for further information and discussion regarding the current and anticipated impact of the COVID-19 pandemic.

The table below provides the carrying value of the LHFI portfolio by loan class for the years ended December 31, 2021 and 2020 ($ in thousands):

	December 31,			
	2021		2020	
	Amount	%	Amount	%
Loans secured by real estate:				
Construction, land development and other land	$ 596,968	5.8 %	$ 514,056	5.2 %
Other secured by 1-4 family residential properties	517,683	5.1 %	524,732	5.3 %
Secured by nonfarm, nonresidential properties	2,977,084	29.1 %	2,709,026	27.6 %
Other real estate secured	726,043	7.1 %	1,065,964	10.9 %
Other loans secured by real estate:				
Other construction	711,813	6.9 %	794,983	8.1 %
Secured by 1-4 family residential properties	1,460,310	14.2 %	1,216,400	12.4 %
Commercial and industrial loans	1,414,279	13.8 %	1,309,078	13.3 %
Consumer loans	162,555	1.6 %	164,386	1.7 %
State and other political subdivision loans	1,146,251	11.2 %	1,000,776	10.2 %
Other commercial loans	534,843	5.2 %	525,123	5.3 %
LHFI	$ 10,247,829	100.0 %	$ 9,824,524	100.0 %

LHFI at December 31, 2021 increased $423.3 million, or 4.3%, compared to December 31, 2020. The increase in LHFI during 2021 was primarily due to net growth in NFRN LHFI, LHFI secured by 1-4 family residential properties, state and other political subdivision LHFI and commercial and industrial LHFI, partially offset by a net decline in other real estate secured LHFI.

LHFI secured by real estate (loans secured by real estate and other loans secured by real estate) increased $164.7 million, or 2.4%, during 2021 representing net growth in Trustmark's Mississippi, Alabama and Tennessee market regions partially offset by net declines in the Texas and Florida market regions. The net growth in LHFI secured by real estate during 2021 was principally due to growth in NFNR LHFI, LHFI secured by 1-4 family residential properties and LHFI secured by construction, land development and other land, partially offset by declines in LHFI secured by other real estate and other construction loans. NFNR LHFI increased $268.1 million, or 9.9%, during 2021, principally due to movement from the other construction loans category. Excluding other construction loan reclassifications, the NFNR LHFI portfolio decreased $132.4 million, or 4.9%, during 2021 primarily due to declines in nonowner-occupied loans in the Texas and Florida market regions as well as declines in owner-occupied loans in the Texas and Alabama market regions, which were partially offset by growth in nonowner-occupied loans in the Mississippi market region. LHFI secured by 1-4 family residential properties increased $243.9 million, or 20.1%, during 2021, primarily in the Mississippi market region as a result of Trustmark's decision to retain certain mortgage loans in its portfolio. LHFI secured by construction, land development and other land increased $82.9 million, or 16.1%, during 2021 principally due to growth in 1-4 family construction loans in Trustmark's Alabama and Tennessee market regions and land development loans in the Alabama, Texas and Mississippi market regions. LHFI secured by other real estate decreased $339.9 million, or 31.9%, during 2021, primarily due to pay-offs of LHFI secured by multi-family residential properties partially offset by other construction loans that moved to LHFI secured by multi-family residential properties in the Texas, Alabama and Mississippi market regions. Other construction loans decreased $83.2 million, or 10.5%, during 2021 primarily due to other construction loans moved to other loan categories upon the completion of the related construction project, partially offset by new construction loans across all five market regions. During 2021, $739.7 million loans were moved from other construction to other loan categories, including $337.8 million to multi-family residential loans, $311.7 million to nonowner-occupied loans and $88.8 million to owner-occupied loans. Excluding all reclassifications between loan categories, growth in other construction loans across all five market regions totaled $648.4 million, or 81.6%, during 2021.

State and other political subdivision LHFI increased $145.5 million, or 14.5%, during 2021 principally due to growth in the Mississippi, Texas, Florida and Alabama market regions. Commercial and industrial LHFI increased $105.2 million, or 8.0%, during 2021, primarily due to growth in Trustmark's Alabama, Tennessee and Texas market regions partially offset by a decline in the Mississippi market region. Trustmark's exposure to the energy sector is primarily included in the commercial and industrial loan portfolio in Trustmark's Mississippi and Texas market regions. At December 31, 2021 and 2020, energy-related LHFI had outstanding balances of $112.1 million and $102.3 million, respectively, which represented 1.1% and 1.0% of Trustmark's total LHFI portfolio at December 31, 2021 and 2020, respectively. 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. Should oil prices fall to levels that comprise the financial condition of market participants generally, or Trustmark's energy-related borrowers specifically, for a prolonged period of time, there is potential for downgrades to occur. Management will continue to monitor this exposure.

The following table provides information regarding Trustmark's home equity loans and home equity lines of credit which are included in the LHFI secured by 1-4 family residential properties at December 31, 2021 and 2020 ($ in thousands):

	December 31, 2021	December 31, 2020
Home equity loans	$ 36,223	$ 40,730
Home equity lines of credit	351,128	352,309
Percentage of loans and lines for which Trustmark holds first lien	58.2 %	59.5 %
Percentage of loans and lines for which Trustmark does not hold first lien	41.8 %	40.5 %

Due to the increased risk associated with second liens, loan terms and underwriting guidelines differ from those used for products secured by first liens. Loan amounts and loan-to-value ratios are limited and are lower for second liens than first liens. Also, interest rates and maximum amortization periods are adjusted accordingly. In addition, regardless of lien position, the passing credit score for approval of all home equity lines of credit is higher than that of term loans. The ACL on LHFI is also reflective of the increased risk related to second liens through application of a greater loss factor to this portion of the portfolio.

In the following tables, LHFI reported by region (along with related nonperforming assets and net charge-offs) are associated with location of origination except for loans secured by 1-4 family residential properties (representing traditional mortgages) and credit cards. These loans are included in the Mississippi market region because they are centrally analyzed and approved as part of a specific line of business located at Trustmark's headquarters in Jackson, Mississippi.

The following table presents the LHFI composition by region at December 31, 2021 and reflects a diversified mix of loans by region ($ in thousands):

	December 31, 2021					
	Total	Alabama	Florida	Mississippi	Tennessee	Texas
LHFI Composition by Region						
Loans secured by real estate:						
Construction, land development and other land	$ 596,968	$ 252,363	$ 41,866	$ 171,769	$ 47,171	$ 83,799
Other secured by 1-4 family residential properties	517,683	114,068	41,473	284,932	60,942	16,268
Secured by nonfarm, nonresidential properties	2,977,084	890,055	252,656	1,137,039	170,318	527,016
Other real estate secured	726,043	147,430	6,765	280,122	19,887	271,839
Other loans secured by real estate:						
Other construction	711,813	269,868	7,517	239,838	1,157	193,433
Secured by 1-4 family residential properties	1,460,310	—	—	1,453,651	6,659	—
Commercial and industrial loans	1,414,279	279,151	24,099	516,122	349,385	245,522
Consumer loans	162,555	23,855	8,176	104,794	18,115	7,615
State and other political subdivision loans	1,146,251	98,215	72,146	728,509	34,542	212,839
Other commercial loans	534,843	76,607	11,697	352,770	43,018	50,751
LHFI	$ 10,247,829	$ 2,151,612	$ 466,395	$ 5,269,546	$ 751,194	$ 1,609,082
Construction, Land Development and Other Land Loans by Region						
Lots	$ 62,841	$ 25,827	$ 8,399	$ 17,845	$ 3,210	$ 7,560
Development	139,708	59,615	584	44,593	11,862	23,054
Unimproved land	101,591	26,016	12,495	31,167	10,976	20,937
1-4 family construction	292,828	140,905	20,388	78,164	21,123	32,248
Construction, land development and other land loans	$ 596,968	$ 252,363	$ 41,866	$ 171,769	$ 47,171	$ 83,799
Loans Secured by Nonfarm, Nonresidential (NFNR) Properties by Region						
Nonowner-occupied:						
Retail	$ 351,822	$ 140,054	$ 29,586	$ 97,103	$ 18,777	$ 66,302
Office	208,835	68,067	22,626	66,799	12,786	38,557
Hotel/motel	348,090	176,327	78,408	46,886	32,204	14,265
Mini-storage	153,938	22,414	2,144	100,029	697	28,654
Industrial	346,096	134,279	20,581	86,613	135	104,488
Health care	63,746	32,230	1,101	27,766	364	2,285
Convenience stores	22,634	8,114	677	3,748	1,167	8,928
Nursing homes/senior living	197,677	86,868	—	84,540	6,269	20,000
Other	78,940	17,509	7,239	32,015	11,729	10,448

Total nonowner-occupied loans	1,771,778	685,862	162,362	545,499	84,128	293,927
Owner-occupied:						
Office	170,438	37,572	42,913	48,923	13,091	27,939
Churches	83,375	18,657	5,937	47,019	9,172	2,590
Industrial warehouses	182,126	21,647	2,678	48,118	18,562	91,121
Health care	141,427	11,854	6,809	105,842	2,276	14,646
Convenience stores	130,948	15,255	13,244	68,673	466	33,310
Retail	65,269	12,420	10,992	20,476	8,818	12,563
Restaurants	54,978	2,877	4,484	30,894	12,735	3,988
Auto dealerships	53,710	6,090	256	27,489	19,875	—
Nursing homes/senior living	197,232	71,639	—	125,593	—	—
Other	125,803	6,182	2,981	68,513	1,195	46,932
Total owner-occupied loans	1,205,306	204,193	90,294	591,540	86,190	233,089
Loans secured by NFNR properties	$ 2,977,084	$ 890,055	$ 252,656	$ 1,137,039	$ 170,318	$ 527,016

Due to the short-term nature of most commercial real estate lending and the practice of annual renewal of commercial lines of credit, approximately 39.2% of Trustmark's portfolio matures in less than one year. Such a short-term maturity profile is not unusual for a commercial bank and provides Trustmark the opportunity to obtain updated financial information from its borrowers and to actively monitor its borrowers' creditworthiness. This maturity profile is well matched with many of Trustmark's sources of funding, which are also short-term in nature.

Trustmark's variable rate LHFI are based primarily on various prime and LIBOR interest rate bases. Trustmark has transitioned to SOFR for new variable rate loans as of January 1, 2022. The following table provides information regarding Trustmark's LHFI maturities by loan class and interest rate terms at December 31, 2021 ($ in thousands):

			Maturing		
	Within One Year or Less	One Year Through Five Years	Five Years Through Fifteen Years	After Fifteen Years	Total
Loans secured by real estate:					
Construction, land development and other land	$ 434,903	$ 121,785	$ 25,733	$ 14,547	$ 596,968
Other secured by 1-4 family residential properties	51,452	217,108	237,698	11,425	517,683
Secured by nonfarm, nonresidential properties	1,455,615	1,164,780	356,311	378	2,977,084
Other real estate secured	462,409	220,158	42,719	757	726,043
Other loans secured by real estate:					
Other construction	475,518	206,387	29,614	294	711,813
Secured by 1-4 family residential properties	35,231	144,186	702,415	578,478	1,460,310
Commercial and industrial loans	604,413	688,627	121,239	—	1,414,279
Consumer loans	49,362	108,508	4,661	24	162,555
State and other political subdivision loans	206,486	423,129	473,946	42,690	1,146,251
Other loans	238,985	242,884	38,812	14,162	534,843
LHFI	4,014,374	3,537,552	2,033,148	662,755	10,247,829
Loans with fixed interest rates:					
Loans secured by real estate:					
Construction, land development and other land	$ 75,263	$ 58,465	$ 19,410	$ 14,536	$ 167,674
Other secured by 1-4 family residential properties	30,200	99,797	47,984	116	178,097
Secured by nonfarm, nonresidential properties	215,388	988,186	340,125	—	1,543,699
Other real estate secured	89,318	157,659	14,096	163	261,236
Other loans secured by real estate:					
Other construction	4,465	115,256	19,842	294	139,857
Secured by 1-4 family residential properties	2,856	42,521	309,396	572,125	926,898
Commercial and industrial loans	135,549	466,410	86,260	—	688,219
Consumer loans	22,252	108,097	4,661	—	135,010
State and other political subdivision loans	178,238	406,158	460,946	42,690	1,088,032

Other loans	88,992	162,226	38,163	13,787	303,168
LHFI	842,521	2,604,775	1,340,883	643,711	5,431,890
Loans with variable interest rates:					
Loans secured by real estate:					
Construction, land development and other land	$ 359,640	$ 63,320	$ 6,323	$ 11	$ 429,294
Other secured by 1-4 family residential properties	21,252	117,311	189,714	11,309	339,586
Secured by nonfarm, nonresidential properties	1,240,227	176,594	16,186	378	1,433,385
Other real estate secured	373,091	62,499	28,623	594	464,807
Other loans secured by real estate:					
Other construction	471,053	91,131	9,772	—	571,956
Secured by 1-4 family residential properties	32,375	101,665	393,019	6,353	533,412
Commercial and industrial loans	468,864	222,217	34,979	—	726,060
Consumer loans	27,110	411	—	24	27,545
State and other political subdivision loans	28,248	16,971	13,000	—	58,219
Other loans	149,993	80,658	649	375	231,675
LHFI	3,171,853	932,777	692,265	19,044	4,815,939

Allowance for Credit Losses

LHFI

Trustmark’s ACL methodology for LHFI is based upon guidance within FASB ASC Subtopic 326-20, “Financial Instruments – Credit Losses – Measured at Amortized Cost,” as well as regulatory guidance from its primary regulator. The ACL is a valuation account that is deducted from the loans’ amortized cost basis to present the net amount expected to be collected on the loans. Credit quality within the LHFI portfolio is continuously monitored by Management and is reflected within the ACL for loans. The ACL is an estimate of expected losses inherent within Trustmark’s existing LHFI portfolio. The ACL on LHFI is adjusted through the PCL, LHFI and reduced by the charge off of loan amounts, net of recoveries.

The loan loss estimation process involves procedures to appropriately consider the unique characteristics of Trustmark’s LHFI portfolio segments. These segments are further disaggregated into loan classes, the level at which credit risk is estimated. When computing allowance levels, credit loss assumptions are estimated using a model that categorizes loan pools based on loss history, delinquency status and other credit trends and risk characteristics, including current conditions and reasonable and supportable forecasts about the future. Evaluations of the portfolio and individual credits are inherently subjective, as they require estimates, assumptions and judgments as to the facts and circumstances of particular situations.

The econometric models currently in production reflect segment or pool level sensitivities of probability of default (PD) to changes in macroeconomic variables. By measuring the relationship between defaults and changes in the economy, the quantitative reserve incorporates reasonable and supportable forecasts of future conditions that will affect the value of its assets, as required by FASB ASC Topic 326. Under stable forecasts, these linear regressions will reasonably predict a pool’s PD. However, due to the COVID-19 pandemic, the macroeconomic variables used for reasonable and supportable forecasting have changed rapidly. At the current levels, it is not clear that the models currently in production will produce reasonably representative results since the models were originally estimated using data beginning in 2004 through 2019. During this period, a traditional, albeit severe, economic recession occurred. Thus, econometric models are sensitive to similar future levels of PD.

In order to prevent the econometric models from extrapolating beyond reasonable boundaries of their input variables, Trustmark chose to establish an upper and lower limit process when applying the periodic forecasts. In this way, Management will not rely upon unobserved and untested relationships in the setting of the quantitative reserve. This approach applies to all input variables, including: Southern Unemployment, National Unemployment, National GDP, Southern Vacancy Rate and the Prime Rate. The upper and lower limits are based on the distribution of the macroeconomic variable by selecting extreme percentiles at the upper and lower limits of the distribution, the 1st and 99th percentiles, respectively. These upper and lower limits are then used to calculate the PD for the forecast time period in which the forecasted values are outside of the upper and lower limit range. For the current period, the forecast related to the macroeconomic variables used in the quantitative modeling process were positively impacted due to the updated forecast effects. However, due to multiple periods in 2021 having a PD or LGD at or near zero as a result of the improving macroeconomic forecasts, Management implemented PD and LGD floors to account for the risk associated with each portfolio. The PD and LGD floors are based on Trustmark's historical loss experience and applied at a portfolio level.

The external factors qualitative factor is Management's best judgement on the loan or pool level impact of all factors that affect the portfolio that are not accounted for using any other part of the ACL methodology (*i.e.*, natural disasters, changes in legislation, impacts due to technology and pandemics). During 2020, Trustmark activated the External Factor – Pandemic to ensure reserve adequacy for collectively evaluated loans most likely to be impacted by the unique economic and behavioral conditions created by the COVID-19 pandemic. Additional qualitative reserves are derived based on two principles. The first is the disconnect of economic factors to Trustmark's modeled PD (derived from the econometric models underpinning the quantitative pooled reserves). During the pandemic, extraordinary measures by the federal government were made available to consumers and businesses, including COVID-19 loan payment concessions, direct transfer payments to households, tax deferrals and reduced interest rates, among others. These government interventions may have extended the lag between economic conditions and default, relative to what was captured in the model development data. Because Trustmark's econometric PD models rely on the observed relationship from the economic downturn from 2007 to 2009 in both timing and severity, Management does not expect the models to reflect these current conditions. For example, while the models would predict contemporaneous unemployment peaks and loan defaults, this may not occur when borrowers can request payment deferrals. Thus, for the affected population, economic conditions are not fully considered as a part of Trustmark's quantitative reserve. The second principle is the change in risk that is identified by rating changes. As a part of Trustmark's credit review process, loans in the affected population have been given more frequent screening to ensure accurate ratings are maintained through this dynamic period. Trustmark's quantitative reserve does not directly address changes in ratings; thus, a migration qualitative factor was designed to work in concert with the quantitative reserve. In a downturn, the qualitative factor is inactive for most pools because changes in ratings are congruent with changes in macroeconomic conditions, which directly influence the PD models in the quantitative reserve.

As discussed above, the disconnect of economic factors means that changes in rating caused by deteriorating and weak economic conditions as a result of the pandemic are not being captured in the quantitative reserve. During 2020, due to unforeseen pandemic conditions that varied from Management's expectations, additional reserves were further dimensioned in order to appropriately reflect the risk within the portfolio related to the COVID-19 pandemic. In an effort to ensure the External Factor – Pandemic qualitative factor is reasonable and supportable, historical Trustmark loss data was leveraged to construct a framework that is quantitative in nature. To dimension the additional reserve, Management uses the sensitivity of the quantitative commercial loan reserve to changes in macroeconomic conditions to apply to loans rated acceptable or better (risk rates 1-4). In addition, to account for the known changes in risk, a weighted average of the commercial loan portfolio loss rate, derived from the performance trends qualitative factor, is used to dimension additional reserves for downgraded credits. Loans rated acceptable with risk (risk rate 5) or watch (risk rate 6) received the additional reserves based on the average of the macroeconomic conditions and weighted average of the commercial loan portfolio loss rate while the loans rated special mention (risk rate 7) and substandard (risk rate 8) received additional reserves based on the weighted-average described above.

Determining the appropriateness of the allowance is complex and requires judgement by Management about the effect of matters that are inherently uncertain. In future periods, evaluations of the overall LHFI portfolio, in light of the factors and forecasts then prevailing, may result in significant changes in the allowance and credit loss expense.

For a complete description of Trustmark's ACL methodology and the quantitative and qualitative factors included in the calculation, please see Note 4 – LHFI and Allowance for Credit Losses, LHFI included in Part II. Item 8. – Financial Statements and Supplementary Data of this report.

At December 31, 2021, the ACL on LHFI was $99.5 million, a decrease of $17.8 million, or 15.2%, when compared with December 31, 2020. The decrease in the ACL on LHFI during 2021 was principally due to improvements in macroeconomic forecasts and credit quality. Allocation of Trustmark's ACL on LHFI represented 1.00% of commercial LHFI and 0.87% of consumer and home mortgage LHFI, resulting in an ACL to total LHFI of 0.97% at December 31, 2021. This compares with an ACL to total LHFI of 1.19% at December 31, 2020, which was allocated to commercial LHFI at 1.20% and to consumer and home mortgage LHFI at 1.16%.

The table below illustrates the changes in Trustmark's ACL on LHFI as well as Trustmark's loan loss experience for the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Balance at beginning of period	$ 117,306	$ 84,277	$ 79,290
FASB ASU 2016-03 Adoption Adjustment:			
LHFI	—	(3,039)	—
Allowance for loan losses, acquired loans transfer	—	815	—
Acquired loans ACL adjustment	—	1,007	—
LHFI charged off	(10,275)	(11,475)	(14,481)
Recoveries	13,925	9,608	8,671
Net (charge-offs) recoveries	3,650	(1,867)	(5,810)
PCL, LHFI	(21,499)	36,113	10,797
Balance at end of period	$ 99,457	$ 117,306	$ 84,277

Recoveries exceeded charge-offs for 2021 resulting in net recoveries of $3.7 million, or -0.04% of average loans (LHFS and LHFI), compared to net charge-offs of $1.9 million, or 0.02% of average loans (LHFS and LHFI), in 2020, and net charge-offs of $5.8 million, or 0.06% of average loans (LHFS and LHFI), in 2019. The increase in net recoveries during 2021 was principally due to declines in charge-offs in the Alabama and Tennessee market regions as well as an increase in recoveries in the Mississippi, Texas, Tennessee and Alabama market regions, partially offset by an increase in charge-offs in the Mississippi market region. The increase in charge-offs in the Mississippi market region was principally due to the charge off of one substandard commercial credit that was previously reserved for in that market region.

The following table presents the net (charge-offs) recoveries by geographic market region for the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Alabama	$ 1,299	$ (1,448)	$ (754)
Florida	521	390	850
Mississippi	(111)	814	(4,438)
Tennessee	940	(1,775)	(708)
Texas	1,001	152	(760)
Total net (charge-offs) recoveries	$ 3,650	$ (1,867)	$ (5,810)

The following table presents selected credit ratios for the periods presented ($ in thousands):

	Years Ended December 31, 2021	2020 (1)	2019
ACL, LHFI to total LHFI	0.97 %	1.19 %	0.90 %
ACL, LHFI	$ 99,457	$ 117,306	$ 84,277
LHFI	10,247,829	9,824,524	9,335,628
Nonaccrual LHFI to total LHFI	0.61 %	0.64 %	0.57 %
Nonaccrual LHFI	$ 62,698	$ 63,128	$ 53,226
LHFI	10,247,829	9,824,524	9,335,628
ACL, LHFI to nonaccrual LHFI	158.63 %	185.82 %	158.34 %
ACL, LHFI	$ 99,457	$ 117,306	$ 84,277
Nonaccrual LHFI	62,698	63,128	53,226
Net (charge-offs) recoveries to average LHFI:			
Construction, land development and other land loans *(2)*	0.28 %	0.14 %	0.07 %
Net (charge-offs) recoveries	$ 1,525	$ 704	$ 854
Average LHFI	551,266	490,036	1,145,453
Other loans secured by 1-4 family residential properties *(2)*	0.08 %	0.05 %	0.01 %
Net (charge-offs) recoveries	$ 396	$ 261	$ 135
Average LHFI	505,063	550,423	1,811,560
Loans secured by nonfarm, nonresidential properties	0.04 %	-0.12 %	0.01 %
Net (charge-offs) recoveries	$ 1,076	$ (3,231)	$ 150
Average LHFI	2,846,103	2,628,240	2,352,213
Other loans secured by real estate	—	0.01 %	—
Net (charge-offs) recoveries	$ 20	$ 60	$ 29
Average LHFI	971,881	910,672	634,061
Other construction loans *(2)*	0.01 %	0.03 %	—
Net (charge-offs) recoveries	$ 47	$ 208	$ —
Average LHFI	757,716	776,546	—
Loans secured by 1-4 family residential properties *(2)*	—	0.01 %	—
Net (charge-offs) recoveries	$ (49)	$ 160	$ —
Average LHFI	1,328,220	1,230,319	—
Commercial and industrial loans	0.03 %	0.01 %	-0.27 %
Net (charge-offs) recoveries	$ 336	$ 179	$ (4,087)
Average LHFI	1,331,537	1,388,180	1,503,018
Consumer loans	0.02 %	-0.13 %	-0.26 %
Net (charge-offs) recoveries	$ 25	$ (215)	$ (449)
Average LHFI	156,826	165,249	174,935
State and other political subdivision loans	—	—	—
Net (charge-offs) recoveries	$ —	$ —	$ —
Average LHFI	1,098,190	943,281	968,831
Other commercial loans *(2)*	0.06 %	—	-0.49 %
Net (charge-offs) recoveries	$ 274	$ 7	$ (2,442)
Average LHFI	474,291	560,360	498,822
Total LHFI	0.04 %	-0.02 %	-0.06 %
Net (charge-offs) recoveries	$ 3,650	$ (1,867)	$ (5,810)
Average LHFI	10,021,093	9,643,306	9,088,893

(1)Effective January 1, 2020, Trustmark adopted FASB ASU 2016-13 using the modified retrospective approach; therefore, prior period balances are presented under legacy GAAP and may not be comparable to current period presentation.

(2)In accordance with the guidance of FASB ASC Topic 326, Trustmark redefined its LHFI portfolio segments and related loan classes based on the level at which risk is monitored within the ACL methodology. The other construction loans were segregated from the loans secured by construction, land development and other land loans. The other loans secured by 1-4 family residential properties were segregated from the loans secured by 1-4 family residential properties. Other loans were redefined as other commercial loans.

The PCL, LHFI for 2021 totaled -0.21% of average loans (LHFS and LHFI), compared to 0.36% of average loans (LHFS and LHFI) in 2020 and 0.12% of average loans (LHFS and LHFI) in 2019. The negative PCL, LHFI for 2021 primarily reflected improvements in the macroeconomic forecasts and credit quality, partially offset by an increase in specific reserves for individually analyzed credits within the commercial and industrial LHFI portfolio.

Off-Balance Sheet Credit Exposures

Trustmark maintains a separate ACL on off-balance sheet credit exposures, including unfunded loan commitments and letters of credit, which is included on the accompanying consolidated balance sheets. Expected credit losses for off-balance sheet credit exposures are estimated by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by Trustmark. Trustmark calculates a loan pool level unfunded amount for the period. Trustmark calculates an expected funding rate each period which is applied to each pool's unfunded commitment balances to ensure that reserves will be applied to each pool based upon balances expected to be funded based upon historical levels. Additionally, a reserve rate is applied to the unfunded commitment balance, which incorporates both quantitative and qualitative aspects of the current period's expected credit loss rate. The reserve rate is loan pool specific and is applied to the unfunded amount to ensure loss factors, both quantitative and qualitative, are being considered on the unfunded portion of the loan pool, consistent with the methodology applied to the funded loan pools. See the section captioned "Lending Related" in Note 17 – Commitments and Contingencies included in Part II. Item 8. – Financial Statements and Supplementary Data of this report for complete description of Trustmark's ACL methodology on off-balance sheet credit exposures.

Adjustments to the ACL on off-balance sheet credit exposures are recorded to PCL, off-balance sheet credit exposures. At December 31, 2021, the ACL on off-balance sheet credit exposures totaled $35.6 million compared to $38.6 million at December 31, 2020, a decrease of $2.9 million, or 7.6%. The PCL on off-balance sheet credit exposures totaled a negative $2.9 million for 2021, compared to PCL on off-balance sheet credit exposures of $8.9 million for 2020. The negative PCL, off-balance sheet credit exposures for 2021 primarily reflected the overall decrease in the total reserve rates applied to off-balance sheet credit exposures as a result of improvements in macroeconomic forecasts and credit quality.

Nonperforming Assets, Excluding PPP Loans

The table below provides the components of the nonperforming assets, excluding PPP loans, by geographic market region at December 31, 2021 and 2020 ($ in thousands):

	December 31, 2021	December 31, 2020
Nonaccrual LHFI		
Alabama	$ 8,182	$ 9,221
Florida	313	572
Mississippi	21,636	35,015
Tennessee	10,501	12,572
Texas	22,066	5,748
Total nonaccrual LHFI	62,698	63,128
Other real estate		
Alabama	—	3,271
Mississippi	4,557	8,330
Tennessee	—	50
Total other real estate	4,557	11,651
Total nonperforming assets	$ 67,255	$ 74,779
Nonperforming assets/total loans (LHFS and LHFI) and other real estate	0.64 %	0.73 %
Loans Past Due 90 days or more		
LHFI	$ 2,114	$ 1,576
LHFS - Guaranteed GNMA services loans *(1)*	$ 69,894	$ 119,409

(1)No obligation to repurchase.

For additional information regarding the Trustmark's serviced GNMA loans eligible for repurchase, please see the section captioned "Loans Held for Sale (LHFS)" included in Note 1 – Significant Accounting Policies of Part II. Item 8. – Financial Statements and Supplementary Data of this report.

Nonaccrual LHFI

At December 31, 2021, nonaccrual LHFI totaled $62.7 million, or 0.60% of total LHFS and LHFI, reflecting a decrease of $430 thousand, or 0.7%, relative to December 31, 2020. The decrease in nonaccrual LHFI was primarily due to reductions, pay-offs and charge-offs of nonaccrual LHFI were largely offset by LHFI placed on nonaccrual status.

At December 31, 2021, nonaccrual energy-related LHFI totaled $2 thousand and represented less than 1 basis point of Trustmark's total energy-related portfolio, compared to $10.4 million, or 10.2% of Trustmark's total energy-related portfolio at December 31, 2020. For additional information regarding nonaccrual LHFI, see the section captioned "Nonaccrual and Past Due LHFI" in Note 4 – LHFI and Allowance for Credit Losses, LHFI included in Part II. Item 8. – Financial Statements and Supplementary Data of this report.

Other Real Estate

Other real estate at December 31, 2021 decreased $7.1 million, or 60.9%, when compared with December 31, 2020, principally due to properties sold in Trustmark's Mississippi, Alabama, and Tennessee market regions.

The following tables illustrate changes in other real estate by geographic market region for the periods presented ($ in thousands):

	Year Ended December 31, 2021					
	Total	Alabama	Florida	Mississippi	Tennessee	Texas
Balance at beginning of period	$ 11,651	$ 3,271	$ —	$ 8,330	$ 50	$ —
Additions	770	—	—	717	53	—
Disposals	(6,932)	(3,063)	—	(3,741)	(128)	—
Write-downs	(932)	(208)	—	(749)	25	—
Balance at end of period	$ 4,557	$ —	$ —	$ 4,557	$ —	$ —

	Year Ended December 31, 2020					
	Total	Alabama	Florida	Mississippi	Tennessee	Texas
Balance at beginning of period	$ 29,248	$ 8,133	$ 5,877	$ 14,919	$ 319	$ —
Additions	635	77	—	339	219	—
Disposals	(16,446)	(3,887)	(5,861)	(6,230)	(468)	—
Write-downs	(1,786)	(1,052)	(16)	(698)	(20)	—
Balance at end of period	$ 11,651	$ 3,271	$ —	$ 8,330	$ 50	$ —

	Year Ended December 31, 2019					
	Total	Alabama	Florida	Mississippi	Tennessee	Texas
Balance at beginning of period	$ 34,668	$ 6,873	$ 8,771	$ 17,255	$ 1,025	$ 744
Additions	8,598	2,908	—	5,575	115	—
Disposals	(11,474)	(1,198)	(2,783)	(5,967)	(800)	(726)
Write-downs	(2,544)	(450)	(111)	(1,944)	(21)	(18)
Balance at end of period	$ 29,248	$ 8,133	$ 5,877	$ 14,919	$ 319	$ —

Write-downs of other real estate decreased $854 thousand, or 47.8%, during 2021 compared to a decrease of $758 thousand, or 29.8%, during 2020. The decrease in write-downs of other real estate during 2021 compared to 2020 was primarily due to a decrease in write-downs of other real estate properties in the Alabama market region.

The following table illustrates other real estate by type of property at December 31, 2021 and 2020 ($ in thousands):

	December 31,	
	2021	2020
Construction, land development and other land properties	$ —	$ 3,857
1-4 family residential properties	94	1,349
Nonfarm, nonresidential properties	4,463	6,445
Total other real estate	$ 4,557	$ 11,651

Acquired Loans

Trustmark's loss share agreement with the FDIC covering the acquired covered loans secured by 1-4 family residential properties expired in 2021.

Upon adoption of FASB ASC Topic 326, which was effective for Trustmark on January 1, 2020 in accordance with the amendments in FASB ASU 2016-13, Trustmark elected to account for its existing acquired loans as PCD loans included within the LHFI portfolio. Trustmark elected to maintain pools of loans that were previously accounted for under FASB ASC Subtopic 310-30, "Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality," and will continue to account for these pools as a unit of account. Loans are only removed from the existing loan pools if they are written off, paid off or sold. Upon adoption of FASB ASC Topic 326, the ACL was determined for each pool and added to the pool's carrying value to establish a new amortized cost basis. The difference between the unpaid principal balance of the pool and the new amortized cost basis is the noncredit premium or discount which will be amortized into interest income over the remaining life of the pool. Changes to the ACL after adoption of FASB ASC Topic 326 are recorded through the PCL, LHFI.

As a result of adopting FASB ASC Topic 326, Trustmark transferred $72.6 million of acquired loans and $815 thousand of related allowance for loan losses, acquired loans and recorded $1.0 million of ACL calculated for these loans to LHFI on January 1, 2020. The acquired loans and related allowance transferred were acquired in the BancTrust merger.

For additional information regarding acquired loans, see Note 5 – Acquired Loans included in Part II. Item 8. – Financial Statements and Supplementary Data of this report.

Deposits

Trustmark's deposits are its primary source of funding and consist primarily of core deposits from the communities Trustmark serves. Deposits include interest-bearing and noninterest-bearing demand accounts, savings, MMDA, certificates of deposit and individual retirement accounts. Total deposits were $15.087 billion at December 31, 2021 compared to $14.049 billion at December 31, 2020, an increase of $1.038 billion, or 7.4%, reflecting increases in both noninterest-bearing and interest-bearing deposit accounts. During 2021, noninterest-bearing deposits increased $422.1 million, or 9.7%, primarily due to growth in all categories of noninterest-bearing deposit accounts. Interest-bearing deposits increased $616.3 million, or 6.4%, during 2021, primarily due to growth in consumer and commercial interest checking and MMDA as well as consumer savings accounts, partially offset by declines in all categories of certificates of deposits and public interest checking accounts.

The maturities of time deposits that exceed the FDIC insurance limit of $250 thousand at December 31, 2021 are as follows ($ in thousands):

Three months or less	$	59,586
Over three months through six months		28,087
Over six months through twelve months		47,782
Over twelve months		28,511
Total time deposits in excess of FDIC insurance limit	$	163,966

Borrowings

Trustmark uses short-term borrowings, such as federal funds purchased, securities sold under repurchase agreements and short-term FHLB advances, to fund growth of earning assets in excess of deposit growth. See the section captioned "Liquidity" for further discussion of the components of Trustmark's excess funding capacity.

Federal funds purchased and repurchase agreements totaled $238.6 million at December 31, 2021 compared to $164.5 million at December 31, 2020, an increase of $74.1 million, or 45.0%, and represented customer related transactions, such as commercial sweep repurchase balances. Trustmark had no upstream federal funds purchased at December 31, 2021 and 2020.

Other borrowings totaled $91.0 million at December 31, 2021, a decrease of $77.2 million, or 45.9%, when compared with $168.3 million at December 31, 2020, primarily due to a decrease in the amount of GNMA loans eligible for repurchase and the pay-off of the SERP policy loan during the third quarter of 2021.

Benefit Plans

Defined Benefit Plans

As disclosed in Note 15 – Defined Benefit and Other Postretirement Benefits included in Part II. Item 8. – Financial Statements and Supplementary Data of this report, Trustmark maintains a noncontributory tax-qualified defined benefit pension plan titled the Trustmark Corporation Pension Plan for Certain Employees of Acquired Financial Institutions (the Continuing Plan) to satisfy commitments made by Trustmark to associates covered through plans obtained in acquisitions.

At December 31, 2021, the fair value of the Continuing Plan's assets totaled $2.9 million and was exceeded by the projected benefit obligation of $8.6 million by $5.7 million. Net periodic benefit cost equaled $1.1 million in 2021, compared to $786 thousand in 2020 and $1.1 million in 2019.

The fair value of plan assets is determined utilizing current market quotes, while the benefit obligation and periodic benefit costs are determined utilizing actuarial methodology with certain weighted-average assumptions. For 2021, 2020 and 2019, the process used to select the discount rate assumption under FASB ASC Topic 715 takes into account the benefit cash flow and the segmented yields on high-quality corporate bonds that would be available to provide for the payment of the benefit cash flow. Assumptions, which have been chosen to represent the estimate of a particular event as required by GAAP, have been reviewed and approved by Management based on recommendations from its actuaries.

The range of potential contributions to the Continuing Plan is determined annually by the Continuing Plan's actuary in accordance with applicable IRS rules and regulations. Trustmark's policy is to fund amounts that are sufficient to satisfy the annual minimum funding requirements and do not exceed the maximum that is deductible for federal income tax purposes. The actual amount of the contribution is determined annually based on the Continuing Plan's funded status and return on plan assets as of the measurement date, which is December 31. For the plan year ending December 31, 2021, Trustmark's minimum required contribution to the Continuing Plan was $312 thousand; however, Trustmark contributed $324 thousand, $12 thousand in excess of the minimum required. For the plan year ending December 31, 2022, Trustmark's minimum required contribution to the Continuing Plan is expected to be $164 thousand; however, Management and the Board of Directors of Trustmark will monitor the Continuing Plan throughout 2022 to determine any additional funding requirements by the plan's measurement date.

Supplemental Retirement Plans

As disclosed in Note 15 – Defined Benefit and Other Postretirement Benefits included in Part II. Item 8. – Financial Statements and Supplementary Data of this report, Trustmark maintains a nonqualified supplemental retirement plan covering key executive officers and senior officers as well as directors who have elected to defer fees. The plan provides for retirement and/or death benefits based on a participant's covered salary or deferred fees. Although plan benefits may be paid from Trustmark's general assets, Trustmark has purchased life insurance contracts on the participants covered under the plan, which may be used to fund future benefit payments under the plan. The measurement date for the plan is December 31. As a result of mergers prior to 2014, Trustmark became the administrator of small nonqualified supplemental retirement plans, for which the plan benefits were frozen prior to the merger dates.

At December 31, 2021, the accrued benefit obligation for the supplemental retirement plans equaled $55.0 million, while the net periodic benefit cost equaled $2.5 million in 2021, $2.8 million in 2020 and $3.0 million in 2019. The net periodic benefit cost and projected benefit obligation are determined using actuarial assumptions as of the plans' measurement date. The process used to select the discount rate assumption under FASB ASC Topic 715 takes into account the benefit cash flow and the segmented yields on high-quality corporate bonds that would be available to provide for the payment of the benefit cash flow. At December 31, 2021, unrecognized actuarial losses and unrecognized prior service costs continue to be amortized over future service periods.

Legal Environment

Information required in this section is set forth under the heading "Legal Proceedings" of Note 17 – Commitments and Contingencies in Part II. Item 8. – Financial Statements and Supplementary Data of this report.

Off-Balance Sheet Arrangements

Information required in this section is set forth under the heading "Lending Related" of Note 17 – Commitments and Contingencies in Part II. Item 8. – Financial Statements and Supplementary Data of this report.

Capital Resources and Liquidity

At December 31, 2021, Trustmark's total shareholders' equity was $1.741 billion, an increase of $194 thousand when compared to December 31, 2020. The slight increase in shareholders' equity during 2021 was primarily as a result of net income of $147.4 million, which was largely offset by common stock repurchases of $61.8 million, common stock dividends of $58.1 million and a decrease in the fair market value of available for sale securities, net of tax, of $37.1 million. Trustmark utilizes a capital model in order to provide Management with a monthly tool for analyzing changes in its strategic capital ratios. This allows Management to hold sufficient capital to provide for growth opportunities and protect the balance sheet against sudden adverse market conditions, while maintaining an attractive return on equity to shareholders.

Regulatory Capital

Trustmark and TNB are subject to minimum risk-based capital and leverage capital requirements, as described in the section captioned "Capital Adequacy" included in Part I. Item 1. – Business of this report, which are administered by the federal bank regulatory agencies. These capital requirements, as defined by federal regulations, involve quantitative and qualitative measures of assets, liabilities and certain off-balance sheet instruments. Trustmark's and TNB's minimum risk-based capital requirements include a capital conservation buffer of 2.500% at December 31, 2021 and 2020. AOCI is not included in computing regulatory capital. Trustmark has elected the five-year phase-in transition period (through December 31, 2024) related to adopting FASB ASU 2016-13 for regulatory capital purposes. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements of Trustmark and TNB and limit Trustmark's and TNB's ability to pay dividends. At December 31, 2021, Trustmark and TNB exceeded all applicable minimum capital standards. In addition, Trustmark and TNB met applicable regulatory guidelines to be considered well-capitalized at December 31, 2021. To be categorized in this manner, Trustmark and TNB maintained minimum common equity Tier 1 risk-based capital, Tier 1 risk-based capital, total risk-based capital and Tier 1 leverage ratios, and were not subject to any written agreement, order or capital directive, or prompt corrective action directive issued by their primary federal regulators to meet and maintain a specific capital level for any capital measures. There are no significant conditions or events that have occurred since December 31, 2021, which Management believes have affected Trustmark's or TNB's present classification.

During the fourth quarter of 2020, Trustmark enhanced its capital structure with the issuance of $125.0 million of subordinated notes. The subordinated notes were sold at an underwriting discount of 1.2%, resulting in net proceeds to Trustmark of $123.5 million before deducting offering expenses. At December 31, 2021 and 2020, the carrying amount of the subordinated notes was $123.0 million and $122.9 million, respectively. The subordinated notes mature December 1, 2030 and are redeemable at Trustmark's option under certain circumstances. For regulatory capital purposes, the subordinated notes qualified as Tier 2 capital for Trustmark at December 31, 2021 and 2020. Trustmark may utilize the full carrying value of the subordinated notes as Tier 2 capital until December 1, 2025 (five years prior to maturity). Beginning December 1, 2025, the subordinated notes will phase out of Tier 2 capital 20.0% each year until maturity.

In 2006, Trustmark enhanced its capital structure with the issuance of trust preferred securities. For regulatory capital purposes, the trust preferred securities qualified as Tier 1 capital at December 31, 2021 and 2020. Trustmark intends to continue to utilize $60.0 million in trust preferred securities issued by the Trust as Tier 1 capital up to the regulatory limit, as permitted by the grandfather provision in the Dodd-Frank Act and the Basel III Final Rule.

Refer to the section captioned "Regulatory Capital" included in Note 18 – Shareholders' Equity in Part II. Item 8. – Financial Statements and Supplementary Data of this report for an illustration of Trustmark's and TNB's actual regulatory capital amounts and ratios under regulatory capital standards in effect at December 31, 2021 and 2020.

Dividends on Common Stock

Dividends per common share for each of the years ended December 31, 2021, 2020 and 2019 were $0.92. Trustmark's dividend payout ratio for 2021, 2020 and 2019 was 39.15%, 36.51%, and 39.48%, respectively. Since Trustmark is a holding company and does not conduct operations, its primary source of liquidity are dividends paid from TNB and borrowings from outside sources. Approval by TNB's regulators is required if the total of all dividends declared in any calendar year exceeds the total of its net income for that year combined with its retained net income of the preceding two years. In 2022, TNB will have available approximately $161.9 million plus its net income for that year to pay as dividends to Trustmark. The actual amount of any dividends declared in 2022 by Trustmark will be determined by Trustmark's Board of Directors. Trustmark's Board of Directors declared a quarterly cash dividend of $0.23 per share payable of March 15, 2022, to shareholders of record on March 1, 2022.

Stock Repurchase Plan

From time to time, Trustmark's Board of Directors has authorized stock repurchase plans. In general, stock repurchase plans allow Trustmark to proactively manage its capital position and return excess capital to shareholders. Shares purchased also provide Trustmark with shares of common stock necessary to satisfy obligations related to stock compensation awards. Under the stock repurchase plan effective April 1, 2019 through March 30, 2020, Trustmark repurchased approximately 1.5 million shares its common stock valued at $47.2 million. Under the stock repurchase plan effective April 1, 2020 through December 31, 2021, Trustmark repurchased approximately 1.9 million shares of its common stock valued at $61.8 million. On December 7, 2021, the Board of Directors of Trustmark authorized a new stock repurchase program, effective January 1, 2022, under which $100.0 million of Trustmark's outstanding common stock may be acquired through December 31, 2022. These shares may be purchased from time to time at prevailing market prices, through open market or private transactions, depending on market conditions, and in conjunction with its disciplined share repurchase framework. There is no guarantee as to the number of shares that may be repurchased by Trustmark, and Trustmark may discontinue repurchases at any time at Management's discretion. Under this authority, Trustmark repurchased approximately 156 thousand shares of its common stock value at $5.2 million during January 2022.

Liquidity

Liquidity is the 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. Consistent cash flows from operations and adequate capital provide internally generated liquidity. Furthermore, Management maintains funding capacity from a variety of external sources to meet daily funding needs, such as those required to meet deposit withdrawals, loan disbursements and security settlements. Liquidity strategy also includes the use of wholesale funding sources to provide for the seasonal fluctuations of deposit and loan demand and the cyclical fluctuations of the economy that impact the availability of funds. Management keeps excess funding capacity available to meet potential demands associated with adverse circumstances.

The asset side of the balance sheet provides liquidity primarily through maturities and cash flows from loans and securities as well as the ability to sell certain loans and securities while the liability portion of the balance sheet provides liquidity primarily through noninterest and interest-bearing deposits. Trustmark utilizes federal funds purchased, FHLB advances, securities sold under repurchase agreements as well as the Discount Window and, on a limited basis as discussed below, brokered deposits to provide additional liquidity. Access to these additional sources represents Trustmark's incremental borrowing capacity.

Trustmark's liquidity position is continuously monitored and adjustments are made to manage the balance as deemed appropriate. Liquidity risk management is an important element to Trustmark's asset/liability management process. Trustmark regularly models liquidity stress scenarios to assess potential liquidity outflows or funding problems resulting from economic disruptions or other significant occurrences as deemed appropriate by Management. These scenarios are incorporated into Trustmark's contingency funding plan, which provides the basis for the identification of its liquidity needs.

Deposit accounts represent Trustmark's largest funding source. Average deposits totaled to $14.538 billion for 2021 and represented approximately 85.2% of average liabilities and shareholders' equity, compared to average deposits of $12.916 billion, which represented 84.8% of average liabilities and shareholders' equity for 2020.

Trustmark had $2.064 billion held in an interest-bearing account at the FRBA at December 31, 2021, compared to $1.718 billion at December 31, 2020.

Trustmark utilizes a limited amount of brokered deposits to supplement other wholesale funding sources. At December 31, 2021, brokered sweep Money Market Deposit Account (MMDA) deposits totaled $29.6 million compared to $28.1 million at December 31, 2020.

At December 31, 2021 and 2020, Trustmark had no upstream federal funds purchased. Trustmark maintains adequate federal funds lines to provide sufficient short-term liquidity.

Trustmark maintains a relationship with the FHLB of Dallas, which provided no outstanding short-term or long-term advances at December 31, 2021 and 2020. Trustmark had no letters of credit outstanding with the FHLB of Dallas at December 31, 2021, compared to $600.0 million in outstanding letters of credit at December 31, 2020. Under the existing borrowing agreement, Trustmark had sufficient qualifying collateral to increase FHLB advances with the FHLB of Dallas by $3.449 billion at December 31, 2021.

In addition, at December 31, 2021, Trustmark had no short-term and $97 thousand in long-term FHLB advances outstanding with the FHLB of Atlanta, which were acquired in the BancTrust merger, compared to $625 thousand in short-term and $116 thousand in

long-term FHLB advances outstanding at December 31, 2020. Trustmark has non-member status and thus no additional borrowing capacity with the FHLB of Atlanta.

Additionally, Trustmark has the ability to leverage its unencumbered investment securities as collateral. At December 31, 2021, Trustmark had approximately $751.0 million available in unencumbered Treasury and agency securities compared to $560.0 million at December 31, 2020.

Another borrowing source is the Discount Window. At December 31, 2021, Trustmark had approximately $876.8 million available in collateral capacity at the Discount Window primarily from pledges of commercial and industrial LHFI, compared with $893.5 million at December 31, 2020.

Additionally, on March 15, 2020, in response to the COVID-19 pandemic, the FRB reduced reserve requirements for insured depository institutions to zero percent, which increased TNB's available liquidity.

During the fourth quarter of 2020, Trustmark agreed to issue and sell $125.0 million aggregate principal amount of its 3.625% fixed-to-floating rate subordinated notes. The subordinated notes were sold at an underwriting discount of 1.2%, resulting in net proceeds to Trustmark of $123.5 million before deducting offering expenses. At December 31, 2021 and 2020, the carrying amount of the subordinated notes was $123.0 million and $122.9 million, respectively. The subordinated notes mature December 1, 2030 and are redeemable at Trustmark's option under certain circumstances. The subordinated notes are unsecured obligations and are subordinated in right of payment to all of Trustmark's existing and future senior indebtedness, whether secured or unsecured. The subordinated notes are obligations of Trustmark only and are not obligations of, and are not guaranteed by, any of its subsidiaries, including TNB. Trustmark intends to use the net proceeds for general corporate purposes.

During 2006, Trustmark completed a private placement of $60.0 million of trust preferred securities through a newly formed Delaware trust affiliate, the Trust. The trust preferred securities mature September 30, 2036 and are redeemable at Trustmark's option. The proceeds from the sale of the trust preferred securities were used by the Trust to purchase $61.9 million in aggregate principal amount of Trustmark's junior subordinated debentures.

The Board of Directors of Trustmark currently has the authority to issue up to 20.0 million preferred shares with no par value. The ability to issue preferred shares in the future will provide Trustmark with additional financial and management flexibility for general corporate and acquisition purposes. At December 31, 2021, Trustmark had no shares of preferred stock issued and outstanding.

Management believes that Trustmark has sufficient liquidity and capital resources to meet presently known cash flow requirements arising from ongoing business transactions. As of December 31, 2021, Management is not aware of any events that are reasonable likely to have a material adverse effect on our liquidity, capital resources or operations. In addition, Management is not aware of any regulatory recommendations regarding liquidity that would have a material adverse effect on Trustmark.

In the ordinary course of business, Trustmark has entered into contractual obligation and have made other commitments to make future payments. Please refer to the accompanying notes to the consolidated financial statements included in Part II. Item 8. – Financial Statements and Supplementary Data of this report for the expected timing of such payments as of December 31, 2021. These include payments related to (i) short-term and long-term borrowings (Note 12 – Borrowings), (ii) operating and finance leases (Note 10 – Leases), (iii) time deposits with stated maturity dates (Note 11 – Deposits) and (iv) commitments to extend credit and standby letters of credit (Note 17 – Commitments and Contingencies).

Asset/Liability Management

Overview

Market risk reflects the potential risk of loss arising from adverse changes in interest rates and market prices. Trustmark has risk management policies to monitor and limit exposure to market risk. Trustmark's primary market risk is interest rate risk created by core banking activities. Interest rate risk is the potential variability of the income generated by Trustmark's financial products or services, which results from changes in various market interest rates. Market rate changes may take the form of absolute shifts, variances in the relationships between different rates and changes in the shape or slope of the interest rate term structure.

On March 5, 2021, the United Kingdom's Financial Conduct Authority, which regulates LIBOR, confirmed that the publication of most LIBOR term rates will end on June 20, 2023 (excluding one-week U.S. LIBOR and two-month U.S. LIBOR, the publication of which ended on December 31, 2021). Trustmark has a significant number of loans, derivative contracts, borrowings and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. The transition from LIBOR could create considerable costs and additional risk. Trustmark cannot predict what the ultimate impact of the transition from LIBOR will be;

however, failure to adequately manage the transition could have a material adverse effect on Trustmark's business, financial condition and results of operations. For additional information regarding the transition from LIBOR and Trustmark's management of this transition, please see the respective risk factor included in Part I. Item 1A. – Risk Factors of this report.

Management continually develops and applies cost-effective strategies to manage these risks. Management's Asset/Liability Committee sets the day-to-day operating guidelines, approves strategies affecting net interest income and coordinates activities within policy limits established by the Board of Directors of Trustmark. A key objective of the asset/liability management program is to quantify, monitor and manage interest rate risk and to assist Management in maintaining stability in the net interest margin under varying interest rate environments.

Derivatives

Trustmark uses financial derivatives for management of interest rate risk. Management's Asset/Liability Committee, in its oversight role for the management of interest rate risk, approves the use of derivatives in balance sheet hedging strategies. The most common derivatives employed by Trustmark are interest rate lock commitments, forward contracts (both futures contracts and options on futures contracts), interest rate swaps, interest rate caps and interest rate floors. As a general matter, the values of these instruments are designed to be inversely related to the values of the assets that they hedge (*i.e*., if the value of the hedged asset falls, the value of the related hedge rises). In addition, Trustmark has entered into derivatives contracts as counterparty to one or more customers in connection with loans extended to those customers. These transactions are designed to hedge interest rate, currency or other exposures of the customers and are not entered into by Trustmark for speculative purposes. Increased federal regulation of the derivatives markets may increase the cost to Trustmark to administer derivatives programs.

Derivatives Not Designated as Hedging Instruments

As part of Trustmark's risk management strategy in the mortgage banking business, various derivative instruments such as interest rate lock commitments and forward sales contracts are utilized. Rate lock commitments are residential mortgage loan commitments with customers, which guarantee a specified interest rate for a specified period of time. Trustmark's obligations under forward contracts consist of commitments to deliver mortgage loans, originated and/or purchased, in the secondary market at a future date. The gross notional amount of Trustmark's off-balance sheet obligations under these derivative instruments totaled $378.6 million at December 31, 2021, with a positive valuation adjustment of $1.8 million, compared to $706.8 million, with a positive valuation adjustment of $6.4 million at December 31, 2020.

Trustmark utilizes a portfolio of exchange-traded derivative instruments, such as Treasury note futures contracts and option contracts, to achieve a fair value return that economically hedges changes in fair value of the MSR attributable to interest rates. These transactions are considered freestanding derivatives that do not otherwise qualify for hedge accounting under GAAP. The total notional amount of these derivative instruments was $409.5 million at December 31, 2021 compared to $326.5 million at December 31, 2020. These exchange-traded derivative instruments are accounted for at fair value with changes in the fair value recorded as noninterest income in mortgage banking, net and are offset by the changes in the fair value of the MSR. The MSR fair value represents the present value of future cash flows, which among other things includes decay and the effect of changes in interest rates. Ineffectiveness of hedging the MSR fair value is measured by comparing the change in value of hedge instruments to the change in the fair value of the MSR asset attributable to changes in interest rates and other market driven changes in valuation inputs and assumptions. The impact of this strategy resulted in a net positive ineffectiveness of $2.5 million for the year ended December 31, 2021, compared to a net positive ineffectiveness of $7.8 million for the year ended December 31, 2020 and a net negative ineffectiveness of $11.5 million for the year ended December 31, 2019.

Trustmark offers certain interest rate derivatives products directly to qualified commercial lending clients seeking to manage their interest rate risk under loans they have entered into with TNB. Trustmark economically hedges interest rate swap transactions executed with commercial lending clients by entering into offsetting interest rate swap transactions with institutional derivatives market participants. Derivatives transactions executed as part of this program are not designated as qualifying hedging relationships under GAAP and are, therefore, carried on Trustmark's financial statements at fair value with the change in fair value recorded as noninterest income in bank card and other fees. Because these derivatives have mirror-image contractual terms, in addition to collateral provisions which mitigate the impact of non-performance risk, the changes in fair value are expected to substantially offset. The Chicago Mercantile Exchange rules legally characterize variation margin collateral payments made or received for centrally cleared interest rate swaps as settlements rather than collateral. As a result, centrally cleared interest rate swaps included in other assets and other liabilities are presented on a net basis in the accompanying consolidated balance sheets. At December 31, 2021, Trustmark had interest rate swaps with an aggregate notional amount of $1.225 billion related to this program, compared to $1.125 billion at December 31, 2020.

Credit-Risk-Related Contingent Features

Trustmark has agreements with its financial institution counterparties that contain provisions where if Trustmark defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then Trustmark could also be deemed to be in default on its derivatives obligations.

At December 31, 2021 and 2020, the termination value of interest rate swaps in a liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $655 thousand and $1.3 million, respectively. At December 31, 2021, Trustmark had posted collateral of $850 thousand against its obligations because of negotiated thresholds and minimum transfer amounts under these agreements. If Trustmark had breached any of these triggering provisions at December 31, 2021, it could have been required to settle its obligations under the agreements at the termination value (which is expected to approximate fair market value).

Credit risk participation agreements arise when Trustmark contracts with other financial institutions, as a guarantor or beneficiary, to share credit risk associated with certain interest rate swaps. These agreements provide for reimbursement of losses resulting from a third-party default on the underlying swap. At December 31, 2021, Trustmark had entered into six risk participation agreements as a beneficiary with and aggregate notional amount of $52.0 million compared to three risk participation agreements as a beneficiary with an aggregate notional amount of $41.1 million at December 31, 2020. At both December 31, 2021 and 2020, Trustmark had entered into twenty-four risk participation agreements as a guarantor with an aggregate notional amount of $173.5 million and $172.0 million, respectively. The aggregate fair values of these risk participation agreements were immaterial at December 31, 2021 and 2020.

Trustmark's participation in the derivatives markets is subject to increased federal regulation of these markets. Trustmark believes that it may continue to use financial derivatives to manage interest rate risk and also to offer derivatives products to certain qualified commercial lending clients in compliance with the Volcker Rule. However, the increased federal regulation of the derivatives markets has increased the cost to Trustmark of administering its derivatives programs. Some of these costs (particularly compliance costs related to the Volcker Rule and other federal regulations) are expected to recur in the future.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market/Interest Rate Risk Management

The primary purpose in managing interest rate risk is to invest capital effectively and preserve the value created by the core banking business. This is accomplished through the development and implementation of lending, funding, pricing and hedging strategies designed to maximize net interest income performance under varying interest rate environments subject to specific liquidity and interest rate risk guidelines.

Financial simulation models are the primary tools used by Management's Asset/Liability Committee to measure interest rate exposure. Using a wide range of scenarios, Management is provided with extensive information on the potential impact on 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.

Based on the results of the simulation models using static balances, the table below summarizes the effect various one-year interest rate shift scenarios would have on net interest income compared to a base case, flat scenario at December 31, 2021 and 2020. At December 31, 2021 and 2020, the impact of a 200-basis point drop scenario was not calculated due to the low interest rate environment.

	Estimated % Change in Net Interest Income	
Change in Interest Rates	2021	2020
+200 basis points	20.1%	20.4%
+100 basis points	9.7%	10.8%
-100 basis points	-6.7%	-5.7%

Management cannot provide any assurance about the actual effect of changes in interest rates on net interest income. The estimates provided do not include the effects of possible strategic changes in the balances of various assets and liabilities throughout 2022 or additional actions Trustmark could undertake in response to changes in interest rates. Management will continue to prudently manage the balance sheet in an effort to control interest rate risk and maintain profitability over the long term.

Another component of interest rate risk management is measuring the economic value-at-risk for a given change in market interest rates. The economic value-at-risk may indicate risks associated with longer-term balance sheet items that may not affect net interest income at risk over shorter time periods. Trustmark uses computer-modeling techniques to determine the present value of all asset and liability cash flows (both on- and off-balance sheet), adjusted for prepayment expectations, using a market discount rate. The economic value of equity (EVE), also known as net portfolio value, is defined as the difference between the present value of asset cash flows and the present value of liability cash flows. The resulting change in EVE in different market rate environments, from the base case scenario, is the amount of EVE at risk from those rate environments.

The following table summarizes the effect that various interest rate shifts would have on net portfolio value at December 31, 2021 and 2020. Based upon quarter-end current and implied market rates, scenarios reflecting lower rates could result in negative interest rates. The U.S. has never experienced an interest rate environment where the FRB has a negative interest rate policy. While the impact of negative interest rates on earnings-at-risk would vary by scenario, a parallel shift downward would be expected to negatively impact net interest income. However, in a negative interest rate environment, the modeling assumptions used for certain assets and liabilities require additional management judgment and therefore, the actual outcomes may differ from the modeled assumptions. At December 31, 2021 and 2020, the results of the 100-basis point drop scenario and the 200-basis point drop scenario were excluded from the table below due to the low interest rate environment.

	Estimated % Change in Net Portfolio Value	
Change in Interest Rates	2021	2020
+200 basis points	10.1 %	22.1 %
+100 basis points	5.9 %	12.7 %

Trustmark determines the fair value of the MSR 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, 2021, the MSR fair value was $87.7 million, compared to $66.5 million at December 31, 2020. The impact on the MSR fair value of a 10% adverse change in prepayment speeds or a 100 basis point increase in discount rates at December 31, 2021, would be a decline in fair value of approximately $4.4 million and $3.2 million, respectively, compared to a decline in fair value of approximately $4.3 million and $2.4 million, respectively, at December 31, 2020. Changes of equal magnitude in the opposite direction would produce similar increases in fair value in the respective amounts.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors of Trustmark Corporation
Jackson, Mississippi

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Trustmark Corporation and subsidiaries (the "Corporation") as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). We also have audited the Corporation's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Corporation has changed its method of accounting for credit losses effective January 1, 2020 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 326, Financial Instruments - Credit Losses (ASC 326). The Corporation adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles.

Basis for Opinions

The Corporation's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Corporation's financial statements and an opinion on the Corporation's internal control over financial reporting based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the

company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

Allowance for Credit Losses, LHFI Reasonable and Supportable Forecasts

As described in Note 1 - Significant Accounting Policies and Note 4 – LHFI and Allowance for Credit Losses, LHFI to the consolidated financial statements, the Corporation uses a third-party software application to calculate the quantitative portion of the allowance for credit losses which employs a discounted cash flow (DCF) or weighted average remaining maturity (WARM) method by loan pool. A reasonable and supportable forecast is developed through a Loss Driver Analysis (LDA) by loan class. The LDA is performed by the Corporation's third-party service provider and uses charge off data from Trustmark National Bank's Federal Financial Institutions Examination Council (FFIEC) reports to construct a periodic default rate (PDR). The PDR is decomposed into a probability of default (PD). Regressions are run using the data for various macroeconomic variables in order to determine which correlate to the Corporation's losses. These variables are then incorporated into the application to calculate a quarterly PD using a third-party baseline forecast. Loss given default (LGD) is derived from a method that traces the relationship between LGD and PD over a period of time and projects LGD based on the PD forecast. This model approach is applicable to all pools within the construction, land development and other land, other secured by 1-4 family residential properties, secured by nonfarm, nonresidential properties and other real estate secured loan classes, as well as all other consumer and other loans pools.

The Corporation determined that reasonable and supportable forecasts could be made for a twelve-month period for all of its loan pools in which models were developed through the LDA. To the extent the lives of the loans in the LHFI portfolio extend beyond this forecast period, Trustmark uses a reversion period of four quarters and reverts to the historical mean on a straight-line basis over the remaining life of the loans.

Estimating reasonable and supportable forecasts requires significant judgment and could have a material effect on the Company's financial statements. Management leverages economic projections from an independent third party for its forecasts over the forecast period. We identified auditing the reasonableness of forecasts, including the LDA, as a critical audit matter as it involves especially subjective auditor judgment and increased audit effort, including the involvement of specialists.

The primary audit procedures we performed to address this critical audit matter included the following:

Tested the effectiveness of controls over the LDA and reasonable and supportable forecast including:

- Relevance and reliability of the underlying data including FFIEC data
- Model validation performed by a third-party specialist
- Reasonableness of significant assumptions and judgments applied in the forecast and results of the calculation

Performed substantive testing over the LDA and reasonable and supportable forecast including:

- Tested relevance and reliability of underlying data including FFIEC data
- Utilized the work of internal specialists to assist in evaluating the appropriateness and mathematical accuracy of the LDA, methodologies applied, and the relevance and reliability of data used in the development of the forecast models
- Evaluated the reasonableness of significant assumptions and judgments

We have served as the Corporation's auditor since 2015, which is the year the engagement letter was signed for the audit of the 2016 financial statements.

/s/ Crowe LLP

Atlanta, Georgia
February 17, 2022

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

	December 31, 2021	December 31, 2020
Assets		
Cash and due from banks	$ 2,266,829	$ 1,952,504
Federal funds sold and securities purchased under reverse repurchase agreements	—	50
Securities available for sale, at fair value (amortized cost: $3,256,289-2021; $1,959,773-2020; allowance for credit losses (ACL): $0)	3,238,877	1,991,815
Securities held to maturity, net of ACL of $0 (fair value: $353,511-2021; $563,115-2020)	342,537	538,072
Paycheck Protection Program (PPP) loans	33,336	610,134
Loans held for sale (LHFS)	275,706	446,951
Loans held for investment (LHFI)	10,247,829	9,824,524
Less ACL, LHFI	99,457	117,306
Net LHFI	10,148,372	9,707,218
Premises and equipment, net	205,644	194,278
Mortgage servicing rights (MSR)	87,687	66,464
Goodwill	384,237	385,270
Identifiable intangible assets, net	5,074	7,390
Other real estate	4,557	11,651
Operating lease right-of-use assets	34,603	30,901
Other assets	568,177	609,142
Total Assets	$ 17,595,636	$ 16,551,840
Liabilities		
Deposits:		
Noninterest-bearing	$ 4,771,065	$ 4,349,010
Interest-bearing	10,316,095	9,699,754
Total deposits	15,087,160	14,048,764
Federal funds purchased and securities sold under repurchase agreements	238,577	164,519
Other borrowings	91,025	168,252
Subordinated notes	123,042	122,921
Junior subordinated debt securities	61,856	61,856
ACL on off-balance sheet credit exposures	35,623	38,572
Operating lease liabilities	36,468	32,290
Other liabilities	180,574	173,549
Total Liabilities	15,854,325	14,810,723
Shareholders' Equity		
Common stock, no par value:		
Authorized: 250,000,000 shares		
Issued and outstanding: 61,648,679 shares - 2021; 63,424,526 shares - 2020	12,845	13,215
Capital surplus	175,913	233,120
Retained earnings	1,585,113	1,495,833
Accumulated other comprehensive income (loss), net of tax	(32,560)	(1,051)
Total Shareholders' Equity	1,741,311	1,741,117
Total Liabilities and Shareholders' Equity	$ 17,595,636	$ 16,551,840

See notes to consolidated financial statements.

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

	Years Ended December 31,		
	2021	2020	2019
Interest Income			
Interest and fees on LHFS & LHFI	$ 363,772	$ 390,803	$ 440,156
Interest and fees on PPP loans	36,726	26,643	—
Interest and fees on acquired loans *(1)*	—	—	8,373
Interest on securities:			
Taxable	38,698	48,250	54,649
Tax exempt	548	1,079	1,711
Interest on federal funds sold and securities purchased under reverse repurchase agreements	—	1	240
Other interest income	2,767	1,559	5,363
Total Interest Income	442,511	468,335	510,492
Interest Expense			
Interest on deposits	16,945	37,487	79,171
Interest on federal funds purchased and securities sold under repurchase agreements	232	755	1,420
Other interest expense	6,983	3,556	3,312
Total Interest Expense	24,160	41,798	83,903
Net Interest Income	418,351	426,537	426,589
Provision for credit losses (PCL), LHFI *(1)*	(21,499)	36,113	10,797
PCL, off-balance sheet credit exposures *(2)*	(2,949)	8,934	—
Provision for loan losses, acquired loans *(1)*	—	—	42
Net Interest Income After PCL	442,799	381,490	415,750
Noninterest Income			
Service charges on deposit accounts	33,246	32,289	42,603
Bank card and other fees	34,662	31,022	31,736
Mortgage banking, net	63,750	125,822	29,822
Insurance commissions	48,511	45,176	42,396
Wealth management	35,190	31,625	30,679
Other, net	6,551	8,659	9,809
Total Noninterest Income	221,910	274,593	187,045
Noninterest Expense *(2)*			
Salaries and employee benefits	284,158	272,257	247,717
Services and fees	89,463	83,816	73,315
Net occupancy - premises	27,043	26,489	26,149
Equipment expense	24,337	23,277	23,733
Other real estate expense, net	3,528	1,956	3,906
Other expense	60,767	58,506	54,182
Total Noninterest Expense	489,296	466,301	429,002
Income Before Income Taxes	175,413	189,782	173,793
Income taxes	28,048	29,757	23,333
Net Income	$ 147,365	$ 160,025	$ 150,460
Earnings Per Share			
Basic	$ 2.35	$ 2.52	$ 2.33
Diluted	$ 2.34	$ 2.51	$ 2.32

(1)Effective January 1, 2020, Trustmark adopted FASB ASU 2016-13 using the modified retrospective approach. Therefore, prior period balances are presented under legacy GAAP and may not be comparable to current period presentation.
(2)During 2021, Trustmark reclassified its credit loss expense on off-balance sheet credit exposures from noninterest expense to PCL, off-balance sheet credit exposures. Prior periods have been reclassified accordingly.

See notes to consolidated financial statements.

Trustmark Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
($ in thousands)

	Years Ended December 31,		
	2021	2020	2019
Net income per consolidated statements of income	$ 147,365	$ 160,025	$ 150,460
Other comprehensive income (loss), net of tax:			
Net unrealized gains (losses) on available for sale securities and transferred securities:			
Net unrealized holding gains (losses) arising during the period	(37,090)	22,965	33,103
Change in net unrealized holding loss on securities transferred to held to maturity	1,985	2,383	2,704
Pension and other postretirement benefit plans:			
Change in the actuarial loss of pension and other postretirement benefit plans	2,134	(3,846)	(4,278)
Reclassification adjustments for changes realized in net income:			
Net change in prior service costs	84	112	187
Recognized net loss due to lump sum settlements	137	89	235
Change in net actuarial loss	1,241	846	597
Derivatives:			
Change in the accumulated gain (loss) on effective cash flow hedge derivatives	—	—	(109)
Reclassification adjustment for (gain) loss realized in net income	—	—	(360)
Other comprehensive income (loss), net of tax	(31,509)	22,549	32,079
Comprehensive income	$ 115,856	$ 182,574	$ 182,539

See notes to consolidated financial statements.

Trustmark Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
($ in thousands, except per share data)

	Common Stock					
	Shares Outstanding	Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2019	65,834,395	$ 13,717	$ 309,545	$ 1,323,870	$ (55,679)	$ 1,591,453
Net income per consolidated statements of income	—	—	—	150,460	—	150,460
Other comprehensive income (loss), net of tax	—	—	—	—	32,079	32,079
Cash dividends paid on common stock ($0.92 per share)	—	—	—	(59,804)	—	(59,804)
Shares withheld to pay taxes, long-term incentive plan	134,564	28	(1,686)	—	—	(1,658)
Repurchase and retirement of common stock	(1,768,848)	(369)	(56,246)	—	—	(56,615)
Compensation expense, long-term incentive plan	—	—	4,787	—	—	4,787
Balance, December 31, 2019	64,200,111	13,376	256,400	1,414,526	(23,600)	1,660,702
FASB ASU 2016-13 adoption adjustment	—	—	—	(19,949)	—	(19,949)
Net income per consolidated statements of income	—	—	—	160,025	—	160,025
Other comprehensive income (loss), net of tax	—	—	—	—	22,549	22,549
Cash dividends paid on common stock ($0.92 per share)	—	—	—	(58,769)	—	(58,769)
Shares withheld to pay taxes, long-term incentive plan	111,373	23	(1,123)	—	—	(1,100)
Repurchase and retirement of common stock	(886,958)	(184)	(27,354)	—	—	(27,538)
Compensation expense, long-term incentive plan	—	—	5,197	—	—	5,197
Balance, December 31, 2020	63,424,526	13,215	233,120	1,495,833	(1,051)	1,741,117
Net income per consolidated statements of income	—	—	—	147,365	—	147,365
Other comprehensive income (loss), net of tax	—	—	—	—	(31,509)	(31,509)
Cash dividends paid on common stock ($0.92 per share)	—	—	—	(58,085)	—	(58,085)
Shares withheld to pay taxes, long-term incentive plan	133,907	28	(1,407)	—	—	(1,379)
Repurchase and retirement of common stock	(1,909,754)	(398)	(61,401)	—	—	(61,799)
Compensation expense, long-term incentive plan	—	—	5,601	—	—	5,601
Balance, December 31, 2021	61,648,679	$ 12,845	$ 175,913	$ 1,585,113	$ (32,560)	$ 1,741,311

See notes to consolidated financial statements.

Trustmark Corporation and Subsidiaries
Consolidated Statements of Cash Flows
($ in thousands)

	Years Ended December 31,		
	2021	2020	2019
Operating Activities			
Net income per consolidated statements of income	$ 147,365	$ 160,025	$ 150,460
Adjustments to reconcile net income to net cash provided by operating activities:			
Credit loss expense, net *(1)*	(24,448)	45,047	10,839
Depreciation and amortization	45,813	41,325	39,420
Net amortization of securities	20,310	13,247	7,789
Gains on sales of loans, net	(70,954)	(94,986)	(27,301)
Compensation expense, long-term incentive plan	5,601	5,197	4,787
Deferred income tax provision	20,115	(19,800)	(3,880)
Proceeds from sales of LHFS	2,357,108	2,627,122	1,431,003
Purchases and originations of LHFS	(2,171,605)	(2,668,642)	(1,480,752)
Originations of MSR	(28,125)	(29,805)	(16,711)
Earnings on bank-owned life insurance	(4,853)	(5,099)	(5,592)
Net change in other assets	42,400	(49,653)	(30,729)
Net change in other liabilities	19,645	13,669	13,276
Other operating activities, net	(9,601)	27,699	23,838
Net cash from operating activities	348,771	65,346	116,447
Investing Activities			
Proceeds from maturities, prepayments and calls of securities held to maturity	197,091	201,888	173,385
Proceeds from maturities, prepayments and calls of securities available for sale	835,200	680,294	425,260
Purchases of securities available for sale	(2,150,935)	(1,051,014)	(177,739)
Net proceeds from bank-owned life insurance	1,772	3,280	4,140
Net change in federal funds sold and securities purchased under reverse repurchase agreements	50	(50)	830
Net change in member bank stock	(1,220)	269	262
Net change in loans	(197,800)	(1,027,924)	(480,295)
Proceeds from sales of PPP loans	353,287	—	—
Purchases of premises and equipment	(27,360)	(22,577)	(17,327)
Proceeds from sales of premises and equipment	961	2,803	3,248
Proceeds from sales of other real estate	5,064	17,343	11,182
Purchases of software	(3,836)	(8,252)	(13,412)
Investments in tax credit and other partnerships	(17,288)	(5,844)	(3,426)
Purchase of insurance book of business	—	(3,097)	(347)
Net cash used in business acquisition	—	(4,834)	—
Net cash from investing activities	(1,005,014)	(1,217,715)	(74,239)
Financing Activities			
Net change in deposits	1,038,396	2,803,207	(118,854)
Net change in federal funds purchased and securities sold under repurchase agreements	74,058	(91,501)	205,549
Net change in other borrowings	(19,189)	473	493
Payments under finance lease obligations	(1,434)	(1,715)	(1,964)
Proceeds from subordinated notes	—	122,900	—
Common stock dividends	(58,085)	(58,769)	(59,804)
Repurchase and retirement of common stock	(61,799)	(27,538)	(56,615)
Shares withheld to pay taxes, long-term incentive plan	(1,379)	(1,100)	(1,658)
Net cash from financing activities	970,568	2,745,957	(32,853)
Net change in cash and cash equivalents	314,325	1,593,588	9,355
Cash and cash equivalents at beginning of year	1,952,504	358,916	349,561
Cash and cash equivalents at end of year	$ 2,266,829	$ 1,952,504	$ 358,916

(1)Effective January 1, 2020, Trustmark adopted FASB ASU 2016-13 using the modified retrospective approach. Therefore, prior period balances are presented under legacy GAAP and may not be comparable to current period presentation.

See notes to consolidated financial statements.

Note 1 – Significant Accounting Policies

Business

Trustmark Corporation (Trustmark) is a bank holding company headquartered in Jackson, Mississippi. Through its subsidiaries, Trustmark operates as a financial services organization providing banking and financial solutions to corporate institutions and individual customers through 180 offices in Alabama, Florida, Mississippi, Tennessee and Texas.

Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of Trustmark and all other entities in which Trustmark has a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with these accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and income and expense during the reporting periods and the related disclosures. Although Management's estimates contemplate current conditions and how they are expected to change in the future, it is reasonably possible that in 2022 actual conditions could vary from those anticipated, which could affect Trustmark's financial condition and results of operations. Actual results could differ from those estimates.

Securities

Securities are classified as either held to maturity or available for sale. Securities are classified as held to maturity and carried at amortized cost when Management has the positive intent and the ability to hold them until maturity. Securities to be held for indefinite periods of time are classified as available for sale and carried at fair value, with the unrealized holding gains and losses reported as a component of other comprehensive income (loss), net of tax. Securities available for sale are used as part of Trustmark's interest rate risk management strategy and may be sold in response to changes in interest rates, changes in prepayment rates and other factors. Management determines the appropriate classification of securities at the time of purchase.

The amortized cost of debt securities classified as securities held to maturity or securities available for sale is adjusted for amortization of premiums and accretion of discounts to maturity of the security using the interest method. Such amortization or accretion is included in interest on securities. Realized gains and losses are determined using the specific identification method and are included in noninterest income as securities gains (losses), net.

Securities transferred from the available for sale category to the held to maturity category are recorded at fair value at the date of transfer. Unrealized holding gains or losses associated with the transfer of securities from available for sale to held to maturity are included in the balance of accumulated other comprehensive income (loss), net of tax, in the consolidated balance sheets. These unrealized holding gains or losses are amortized over the remaining life of the security as a yield adjustment in a manner consistent with the amortization or accretion of the original purchase premium or discount on the associated security.

Allowance for Credit Losses (ACL)

Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," was adopted by Trustmark on January 1, 2020. FASB Accounting Standard Codification (ASC) Topic 326 requires a current expected credit losses methodology for estimating allowances for credit losses and applies to all financial instruments carried at amortized cost, including securities held to maturity, and makes targeted improvements to the accounting for credit losses on securities available for sale.

Under FASB ASC Topic 326, the ACL is an estimate measured using relevant information about past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets.

Trustmark adopted a zero-credit loss assumption for certain classes of securities. This zero-credit loss assumption applies to debt issuances of the U.S. Treasury and agencies and instrumentalities of the United States government. The reasons behind the adoption of the zero-credit loss assumption were as follows:

- High credit rating
- Long history with no credit losses
- Guaranteed by a sovereign entity
- Widely recognized as "risk-free rate"

- Can print its own currency
- Currency is routinely held by central banks, used in international commerce, and commonly viewed as reserve currency
- Currently under the U.S. Government conservatorship or receivership

Trustmark continuously monitors any changes in economic conditions, credit downgrades, changes to explicit or implicit guarantees granted to certain debt issuers, and any other relevant information that would indicate potential credit deterioration and prompt Trustmark to reconsider its zero-credit loss assumption.

Securities Available for Sale

FASB ASC Subtopic 326-30, "Financial Instruments-Credit Losses-Available-for-Sale Debt Securities," replaced the concept of other-than-temporarily impaired with the ACL. Unlike securities held to maturity, securities available for sale are evaluated on an individual level and pooling of securities is not allowed.

Quarterly, Trustmark evaluates if any security has a fair value less than its amortized cost. Once these securities are identified, in order to determine whether a decline in fair value resulted from a credit loss or other factors, Trustmark performs further analysis as outlined below:

- Review the extent to which the fair value is less than the amortized cost and observe the security's lowest credit rating as reported by third-party credit ratings companies.
- The securities that violate the credit loss triggers above would be subjected to additional analysis that may include, but is not limited to: changes in market interest rates, changes in securities credit ratings, security type, service area economic factors, financial performance of the issuer/or obligor of the underlying issue and third-party guarantee.
- If Trustmark determines that a credit loss exists, the credit portion of the allowance will be measured using a discounted cash flow (DCF) analysis using the effective interest rate as of the security's purchase date. The amount of credit loss Trustmark records will be limited to the amount by which the amortized cost exceeds the fair value.

The DCF analysis utilizes contractual maturities, as well as third-party credit ratings and cumulative default rates published annually by Moody's Investor Service (Moody's).

Accrued interest receivable is excluded from the estimate of credit losses for securities available for sale and reported in other assets on the consolidated balance sheets.

Securities Held to Maturity

FASB ASC Subtopic 326-20, "Financial Instruments-Credit Losses-Measured at Amortized Cost," requires institutions to measure expected credit losses on financial assets carried at amortized cost on a collective or pool basis when similar risks exist. Trustmark uses several levels of segmentation to measure expected credit losses for its held to maturity securities:

- The portfolio is segmented into agency and non-agency securities.
- The non-agency securities are separated into municipal, mortgage, and corporate securities.

Each individual segment is categorized by third-party credit ratings.

As discussed above, Trustmark has determined that for certain classes of securities it would be appropriate to assume the expected credit loss to be zero, which include debt issuances of the U.S. Treasury and agencies and instrumentalities of the United States government. This assumption is reviewed and attested to quarterly. Trustmark uses an internally built model to verify the accuracy of third-party provided calculations.

Accrued interest receivable is excluded from the estimate of credit losses for securities held to maturity and included in other assets on the consolidated balance sheets.

Trustmark monitors the credit quality of securities held to maturity on a monthly basis through credit ratings.

Loans Held for Sale (LHFS)

Primarily, all mortgage loans purchased from wholesale customers or originated in Trustmark's General Banking Segment are considered to be held for sale. In certain circumstances, Trustmark will retain a mortgage loan in its portfolio based on banking relationships or certain investment strategies. Trustmark has elected to account for its LHFS under the fair value option permitted by FASB ASC Topic 825, "Financial Instruments," with interest income on the LHFS reported in interest and fees on LHFS and LHFI. Trustmark reports unrealized gains and losses resulting from changes in the fair value of the LHFS accounted for under the fair value option as noninterest income in mortgage banking, net. LHFS are actively managed and monitored and certain market risks of the loans may be mitigated through the use of derivatives. These derivative instruments are carried at fair value with changes in the fair value reported as noninterest income in mortgage banking, net. Changes in the fair value of the LHFS are largely offset by changes in the fair value of the derivative instruments. Election of the fair value option allows Trustmark to reduce the accounting volatility that would otherwise result from the asymmetry created by accounting for its LHFS at the lower of cost or fair value and the derivative instruments at fair value. Realized gains and losses upon ultimate sale of the loans are reported as noninterest income in mortgage banking, net.

Government National Mortgage Association (GNMA) optional repurchase programs allow financial institutions to buy back individual delinquent mortgage loans that meet certain criteria from the securitized loan pool for which the institution provides servicing. At the servicer's option and without GNMA's prior authorization, the servicer may repurchase such a delinquent loan for an amount equal to 100 percent of the remaining principal balance of the loan. Under FASB ASC Topic 860, "Transfers and Servicing," this buy-back option is considered a conditional option until the delinquency criteria are met, at which time the option becomes unconditional. When Trustmark is deemed to have regained effective control over these loans under the unconditional buy-back option, the loans can no longer be reported as sold and must be brought back onto the balance sheet as LHFS, regardless of whether Trustmark intends to exercise the buy-back option. These loans are reported as LHFS with the offsetting liability being reported as short-term borrowings. The fair value option election does not apply to the GNMA optional repurchase loans which do not meet the requirements under FASB ASC Topic 825 to be accounted for under the fair value option.

Trustmark defers the upfront loan fees and costs related to the LHFS. In general, the LHFS are only retained on Trustmark's balance sheet for 30 to 45 days before they are pooled and sold in the secondary market. The difference between deferring these loan fees and costs until the loans are sold and recognizing them in earnings as incurred as required by FASB ASC Subtopic 825-10 is considered immaterial. Deferred loan fees and costs are reflected in the basis of the LHFS and, as such, impact the resulting gain or loss when the loans are sold.

Loans Held for Investment (LHFI)

LHFI are loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off and are reported at amortized cost net of the ACL. Amortized cost is the amount of unpaid principal, adjusted for the net amount of direct costs and nonrefundable loan fees associated with lending. The net amount of nonrefundable loan origination fees and direct costs associated with the lending process, including commitment fees, is deferred and accreted to interest income over the lives of the loans using a method that approximates the interest method. Interest on LHFI is accrued and recorded as interest income based on the outstanding principal balance.

Past due LHFI are loans contractually past due 30 days or more as to principal or interest payments. A LHFI is classified as nonaccrual, and the accrual of interest on such loan is discontinued, when the contractual payment of principal or interest becomes 90 days past due on commercial credits and 120 days past due on non-business purpose credits. In addition, a credit may be placed on nonaccrual at any other time Management has serious doubts about further collectibility of principal or interest according to the contractual terms, even though the loan is currently performing. A LHFI may remain in accrual status if it is in the process of collection and well secured. When a LHFI is placed in nonaccrual status, interest accrued but not received is reversed against interest income. Interest payments received on nonaccrual LHFI are applied against principal under the cost-recovery method, until qualifying for return to accrual status. Under the cost-recovery method, interest income is not recognized until the principal balance is reduced to zero. LHFI are restored to accrual status when the obligation is brought current or has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectibility of the total contractual principal and interest is no longer in doubt.

Troubled Debt Restructuring (TDR)

A TDR occurs when a borrower is experiencing financial difficulties, and for related economic or legal reasons, a concession is granted to the borrower that Trustmark would not otherwise consider. Whatever the form of concession that might be granted by Trustmark, Management's objective is to enhance collectibility by obtaining more cash or other value from the borrower or by increasing the probability of receipt by granting the concession than by not granting it. Other concessions may arise from court proceedings or may be imposed by law. In addition, TDRs also include those credits that are extended or renewed to a borrower who is not able to obtain funds from sources other than Trustmark at a market interest rate for new debt with similar risk.

A formal TDR may include, but is not necessarily limited to, one or a combination of the following situations:

- Trustmark accepts a third-party receivable or other asset(s) of the borrower, in lieu of the receivable from the borrower.
- Trustmark accepts an equity interest in the borrower in lieu of the receivable.
- Trustmark accepts modification of the terms of the debt including but not limited to:
  - Reduction (absolute or contingent) of the stated interest rate to below the current market rate.
  - Extension of the maturity date or dates at a stated interest rate lower than the current market rate for new debt with similar risk.
  - Reduction (absolute or contingent) of the face amount or maturity amount of the debt as stated in the note or other agreement.
  - Reduction (absolute or contingent) of accrued interest.

TDRs are addressed in Trustmark's Loan Policy Manual, and in accordance with that policy, any modifications or concessions that may result in a TDR are subject to a special approval process which allows for control, identification, and monitoring of these arrangements. Prior to granting a concession, a revised borrowing arrangement is proposed which is structured so as to improve collectability of the loan in accordance with a reasonable repayment schedule with any loss promptly identified. It is supported by a thorough evaluation of the borrower's financial condition and prospects for repayment under those revised terms. Other TDRs arising from renewals or extensions of existing debt are routinely identified through the processes utilized in the Problem Loan Committee and in the Credit Quality Review Committee. TDRs are subsequently reported to the Directors' Credit Policy Committee on a quarterly basis and are disclosed in Trustmark's consolidated financial statements in accordance with GAAP and regulatory reporting guidance.

A TDR in which Trustmark receives physical possession of the borrower's assets, regardless of whether formal foreclosure or repossession proceedings take place, is accounted for in accordance with FASB ASC Subtopic 310-40, "Receivables-Troubled Debt Restructurings by Creditors." Thus, the loan is treated as if assets have been received in satisfaction of the loan and reported as a foreclosed asset.

A TDR may be returned to accrual status if Trustmark is reasonably assured of repayment of principal and interest under the modified terms and the borrower has demonstrated sustained performance under those terms for a period of at least six months. Otherwise, the restructured loan must remain on nonaccrual.

Purchased Credit Deteriorated (PCD) Loans

Purchased loans which have experienced more than insignificant credit deterioration since origination are considered PCD loans. An initial ACL for PCD loans is determined at acquisition using the same ACL methodology as the LHFI. The initial ACL determined on a collective basis is allocated to individual loans. PCD loans are reported at the amortized cost, which equals the loan purchased price plus the initial ACL. The difference between the amortized cost basis of the PCD loan and the par value of the loan is the noncredit premium or discount, which is amortized into interest income over the life of the loan. Subsequent changes to the ACL are recorded through the PCL, LHFI.

Upon adoption of FASB ASC Topic 326, Trustmark elected to maintain pools of loans that were previously accounted for under FASB ASC Subtopic 310-30, "Receivables-Loans and Debt Securities Acquired with Deteriorated Credit Quality," and will continue to account for these pools as a unit of account. Loans are only removed from the existing loan pools if they are written off, paid off or sold. Upon adoption of FASB ASC Topic 326, the ACL was determined for each pool and added to the pool's carrying value to establish a new amortized cost basis. The difference between the unpaid principal balance of the pool and the new amortized cost basis is the noncredit premium or discount which will be amortized into interest income over the remaining life of the pool. Changes to the ACL after adoption of FASB ASC Topic 326 are recorded through the PCL, LHFI.

ACL

LHFI

Trustmark's ACL methodology for LHFI is based upon guidance within FASB ASC Subtopic 326-20 as well as regulatory guidance from its primary regulator. The ACL on LHFI is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Credit quality within the LHFI portfolio is continuously monitored by Management and is reflected within the ACL on LHFI. The ACL on LHFI is an estimate of expected losses inherent within Trustmark's existing LHFI portfolio. The ACL on LHFI is adjusted through the PCL, LHFI and reduced by the charge off of loan amounts, net of recoveries.

The loan loss estimation process involves procedures to appropriately consider the unique characteristics of Trustmark's LHFI portfolio segments. These segments are further disaggregated into loan classes, the level at which credit risk is estimated. When computing allowance levels, credit loss assumptions are estimated using a model that categorizes loan pools based on loss history, delinquency status and other credit trends and risk characteristics, including current conditions and reasonable and supportable forecasts about the future. Evaluations of the portfolio and individual credits are inherently subjective, as they require estimates, assumptions and judgments as to the facts and circumstances of particular situations. Determining the appropriateness of the allowance is complex and requires judgement by Management about the effect of matters that are inherently uncertain. In future periods, evaluations of the overall LHFI portfolio, in light of the factors and forecasts then prevailing, may result in significant changes in the allowance and credit loss expense.

Trustmark estimates the ACL on LHFI using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts including the novel coronavirus (COVID-19) pandemic effects. Trustmark uses a third-party software application to calculate the quantitative portion of the ACL on LHFI using a methodology and assumptions specific to each loan pool. The qualitative portion of the allowance is based on general economic conditions and other internal and external factors affecting Trustmark as a whole as well as specific LHFI. Factors considered include the following: lending policies and procedures, economic conditions and concentrations of credit, nature and volume of the portfolio, performance trends, and external factors. The quantitative and qualitative portions of the allowance are added together to determine the total ACL on LHFI, which reflects Management's expectations of future conditions based on reasonable and supportable forecasts.

The methodology for estimating the amount of expected credit losses reported in the ACL on LHFI has two basic components: a collective, or pooled, component for estimated expected credit losses for pools of loans that share similar risk characteristics, and an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans. In estimating the ACL for the collective component, loans are segregated into loan pools based on loan product types and similar risk characteristics.

Trustmark determined that reasonable and supportable forecasts could be made for a twelve-month period for all of its loan pools. To the extent the lives of the loans in the LHFI portfolio extend beyond this forecast period, Trustmark uses a reversion period of four quarters and reverts to the historical mean on a straight-line basis over the remaining life of the loans.

The ACL for individual loans that do not share risk characteristics with other loans is measured as the difference between the discounted value of expected future cash flows, based in the effective interest rate at origination, and the amortized cost basis of the loan, or the net realizable value. The ACL is the difference between the loan's net realizable value and its amortized cost basis (net of previous charge-offs and deferred loan fees and costs), except for collateral-dependent loans. A loan is collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the sale of the collateral. The expected credit loss for collateral-dependent loans is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral, adjusted for the estimated cost to sell. Fair value estimates for collateral-dependent loans are derived from appraised values based on the current market value or the 'as is' value of the collateral, normally from recently received and reviewed appraisals. Current appraisals are ordered on an annual basis based on the inspection date or more often if market conditions necessitate. Appraisals are obtained from state-certified appraisers and are based on certain assumptions, which may include construction or development status and the highest and best use of the property. These appraisals are reviewed by Trustmark's Appraisal Review Department to ensure they are acceptable, and values are adjusted down for costs associated with asset disposal. If the calculated expected credit loss is determined to be permanent or not recoverable, the amount of the expected credit loss is charged off.

Accrued interest receivable is not included in the amortized cost basis of Trustmark's LHFI and, therefore, excluded from the estimate of credit losses for LHFI.

LHFI are charged off against the ACL on LHFI, with any subsequent recoveries credited back to the ACL on LHFI account. Expected recoveries may not exceed the aggregate of amounts previously charged off and expected to be charged off. Trustmark's Loan Policy Manual dictates the guidelines to be followed in determining when a loan is charged off. Commercial purpose LHFI are charged off when a determination is made that the loan is uncollectible and continuance as a bankable asset is not warranted. Consumer LHFI secured by 1-4 family residential real estate are generally charged off or written down to the fair value of the collateral less cost to sell at no later than 180 days of delinquency. Non-real estate consumer purpose LHFI, including both secured and unsecured loans, are generally charged off by 120 days of delinquency. Consumer revolving lines of credit and credit card debt are generally charged off on or prior to 180 days of delinquency.

ACL on Off-Balance Sheet Credit Exposures

Under FASB ASC Subtopic 326-20, Trustmark is required to estimate expected credit losses for off-balance sheet credit exposures which are not unconditionally cancellable. Trustmark maintains a separate ACL on off-balance sheet credit exposures, including unfunded loan commitments and letters of credit.

Expected credit losses for off-balance sheet credit exposures are estimated by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by Trustmark. Trustmark calculates a loan pool level unfunded amount for the period. Trustmark views the loan pools as either closed-ended or open-ended. Closed-ended loan pools are those that typically fund up to 100% such as other construction and nonowner-occupied. Open-ended loan pools are those that behave similar to a revolver such as the commercial and industrial and home equity line of credit loan pools. In addition to the unfunded balances, Trustmark uses a funding rate for loan pools that are considered open-ended. Trustmark calculates the funding rate of the open-ended loan pools each period. In order to mitigate volatility and incorporate historical experience in the funding rate, Trustmark uses a twelve-quarter moving average. For the closed-ended loan pools, Trustmark takes a conservative approach and uses a 100% funding rate. The expected funding rate is applied to each pool's unfunded commitment balances to ensure that reserves will be applied to each pool based on balances expected to be funded based upon historical levels. In addition to the funding rate being applied to the unfunded commitment balance, a reserve rate is applied that incorporates both quantitative and qualitative aspects of the current period's expected credit loss rate. The reserve rate is loan pool specific and is applied to the unfunded amount to ensure loss factors, both quantitative and qualitative, are being considered on the unfunded portion of the loan pool, consistent with the methodology applied to the funded loan pools. Adjustments to the ACL on off-balance sheet credit exposures are recorded to the PCL, off-balance sheet credit exposures.

No credit loss estimate is reported for off-balance sheet credit exposures that are unconditionally cancellable by Trustmark or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement.

Premises and Equipment, Net

Premises and equipment are reported at cost, less accumulated depreciation and amortization. Depreciation is charged to expense over the estimated useful lives of the assets, which are up to thirty-nine years for buildings and three to ten years for furniture and equipment. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. In cases where Trustmark has the right to renew the lease for additional periods, the lease term for the purpose of calculating amortization of the capitalized cost of the leasehold improvements is extended when Trustmark is "reasonably assured" that it will renew the lease. Depreciation and amortization expenses are computed using the straight-line method. Trustmark continually evaluates whether events and circumstances have occurred that indicate that such long-lived assets have become impaired. Measurement of any impairment of such long-lived assets is based on the fair values of those assets.

Branch closures and purchased land held for future branch expansion for more than five years are evaluated to determine if the related land, buildings and building improvements should be transferred to assets held for sale in accordance with FASB ASC Topic 360, "Property, Plant and Equipment." The property is transferred to assets held for sale at the lower of its carrying value or fair value less cost to sell. An impairment loss is recorded at the time of transfer if the carrying value of the assets exceeds the fair value. Impairment losses are recorded as noninterest expense in other expense.

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 discounted cash flow techniques benchmarked against third-party valuations. Estimates of fair value involve several assumptions, including the key valuation assumptions about market expectations of future prepayment rates, interest rates and discount rates which are provided by a third-party firm. Prepayment rates are projected using an industry standard prepayment model. The model considers other key factors, such as a wide range of standard industry assumptions tied to specific portfolio characteristics such as remittance cycles, escrow payment requirements, geographic factors, foreclosure loss exposure, VA no-bid exposure, delinquency rates and cost of servicing, including base cost and cost to service delinquent mortgages. Prevailing market conditions at the time of analysis are factored into the accumulation of assumptions and determination of servicing value.

Trustmark economically hedges changes in the fair value of the MSR attributable to interest rates. See Note 1 – Significant Accounting Policies, "Derivative Financial Instruments – Derivatives Not Designated as Hedging Instruments" for information regarding these derivative instruments.

Trustmark receives annual servicing fee income for loans serviced, which is recorded as noninterest income in mortgage banking, net. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. Late fees and ancillary fees related to loan servicing are not considered material.

Goodwill and Identifiable Intangible Assets

Trustmark accounts for goodwill and other intangible assets in accordance with FASB ASC Topic 350, "Intangibles – Goodwill and Other." Goodwill, which represents the excess of cost over the fair value of the net assets of an acquired business, is not amortized but tested for impairment on an annual basis, which is October 1 for Trustmark, or more often if events or circumstances indicate that there may be impairment.

Identifiable intangible assets are acquired assets that lack physical substance but can be distinguished from goodwill because of contractual or legal rights or because the assets are capable of being sold or exchanged either on their own or in combination with a related contract, asset or liability. Trustmark's identifiable intangible assets primarily relate to core deposits, insurance customer relationships and borrower relationships. These intangibles, which have definite useful lives, are amortized on an accelerated basis over their estimated useful lives. In addition, these intangibles are evaluated for impairment whenever events and changes in circumstances indicate that the carrying amount should be reevaluated. Trustmark also purchased banking charters in order to facilitate its entry into the states of Florida and Texas. These identifiable intangible assets are being amortized on a straight-line method over 20 years.

Other Real Estate

Other real estate includes assets that have been acquired in satisfaction of debt through foreclosure and is recorded at the fair value less cost to sell (estimated fair value) at the time of foreclosure. Fair value is based on independent appraisals and other relevant factors. When foreclosed real estate is received in full satisfaction of a loan, the amount, if any, by which the recorded amount of the loan exceeds the estimated fair value of the property is a loss charged against the ACL at the time of foreclosure. If the recorded amount of the loan is less than the estimated fair value of the property, a credit is recorded to write-downs of other real estate at the time of foreclosure.

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 an existing other real estate specific reserve or as noninterest expense in other real estate expense if a reserve does not exist. Costs of operating and maintaining the properties as well as gains or losses on their disposition are also included in other real estate expense as incurred. Improvements made to properties are capitalized if the expenditures are expected to be recovered upon the sale of the properties.

Leases

Once Trustmark identifies and determines certain contracts are leases according to FASB ASC Topic 842, "Leases," Trustmark classifies it as an operating or a finance lease and recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability represents the present value of the lease payments that remain unpaid as of the commencement date and the right-of-use asset is the initial lease liability recognized for the lease plus any lease payments made to the lessor at or before the commencement date as well as any initial direct costs less any lease incentives received. Trustmark accounts for the lease and nonlease components separately as such amounts are readily determinable.

Trustmark's finance leases consist of building and equipment leases. Trustmark recognizes interest expense based on the discount rate of the lease as interest expense in other interest expense and recognizes depreciation expense on a straight-line basis over the lease term as noninterest expense in net occupancy – premises for building leases and in equipment expense for equipment leases. Trustmark amortizes the right-of-use asset over the life of the lease term on a straight-line basis. Trustmark's lease liabilities are measured as the present value of the remaining lease payments throughout the lease term. Trustmark records its finance lease right-of-use assets in premises and equipment, net and its finance lease liabilities in other borrowings.

Trustmark's operating leases primarily consist of building and land leases. Trustmark recognizes lease rent expense on a straight-line basis over the term of the lease contract and records it as noninterest expense in net occupancy – premises for building and land leases and in equipment expense for equipment leases. Trustmark's amortization of the right-of-use asset is the difference between the straight-line lease expense and the interest expense recognized on the lease liability during the period. Trustmark's lease liabilities are measured as the present value of the remaining lease payments throughout the lease term.

Trustmark's leases typically have one or more renewal options included in the lease contract. Due to the nature of Trustmark's leases, for leases with renewal options available, Trustmark considers the first renewal option as reasonably certain to renew and is therefore included in the measurement of the right-of-use assets and lease liabilities.

In order to calculate its right-of-use assets and lease liabilities, FASB ASC Topic 842 requires Trustmark to use the rate of interest implicit in the lease when readily determinable. If the rate implicit in the lease is not readily determinable, Trustmark is required to use

its incremental borrowing rate, which is the rate of interest Trustmark would have to pay to borrow on a collateralized basis over a similar term in a similar economic environment. Trustmark was able to determine the implicit interest rate for its equipment leases and used that rate as its discount rate. Since the implicit interest rate for most of its building and land leases were not readily determinable, Trustmark used its incremental borrowing rate.

Trustmark made an accounting policy election to not recognize short-term leases (12 months or less) on the balance sheet. Trustmark's short-term leases primarily include automated teller machines. For short-term leases, Trustmark recognizes lease expense on a straight-line basis over the lease term.

Federal Home Loan Bank (FHLB) and Federal Reserve Bank of Atlanta Stock

Trustmark accounts for its investments in FHLB and Federal Reserve Bank of Atlanta stock in accordance with FASB ASC Subtopic 942-325, "Financial Services-Depository and Lending-Investments-Other." FHLB and Federal Reserve Bank stock are equity securities that do not have a readily determinable fair value because its ownership is restricted and it lacks a market. FHLB and Federal Reserve Bank stock are carried at cost and evaluated for impairment. Trustmark's investment in member bank stock is included in other assets in the accompanying consolidated balance sheets. At December 31, 2021 and 2020, Trustmark's investment in member bank stock totaled $32.9 million and $31.7 million, respectively. The carrying value of Trustmark's member bank stock gave rise to no other-than-temporary impairment for the years ended December 31, 2021, 2020 and 2019.

Revenue from Contracts with Customers

Trustmark accounts for revenue from contracts with customers in accordance with FASB ASC Topic 606, "Revenue from Contracts with Customers," which provides that revenue be recognized in a manner that depicts the transfer of goods or services to a customer in an amount that reflects the consideration Trustmark expects to be entitled to in exchange for those goods or services. Revenue from contracts with customers is recognized either over time in a manner that depicts Trustmark's performance, or at a point in time when control of the goods or services are transferred to the customer. Trustmark's noninterest income, excluding all of mortgage banking, net and securities gains (losses), net and portions of bank card and other fees and other income, are considered within the scope of FASB ASC Topic 606. Gains or losses on the sale of other real estate, which are included in Trustmark's noninterest expense as other real estate expense, are also within the scope of FASB ASC Topic 606.

General Banking Segment

<u>*Service Charges on Deposit Accounts*</u>

In general, deposit accounts represent contracts with customers with no fixed duration and can be terminated or modified by either party at any time without compensation to the other party. According to FASB ASC Topic 606, a contract that can be terminated by either party without compensation does not exist for periods beyond the then-current period. Therefore, deposit contracts are considered to renew day-to-day if not minute-to-minute.

Deposit contracts have a single continuous or stand-ready service obligation whereby Trustmark makes customer funds available for use by the customer as and when the customer chooses as well as other services such as statement rendering and online banking. The specific services provided vary based on the type of deposit account. These services are not individually distinct, but are distinct as a group, and therefore, constitute a single performance obligation which is satisfied over time and qualifies as a series of distinct service periods.

Trustmark receives a fixed service charge amount as consideration monthly for services rendered. The service charge amount varies based on the type of deposit account. Some of the service charge revenue is subject to refund provisions, which is variable consideration under the guidelines of FASB ASC Topic 606. Trustmark has elected the 'as-invoiced' practical expedient permitted under FASB ASC Topic 606 for recognition of service charge revenue. Therefore, revenue is recognized at the time and in the amount the customer is charged. The service charge revenue is presented net of refunded amounts on Trustmark's consolidated statements of income.

Services related to non-sufficient funds, overdrafts, excess account activity, stop payments, dormant accounts, etc. are considered optional purchases for a deposit contract because there is no performance obligation for Trustmark until the service is requested by the customer or the occurrence of a triggering event. Fees for these services are fixed amounts and are charged to the customer when the service is performed. Revenue is recognized at the time the customer is charged.

Bank Card and Other Fees

Revenue from contracts with customers in bank card and other fees includes income related to interchange fees and various other contracts which primarily consists of contracts with a single performance obligation that is satisfied at a point in time. Trustmark receives a fixed consideration amount once the performance obligation is completed for these contracts. Trustmark reports revenue from these contracts net of amounts refunded or due to a third party.

As both a debit and credit card issuer, Trustmark receives an interchange fee for every card transaction completed by its customers with a merchant. Trustmark receives two types of interchange fees: point-of-sale transactions in which the customer must enter the PIN associated with the card to complete the transaction (a debit card transaction), and signature transactions in which the signature of the customer is required to complete the transaction (a credit card transaction).

Trustmark, as the card issuing or settlement bank, has a contract (implied based on customary business practices) with the payment network in which Trustmark has a single continuous service obligation to make funds available for settlement of the card transaction. Trustmark's service obligation is satisfied over time and qualifies as a series of distinct service periods. Trustmark receives interchange fees as consideration for services rendered in the amount established by the respective payment network. The interchange fees are established by the payment network based on the type of transaction and is posted on their website. Trustmark receives and records interchange fee revenue from the payment networks daily net of all fees and amounts due to the payment network.

Other Income

Revenue from contracts with customers in other income includes income related to cash management services and other contracts with a single performance obligation that is satisfied at a point in time. Trustmark receives a fixed consideration amount once the performance obligation is completed for these contracts. Trustmark reports revenue from these contracts net of amounts refunded or due to a third party.

Trustmark provides cash management services through the delivery of various products and services offered to its business and municipal customers including various departments of state, city and local governments, universities and other non-profit entities. Similar to the deposit account contracts, the cash management contracts primarily represent contracts with customers with no fixed duration and can be terminated or modified by either party at any time without compensation to the other party. Therefore, cash management contracts are generally considered to renew day-to-day if not minute-to-minute.

Cash management contracts have a single continuous or stand-ready service obligation whereby Trustmark makes a specific service or group of services available for use by the customer as and when the customer chooses. The specific services provided vary based on the type of account or product. These services are not individually distinct, but are distinct as a group, and therefore, constitute a single performance obligation which is satisfied over time and qualifies as a series of distinct service periods.

Trustmark receives a set service charge or maintenance fee amount as consideration monthly for services rendered. However, some of the fees are based on the number of transactions that occur (*i.e.,* flat fee for a set number of transactions per month then an additional charge for each transaction after that) or the average daily account balance maintained by the customer during the month and a small amount of the cash management fee revenue is subject to refund provisions. These fees represent variable consideration under the guidelines of FASB ASC Topic 606. Trustmark has elected the 'as-invoiced' practical expedient permitted under FASB ASC Topic 606 for recognition of cash management fee revenue. The cash management revenue is presented net of any refunded amounts on Trustmark's consolidated statements of income.

Trustmark's merchant services provider contracts directly with Trustmark business customers and provides Trustmark's merchant customers card processing equipment and transaction processing services. Trustmark's contract with the merchant services provider has a single-continuous service obligation to provide customer referrals for potential new accounts which is satisfied over time and qualifies as a series of distinct service periods. Trustmark receives a flat fee for each new account established and a percentage of the residual income related to transactions processed for Trustmark's merchant customers each month as provided in the contract. Under the guidelines of FASB ASC Topic 606, the fee received for each new account and the profit sharing represent variable consideration. Revenue from merchant card services contracts is recognized monthly using a time-elapsed measure of progress. Trustmark has elected the 'as-invoiced' practical expedient permitted under FASB ASC Topic 606 for recognition of the merchant card services revenue.

Other Real Estate

Trustmark records a gain or loss from the sale of other real estate when control of the property transfers to the buyer. Trustmark records the gain or loss from the sale of other real estate in noninterest expense as other real estate expense. Other real estate sales for the year

ended December 31, 2021 resulted in a net loss of $1.9 million compared to a net gain of $897 thousand for the year ended December 31, 2020 and a net loss of $291 thousand for the year ended December 31, 2019.

In general, purchases of Trustmark's other real estate property are not financed by Trustmark. Financing the purchase of other real estate is evaluated based upon the same lending policies and procedures as all other types of loans. Under FASB ASC Subtopic 610-20, "Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets," when Trustmark finances the sale of its other real estate to a buyer, Trustmark is required to assess whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these two criteria are met, Trustmark derecognizes the other real estate asset and records a gain or loss on the sale once control of the property is transferred to the buyer.

Wealth Management Segment

Trust Management

There are five categories of revenue included in trust management: personal trust and investments, retirement plan services, institutional custody, corporate trust and other. Each of these categories includes multiple types of contracts, service obligations and fee income. However, the majority of these contracts include a single service obligation that is satisfied over time, the customer is charged in arrears for services rendered and revenue is recognized when payment is received. In general, the time period between when the service obligation is completed and when payment from the customer is received is less than 30 days. Revenue from trust management contracts is primarily related to monthly service periods and based on the prior month-end's market value. Some trust management revenue is mandated by a court order, while other revenue consists of flat fees. Trust management revenue based on an account's market value represents variable consideration under the guidelines of FASB ASC Topic 606. Trustmark has elected the 'as-invoiced' practical expedient allowed under FASB ASC Topic 606 to account for the trust management revenue.

Assets under administration held by Trustmark in a fiduciary or agency capacity for customers are not included in Trustmark's consolidated balance sheets.

Investment Services

Investment services includes both brokerage and annuity income. Trustmark has a contract with a third-party investment services company which contains a single continuous service obligation, to provide broker-dealer and advisory services to customers on behalf of the third-party, which is satisfied over time and qualifies as a series of distinct service periods. Trustmark serves as the agent between the third-party investment services company, the principle, and the customer. In accordance with the contract, Trustmark receives a monthly payment from the investment services company for commissions and advisory fees (asset management fees) earned on transactions completed in the prior month net of all charges and fees due to the investment services company. Trustmark recognizes revenue from the investment services company, net of the revenue sharing expense due to the investment services company, when the payments are received. Commissions vary from month-to-month based on the specific products and transactions completed. The advisory fees vary based on the average daily balance of the managed assets for the period. The commissions and advisory fees represent variable consideration under FASB ASC Topic 606. Trustmark has elected the 'as-invoiced' practical expedient allowed under FASB ASC Topic 606 to recognize revenue from the investment services company.

Insurance Segment

Fisher Brown Bottrell Insurance, Inc. (FBBI), a wholly-owned subsidiary of Trustmark National Bank (TNB), operates as an insurance broker representing the policyholder and has no allegiance with any one insurance provider. FBBI serves as the agent between the insurance provider (either insurance carrier or broker), the principal, and the policy holder, the customer. FBBI has four general categories of insurance contracts: commercial, commercial installments, personal and employee benefits. FBBI's insurance contracts contain a single performance obligation, policy placement, which is satisfied at a point in time. FBBI's performance obligation is satisfied as of the policy effective date.

In addition to policy placement, FBBI provides various other periodic services to the policyholders for which no additional fee is charged. These additional services are not considered material to the overall contract. Trustmark has elected the immaterial promises practical expedient allowed under FASB ASC Topic 606, which allows Trustmark to not assess whether promised services are performance obligations if the promised services are immaterial in the context of the contract. Therefore, the immaterial additional services offered to policyholders are not considered a performance obligation and no amount of the contract transaction price is allocated to these services.

In general, the transaction price for the insurance contracts is an established commission amount agreed upon by FBBI and the insurance provider. The commission amount varies based on the insurance provider and the type of policy. There are a small number of insurance contracts which FBBI does not receive a commission but charges a fee directly to the policyholder.

Most of the commissions from insurance contracts are subject to clawback provisions which require FBBI to refund a prorated amount of the commissions received as a result of policy cancellations or lapses. Commissions subject to clawback provisions are considered variable consideration under FASB ASC Topic 606. Trustmark believes the expected value method of estimating the commissions subject to clawback provisions would best predict the amount of commissions FBBI will be entitled to because of the large number of insurance contracts with similar characteristics and the number of possible outcomes. FBBI calculates a separate weighted-average percentage (returned commissions percentage) based on actual cancellations over the previous three years for commercial lines, bonds, and personal lines. FBBI applies the respective returned commissions percentage to the commission revenue earned related to insurance contracts within these three lines each month to calculate the estimated returned commissions amount, which represents the variable consideration subject to variable constraint. Revenue from insurance contracts is reported net of the variable consideration subject to variable constraint. FBBI performs an analysis of the returned commissions reserve quarterly and adjusts the reserve balance based on all available information including actual cancellations and the remaining term of the contract. The returned commission percentage is updated annually.

Insurance Producers at FBBI earn commission as compensation for each policy they are responsible for placing. Commissions are not paid to Producers immediately at the policy effective date, can be subject to clawback provisions and can vary by Producer. Effective April 1, 2018, FBBI implemented a ‘pay when paid’ system. Under the ‘pay when paid’ system, Producers receive the commissions for which they are entitled at the end of the month following the month in which FBBI receives payment from the insurance provider or customer. Under FASB ASC Subtopic 340-40, “Other Assets and Deferred Costs: Contracts with Customers,” the commission paid to the Producers is an incremental cost of obtaining a contract, which should be capitalized and amortized in a manner consistent with the pattern of transfer of the service related to the contract acquisition asset. Insurance contracts have a term of one year or less; therefore, Trustmark has elected the cost of obtaining a contract practical expedient allowed under FASB ASC Subtopic 340-40, which allows FBBI to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the contract asset that FBBI otherwise would have recognized is one year or less. Commission expense is recorded as noninterest expense in salaries and employee benefits when paid to the Producers.

Commercial Insurance

Revenue from FBBI’s commercial insurance contracts (both agency billed and direct billed) consists of a set commission amount, which is subject to clawback provisions. Revenue from commercial installment insurance contracts consists of a set commission amount, which is not subject to clawback provisions. An estimated commission amount is entered in the agency management system when a commercial insurance contract is placed. FBBI records a top line receivable based on the estimated commission amount entered in the system each month, along with a corresponding amount recognized as revenue, and then adjusts the estimated receivable when the commissions are received from the insurance provider or customer.

Personal Insurance

Revenue from FBBI’s personal insurance contracts consists of a set commission amount, which is subject to clawback provisions, and is recognized when payment is received (generally 30-60 days after the policy effective date). Personal insurance contracts have a term of one year; therefore, recognizing the revenue from these contracts when payment is received is not materially different than recognizing the revenue at the policy effective date for any given period.

Employee Benefits Insurance

Revenue from FBBI’s employee benefits insurance contracts consists of a variable commission amount, which is not subject to clawback provisions, and is recognized when payment is received, typically on a monthly basis. Employee benefits insurance contracts have a set commission rate, but can vary from period to period based on changes in the number of employees covered by the policy (*i.e.,* new hires and terminations). FBBI generally receives twelve monthly commission payments for these contracts with the initial payment being received approximately 60-90 days after the policy effective date. Under the guidelines of FASB ASC Topic 606, commissions from employee benefits insurance contracts represent fixed consideration because at contract inception (policy effective date) there is a set commission rate times a known number of covered employees. Changes in the number of covered employees are not known, nor can they be predicted, at contract inception. An increase or decrease in the number of covered employees after the policy effective date is considered a contract modification resulting from a change in scope and transaction price under FASB ASC Topic 606. This modification is treated as part of the existing contract because it does not add a distinct service. Employee benefits insurance contracts have a term of one year; therefore, recognizing the revenue from these contracts when payment is received is not materially different than recognizing the revenue at the policy effective date or the contract modification date for any given period.

Contingency Commission Insurance

In addition to the insurance contracts discussed above, FBBI has contracts with various insurance providers for which it receives contingency income based on volume of business and claims experience. FBBI is the principal and the insurance provider is the customer for these contingency commission insurance contracts. The contingency commission contracts have a single continuous or stand-ready service obligation whereby FBBI places policies with policyholders when acceptable to the insurance provider, which is satisfied over time. The contract term for these contingency commission contracts is one year. Revenue is recognized from the contingency commission contracts monthly using a time-elapsed measure of progress. FBBI accrues throughout the current year the amount of contingency commission income it expects to receive in the following year adjusted for a degree of uncertainty. FBBI updates a detail by insurance provider with the contingency commission income received, which is then compared to the total amount that was expected to be received. If actual receipts are higher or lower than the amount accrued in the prior year, the monthly accrual for the current year is adjusted accordingly.

Under the guidelines of FASB ASC Topic 606, revenue from contingency commission insurance contracts represents variable consideration and should be estimated using one of the two allowable methods subject to the variable consideration constraint. FBBI believes the most likely amount method to be the most appropriate method for estimating the variable consideration as there are only a few possible outcomes for each contract.

Derivative Financial Instruments

Trustmark maintains an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings and cash flows caused by interest rate volatility. Trustmark's interest rate risk management strategy involves modifying the repricing characteristics of certain assets and liabilities so that changes in interest rates do not adversely affect the net interest margin and cash flows. Under the guidelines of FASB ASC Topic 815, "Derivatives and Hedging," all derivative instruments are required to be recognized as either assets or liabilities and carried at fair value on the balance sheet. The fair value of derivative positions outstanding is included in other assets and/or other liabilities in the accompanying consolidated balance sheets and in the net change in these financial statement line items in the accompanying consolidated statements of cash flows as well as included in noninterest income in the accompanying consolidated statements of income and other comprehensive income (loss), net of tax in the accompanying consolidated statements of comprehensive income. Trustmark's interest rate swap derivative instruments are subject to master netting agreements, and therefore, eligible for offsetting in the consolidated balance sheets. Trustmark has elected to not offset any derivative instruments in its consolidated balance sheets.

Derivatives Not Designated as Hedging Instruments

As part of Trustmark's risk management strategy in the mortgage banking area, derivative instruments such as forward sales contracts are utilized. Trustmark's obligations under forward contracts consist of commitments to deliver mortgage loans, originated and/or purchased, in the secondary market at a future date. Changes in the fair value of these derivative instruments are recorded as noninterest income in mortgage banking, net and are offset by changes in the fair value of LHFS. See Note 1 – Significant Accounting Policies, "Loans Held for Sale (LHFS)" for information regarding the fair value option election.

Trustmark also utilizes derivative instruments such as interest rate lock commitments in its mortgage banking area. Rate lock commitments are residential mortgage loan commitments with customers, which guarantee a specified interest rate for a specified time period. Changes in the fair value of these derivative instruments are recorded as noninterest income in mortgage banking, net and are offset by the changes in the fair value of forward sales contracts.

Trustmark utilizes a portfolio of exchange-traded derivative instruments, such as Treasury note futures contracts and option contracts, to achieve a fair value return that economically hedges changes in the fair value of the MSR attributable to interest rates. These transactions are considered freestanding derivatives that do not otherwise qualify for hedge accounting. These exchange-traded derivative instruments are accounted for at fair value with changes in the fair value recorded as noninterest income in mortgage banking, net and are offset by changes in the fair value of the MSR. The MSR fair value represents the present value of future cash flows, which among other things includes decay and the effect of changes in interest rates. Ineffectiveness of hedging the MSR fair value is measured by comparing the change in the fair value of the hedge instruments to the change in the fair value of the MSR asset attributable to changes in interest rates and other market driven changes in valuation inputs and assumptions.

Trustmark offers certain derivatives products directly to qualified commercial lending clients seeking to manage their interest rate risk. Trustmark economically hedges interest rate swap transactions executed with commercial lending clients by entering into offsetting interest rate swap transactions with institutional derivatives market participants. Derivative transactions executed as part of this program are not designated as qualifying hedging relationships and are, therefore, carried at fair value with the change in fair value recorded as noninterest income in bank card and other fees. Because these derivatives have mirror-image contractual terms, in addition to collateral

provisions which mitigate the impact of non-performance risk, the changes in fair value are expected to substantially offset. The Chicago Mercantile Exchange rules legally characterize variation margin collateral payments made or received for centrally cleared interest rate swaps as settlements rather than collateral. As a result, centrally cleared interest rate swaps included in other assets and other liabilities are presented on a net basis in the accompanying consolidated balance sheets.

Income Taxes

Trustmark accounts for uncertain tax positions in accordance with FASB ASC Topic 740, "Income Taxes," which clarifies the accounting and disclosure for uncertainty in tax positions. Under the guidance of FASB ASC Topic 740, Trustmark accounts for deferred income taxes using the liability method. Deferred tax assets and liabilities are based on temporary differences between the financial statement carrying amounts and the tax basis of Trustmark's assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled and are presented net in the accompanying consolidated balance sheets in other assets.

Stock-Based Compensation

Trustmark accounts for the stock and incentive compensation under the provisions of FASB ASC Topic 718, "Compensation – Stock Compensation." Under this accounting guidance, fair value is established as the measurement objective in accounting for stock awards and requires the application of a fair value based measurement method in accounting for compensation cost, which is recognized over the requisite service period. Trustmark has elected to account for forfeitures of stock awards as they occur.

Statements of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks. The following table reflects specific transaction amounts for the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Income taxes paid	$ 15,259	$ 46,648	$ 24,809
Interest paid on deposits and borrowings	24,429	42,968	83,997
Noncash transfers from loans to other real estate	770	635	8,598
Investment in tax credit partnership not funded	10,647	5,893	5,000
Finance right-of-use assets resulting from lease liabilities	92	—	9,326
Operating right-of-use assets resulting from lease liabilities	9,666	3,774	31,182
Transfer of long-term FHLB advances to short-term	—	651	—

Per Share Data

Trustmark accounts for per share data in accordance with FASB ASC Topic 260, "Earnings Per Share," which provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share (EPS) pursuant to the two-class method. Trustmark has determined that its outstanding unvested stock awards are not participating securities. Based on this determination, no change has been made to Trustmark's current computation for basic and diluted EPS.

Basic EPS is computed by dividing net income by the weighted-average shares of common stock outstanding. Diluted EPS is computed by dividing net income by the weighted-average shares of common stock outstanding, adjusted for the effect of potentially dilutive stock awards outstanding during the period.

The following table reflects weighted-average shares used to calculate basic and diluted EPS for the periods presented (in thousands):

	Years Ended December 31,		
	2021	2020	2019
Basic shares	62,788	63,505	64,630
Dilutive shares	185	141	142
Diluted shares	62,973	63,646	64,772

Weighted-average antidilutive stock awards were excluded in determining diluted EPS. The following table reflects weighted-average antidilutive stock awards for the periods presented (in thousands):

	Years Ended December 31,		
	2021	2020	2019
Weighted-average antidilutive stock awards	1	57	—

Fair Value Measurements

FASB ASC Topic 820, "Fair Value Measurements and Disclosures," defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires certain disclosures about fair value measurements. The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. Depending on the nature of the asset or liability, Trustmark uses various valuation techniques and assumptions when estimating fair value. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. FASB ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs – Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that Trustmark has the ability to access at the measurement date.

Level 2 Inputs – Valuation is based upon quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability such as interest rates, yield curves, volatilities and default rates and inputs that are derived principally from or corroborated by observable market data.

Level 3 Inputs – Unobservable inputs reflecting the reporting entity's own determination about the assumptions that market participants would use in pricing the asset or liability based on the best information available.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement in its entirety is classified is based on the lowest level input that is significant to the fair value measurement in its entirety. Trustmark's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer.

Accounting Policies Recently Adopted

Except for the changes detailed below, Trustmark has consistently applied its accounting policies to all periods presented in the accompanying consolidated financial statements.

ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." Issued in December 2019, ASU 2019-12 seeks to simplify the accounting for income taxes by removing certain exceptions to the general principles in FASB ASC Topic 740. In particular, the amendments of ASU 2019-12 remove the exceptions to (1) the incremental approach for intra-period tax allocation when there is a loss from continuing operations and income or a gain from other items (e.g., discontinued operations or other comprehensive income); (2) the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (3) the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (4) the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The amendments of ASU 2019-12 (1) require that an entity recognize a franchise tax (or similar tax), that is partially based on income, in accordance with FASB ASC Topic 740 and account for any incremental amount incurred as a non-income-based tax; (2) require that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should instead be considered a separate transaction; (3) specify that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements, but rather may elect to do so for a legal entity that is both not subject to tax and disregarded by the taxing authority; and (4) require that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. Trustmark adopted the amendments of ASU 2019-12 effective January 1, 2021. Adoption of ASU 2019-12 did not have a material impact to Trustmark's consolidated financial statements.

ASU 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans." Issued in August 2018, ASU 2018-14 modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments in ASU 2018-14 remove certain

disclosure requirements that are no longer considered cost beneficial, clarify the specific requirements of disclosures and add disclosure requirements identified as relevant. Trustmark adopted the amendments of ASU 2018-14 effective January 1, 2021. The revised disclosures required by the amendments of ASU 2018-14 have been included in Note 15 - Defined Benefit and Other Postretirement Benefits of this report. Changes to the disclosures related to the defined benefit plans as a result of adopting ASU 2018-14 did not have a material impact to Trustmark's consolidated financial statements.

ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." Issued in March 2020, ASU 2020-04 seeks to provided additional guidance, for a limited time, to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The FASB issued ASU 2020-04 is response to concerns about the structural risks of interbank offered rates and, in particular, the risk that the London Interbank Offer Rate (LIBOR) will no longer be used. Regulators have begun reference rate reform initiatives to identify alternative reference rates that are more observable or transaction-based and less susceptible to manipulation. Stakeholders have raised operational challenges likely to arise with the reference rate reform, particularly related to contract modifications and hedge accounting. The amendments of ASU 2020-04, which are elective and apply to all entities, provide expedients and exceptions for applying GAAP to contract modifications and hedging relationships affected by the reference rate reform id certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate that is expected to be discontinued due to reference rate reform. The optional expedients for contract modifications should be applied consistently for all contracts or transactions within the relevant Codification Topic or Subtopic or Industry Subtopic that contains the related guidance. The optional expedients for hedging relationships can be elected on an individual hedging relationship basis. As the guidance in ASU 2020-04 is intended to assist entity's during the global market-wide reference rate transition period, it is in effect for a limited time, from March 12, 2020 through December 31, 2022. On January 7, 2021, the FASB issued *ASU 2021-01, "Reference Rate Reform (Topic 848): Scope,"* to clarify the scope of the reference rate reform guidance in FASB ASC Topic 848. ASU 2021-01 refines the scope of FASB ASC Topic 848 to clarify that certain optional expedients and exceptions therein for contract modifications and hedge accounting apply to contracts that are affected by the discounting transition. Specifically, modifications related to reference rate reform would not be considered an event that requires reassessment of previous accounting conclusions. The amendments in ASU 2021-01 also amend the expedients and exceptions in FASB ASC Topic 848 to capture the incremental consequences of the scope clarification and to tailor the existing guidance to derivative instruments affected by the discounting transition. The amendments of ASU 2021-01 were effective immediately when issued. Entities may choose to apply the amendments of ASU 2021-01 retrospectively as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively to new modifications from any date within an interim period that includes or is subsequent to January 7, 2021, up to the date that financial statements are available to be issued. If an entity elects to apply any of the amendments in this ASU for an eligible hedging relationship, any adjustments as a result of those elections must be reflected as of the date that the entity applies the election. While the benchmark provider for US$ LIBOR (which was typically the benchmark that Trustmark used) intends to provide the benchmark for some tenors of US$ LIBOR through June 2023, Trustmark has transitioned to SOFR for new variable rate loans, derivative contracts, borrowings and other financial instruments as of January 1, 2022. Management cannot make a determination at this time as to the impact the amendments of ASU 2020-04 and ASU 2021-01 or the reference rate reform will have on its consolidated financial statements.

Note 2 – Cash and Due from Banks

Trustmark is required to maintain average reserve balances with the Federal Reserve Bank of Atlanta based on a percentage of deposits. Effective March 26, 2020, the Federal Reserve reduced reserve requirement ratios to zero percent, eliminating the reserve requirements for all depository institutions, in order to provide liquidity in the banking system to support lending to households and businesses due to the COVID-19 pandemic. The average amount of those reserves for the year ended December 31, 2020 was $19.0 million.

Note 3 – Securities Available for Sale and Held to Maturity

The following tables are a summary of the amortized cost and estimated fair value of securities available for sale and held to maturity at December 31, 2021 and 2020 ($ in thousands):

	Securities Available for Sale				Securities Held to Maturity			
December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities	$ 349,562	$ 16	$ (4,938)	$ 344,640	$ —	$ —	$ —	$ —
U.S. Government agency obligations	14,044	20	(337)	13,727	—	—	—	—
Obligations of states and political subdivisions	5,134	580	—	5,714	7,328	64	(3)	7,389
Mortgage-backed securities								
Residential mortgage pass-through securities								
Guaranteed by GNMA	38,942	665	(34)	39,573	5,005	187	(3)	5,189
Issued by FNMA and FHLMC	2,230,498	8,945	(21,014)	2,218,429	43,444	962	—	44,406
Other residential mortgage-backed securities								
Issued or guaranteed by FNMA, FHLMC or GNMA	193,908	2,879	(97)	196,690	241,934	9,015	(31)	250,918
Commercial mortgage-backed securities								
Issued or guaranteed by FNMA, FHLMC or GNMA	424,201	404	(4,501)	420,104	44,826	783	—	45,609
Total	$ 3,256,289	$ 13,509	$ (30,921)	$ 3,238,877	$ 342,537	$ 11,011	$ (37)	$ 353,511
December 31, 2020								
U.S. Government agency obligations	$ 18,378	$ 144	$ (481)	$ 18,041	$ —	$ —	$ —	$ —
Obligations of states and political subdivisions	5,198	637	—	5,835	26,584	258	(3)	26,839
Mortgage-backed securities								
Residential mortgage pass-through securities								
Guaranteed by GNMA	55,193	1,672	(3)	56,862	7,598	382	—	7,980
Issued by FNMA and FHLMC	1,421,861	20,768	(1,308)	1,441,321	67,944	2,397	—	70,341
Other residential mortgage-backed securities								
Issued or guaranteed by FNMA, FHLMC or GNMA	409,883	9,600	(46)	419,437	360,361	19,678	(55)	379,984
Commercial mortgage-backed securities								
Issued or guaranteed by FNMA, FHLMC or GNMA	49,260	1,068	(9)	50,319	75,585	2,386	—	77,971
Total	$ 1,959,773	$ 33,889	$ (1,847)	$ 1,991,815	$ 538,072	$ 25,101	$ (58)	$ 563,115

During 2013, Trustmark reclassified approximately $1.099 billion of securities available for sale to securities held to maturity. The securities were transferred at fair value, which became the cost basis for the securities held to maturity. At the date of transfer, the net unrealized holding loss on the available for sale securities totaled approximately $46.6 million ($28.8 million, net of tax). The net unrealized holding loss is amortized over the remaining life of the securities as a yield adjustment in a manner consistent with the amortization or accretion of the original purchase premium or discount on the associated security. There were no gains or losses recognized as a result of the transfer. At December 31, 2021 and 2020, the net unamortized, unrealized loss on the transferred securities included in accumulated other comprehensive loss in the accompanying balance sheet totaled approximately $6.3 million ($4.7 million, net of tax) and $8.9 million ($6.7 million, net of tax), respectively.

ACL on Securities

Securities Available for Sale

Quarterly, Trustmark evaluates if any security has a fair value less than its amortized cost. Once these securities are identified, in order to determine whether a decline in fair value resulted from a credit loss or other factors, Trustmark performs further analysis. If Trustmark determines that a credit loss exists, the credit portion of the allowance is measured using a DCF analysis using the effective interest rate as of the security's purchase date. The amount of credit loss Trustmark records will be limited to the amount by which the amortized cost exceeds the fair value. The DCF analysis utilizes contractual maturities, as well as third-party credit ratings and cumulative default rates published annually by Moody's.

At both December 31, 2021 and 2020, the results of the analysis did not identify any securities that violate the credit loss triggers; therefore, no DCF analysis was performed and no credit loss was recognized on any of the securities available for sale.

Accrued interest receivable is excluded from the estimate of credit losses for securities available for sale. At December 31, 2021 and 2020, accrued interest receivable totaled $5.1 million and $4.0 million, respectively, for securities available for sale and was reported in other assets on the accompanying consolidated balance sheet.

Securities Held to Maturity

At December 31, 2021 and 2020, the potential credit loss exposure for Trustmark's securities held to maturity was $7.3 million and $26.6 million, respectively, and consisted of municipal securities. After applying appropriate probability of default and loss given default assumptions, the total amount of current expected credit losses was deemed immaterial. Therefore, no reserve was recorded at December 31, 2021 and 2020.

Accrued interest receivable is excluded from the estimate of credit losses for securities held to maturity. At December 31, 2021 and 2020, accrued interest receivable totaled $670 thousand and $1.2 million for securities held to maturity and was reported in other assets on the accompanying consolidated balance sheet.

At both December 31, 2021 and 2020, Trustmark had no securities held to maturity that were past due 30 days or more as to principal or interest payments. Trustmark had no securities held to maturity classified as nonaccrual at December 31, 2021 and 2020.

Trustmark monitors the credit quality of securities held to maturity on a monthly basis through credit ratings. The following table presents the amortized cost of Trustmark's securities held to maturity by credit rating, as determined by Moody's, at December 31, 2021 and 2020 ($ in thousands):

	December 31, 2021	December 31, 2020
Aaa	$ 335,208	$ 511,488
Aa1 to Aa3	5,007	22,528
Not Rated *(1)*	2,322	4,056
Total	$ 342,537	$ 538,072

(1)Not rated securities primarily consist of Mississippi municipal general obligations.

The table below includes securities with gross unrealized losses for which an ACL has not been recorded and segregated by length of impairment at December 31, 2021 and 2020 ($ in thousands):

	Less than 12 Months		12 Months or More		Total	
December 31, 2021	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Treasury securities	$ 315,123	$ (4,938)	$ —	$ —	$ 315,123	$ (4,938)
U.S. Government agency obligations	1,312	(5)	8,619	(332)	9,931	(337)
Obligations of states and political subdivisions	3,006	(1)	667	(2)	3,673	(3)
Mortgage-backed securities						
Residential mortgage pass-through securities						
Guaranteed by GNMA	6,040	(37)	—	—	6,040	(37)
Issued by FNMA and FHLMC	1,734,921	(19,980)	55,303	(1,034)	1,790,224	(21,014)
Other residential mortgage-backed securities						
Issued or guaranteed by FNMA, FHLMC or GNMA	19,038	(99)	2,647	(29)	21,685	(128)
Commercial mortgage-backed securities						
Issued or guaranteed by FNMA, FHLMC or GNMA	344,025	(4,492)	639	(9)	344,664	(4,501)
Total	$ 2,423,465	$ (29,552)	$ 67,875	$ (1,406)	$ 2,491,340	$ (30,958)
December 31, 2020						
U.S. Government agency obligations	$ —	$ —	$ 11,167	$ (481)	$ 11,167	$ (481)
Obligations of states and political subdivisions	—	—	667	(3)	667	(3)
Mortgage-backed securities						

Residential mortgage pass-through securities						
Guaranteed by GNMA	1,636	(3)	—	—	1,636	(3)
Issued by FNMA and FHLMC	324,905	(1,308)	—	—	324,905	(1,308)
Other residential mortgage-backed securities						
Issued or guaranteed by FNMA, FHLMC or GNMA	29,398	(101)	—	—	29,398	(101)
Commercial mortgage-backed securities						
Issued or guaranteed by FNMA, FHLMC or GNMA	—	—	659	(9)	659	(9)
Total	$ 355,939	$ (1,412)	$ 12,493	$ (493)	$ 368,432	$ (1,905)

The unrealized losses shown above are due to increases in market rates over the yields available at the time of purchase of the underlying securities and not credit quality. Because Trustmark does not intend to sell these securities and it is more likely than not that Trustmark will not be required to sell the investments before recovery of their amortized cost bases, which may be maturity. Prior to the adoption of FASB ASU 2016-13, Trustmark did not consider these investments to be other-than-temporarily impaired at December 31, 2019. There were no other-than-temporary impairments for the year ended December 31, 2019.

Security Gains and Losses

For the years ended December 31, 2021, 2020 and 2019, there were no gross realized gains or losses as a result of calls and dispositions of securities. Realized gains and losses are determined using the specific identification method and are included in noninterest income as security gains (losses), net.

Securities Pledged

Securities with a carrying value of $2.831 billion and $1.964 billion at December 31, 2021 and 2020, respectively, were pledged to collateralize public deposits and securities sold under repurchase agreements and for other purposes as permitted by law. At both December 31, 2021 and 2020, none of these securities were pledged under the Federal Reserve Discount Window program to provide additional contingency funding capacity.

Contractual Maturities

The amortized cost and estimated fair value of securities available for sale and held to maturity at December 31, 2021, by contractual maturity, are shown below ($ in thousands). Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 1,524	$ 1,534	$ 2,809	$ 2,827
Due after one year through five years	243,531	240,494	4,519	4,562
Due after five years through ten years	113,074	111,752	—	—
Due after ten years	10,611	10,301	—	—
	368,740	364,081	7,328	7,389
Mortgage-backed securities	2,887,549	2,874,796	335,209	346,122
Total	$ 3,256,289	$ 3,238,877	$ 342,537	$ 353,511

Note 4 – LHFI and ACL, LHFI

At December 31, 2021 and 2020, LHFI consisted of the following ($ in thousands):

	December 31,			
		2021		2020
Loans secured by real estate:				
Construction, land development and other land	$	596,968	$	514,056
Other secured by 1-4 family residential properties		517,683		524,732
Secured by nonfarm, nonresidential properties		2,977,084		2,709,026
Other real estate secured		726,043		1,065,964
Other loans secured by real estate:				
Other construction		711,813		794,983
Secured by 1-4 family residential properties		1,460,310		1,216,400
Commercial and industrial loans		1,414,279		1,309,078
Consumer loans		162,555		164,386
State and other political subdivision loans		1,146,251		1,000,776
Other commercial loans		534,843		525,123
LHFI		10,247,829		9,824,524
Less ACL		99,457		117,306
Net LHFI	$	10,148,372	$	9,707,218

Accrued interest receivable is not included in the amortized cost basis of Trustmark's LHFI. At December 31, 2021 and 2020, accrued interest receivable for LHFI totaled $26.7 million and $33.0 million, respectively, with no related ACL and was reported in other assets on the accompanying consolidated balance sheet.

Loan Concentrations

Trustmark does not have any loan concentrations other than those reflected in the preceding table, which exceed 10% of total LHFI. At December 31, 2021, Trustmark's geographic loan distribution was concentrated primarily in its five key market regions: Alabama, Florida, Mississippi, Tennessee and Texas. Accordingly, the ultimate collectability of a substantial portion of these loans is susceptible to changes in market conditions in these areas.

Related Party Loans

At December 31, 2021 and 2020, loans to certain executive officers and directors, including their immediate families and companies in which they are principal owners, totaled $26.3 million and $37.7 million, respectively. During 2021, $170.3 million of new loan advances were made, while repayments were $181.3 million. In addition, decreases in loans due to changes in executive officers and directors totaled $426 thousand.

Nonaccrual and Past Due LHFI

No material interest income was recognized in the income statement on nonaccrual LHFI for each of the years in the three-year period ended December 31, 2021.

The following tables provide the amortized cost basis of loans on nonaccrual status and loans past due 90 days or more still accruing interest at December 31, 2021 and 2020 ($ in thousands):

	December 31, 2021		
	Nonaccrual With No ACL	Total Nonaccrual	Loans Past Due 90 Days or More Still Accruing
Loans secured by real estate:			
Construction, land development and other land	$ 4,784	$ 5,878	$ 7
Other secured by 1-4 family residential properties	1,319	3,418	148
Secured by nonfarm, nonresidential properties	10,842	12,508	—
Other real estate secured	56	150	—
Other loans secured by real estate:			
Other construction	—	—	—
Secured by 1-4 family residential properties	—	12,775	1,655
Commercial and industrial loans	1,363	19,328	—
Consumer loans	—	117	304
State and other political subdivision loans	—	3,664	—
Other commercial loans	4,405	4,860	—
Total	$ 22,769	$ 62,698	$ 2,114

	December 31, 2020		
	Nonaccrual With No ACL	Total Nonaccrual	Loans Past Due 90 Days or More Still Accruing
Loans secured by real estate:			
Construction, land development and other land	$ 5,756	$ 5,985	$ —
Other secured by 1-4 family residential properties	1,895	4,487	79
Secured by nonfarm, nonresidential properties	12,037	15,197	—
Other real estate secured	60	185	—
Other loans secured by real estate:			
Other construction	—	—	—
Secured by 1-4 family residential properties	—	11,807	1,257
Commercial and industrial loans	12,665	15,618	—
Consumer loans	—	86	240
State and other political subdivision loans	—	3,970	—
Other commercial loans	—	5,793	—
Total	$ 32,413	$ 63,128	$ 1,576

The following tables provide an aging analysis of the amortized cost basis of past due LHFI (including nonaccrual loans) at December 31, 2021 and 2020 ($ in thousands):

	December 31, 2021					
	Past Due					
	30-59 Days	60-89 Days	90 Days or More	Total Past Due	Current Loans	Total LHFI
Loans secured by real estate:						
Construction, land development and other land	$ 323	$ 11	$ 5,241	$ 5,575	$ 591,393	$ 596,968
Other secured by 1-4 family residential properties	1,811	368	567	2,746	514,937	517,683
Secured by nonfarm, nonresidential properties	845	—	1,442	2,287	2,974,797	2,977,084
Other real estate secured	—	—	142	142	725,901	726,043
Other loans secured by real estate:						
Other construction	—	—	—	—	711,813	711,813
Secured by 1-4 family residential properties	2,799	531	6,720	10,050	1,450,260	1,460,310
Commercial and industrial loans	607	41	1,107	1,755	1,412,524	1,414,279
Consumer loans	1,673	182	305	2,160	160,395	162,555
State and other political subdivision loans	32	—	177	209	1,146,042	1,146,251
Other commercial loans	220	32	118	370	534,473	534,843
Total	$ 8,310	$ 1,165	$ 15,819	$ 25,294	$ 10,222,535	$ 10,247,829

	December 31, 2020					
	Past Due					
	30-59 Days	60-89 Days	90 Days or More	Total Past Due	Current Loans	Total LHFI
Loans secured by real estate:						
Construction, land development and other land	$ 339	$ 34	$ 161	$ 534	$ 513,522	$ 514,056
Other secured by 1-4 family residential properties	1,505	523	896	2,924	521,808	524,732
Secured by nonfarm, nonresidential properties	920	—	972	1,892	2,707,134	2,709,026
Other real estate secured	103	101	107	311	1,065,653	1,065,964
Other loans secured by real estate:						
Other construction	—	—	—	—	794,983	794,983
Secured by 1-4 family residential properties	3,291	1,289	5,110	9,690	1,206,710	1,216,400
Commercial and industrial loans	271	196	1,543	2,010	1,307,068	1,309,078
Consumer loans	926	190	240	1,356	163,030	164,386
State and other political subdivision loans	117	—	177	294	1,000,482	1,000,776
Other commercial loans	2,143	2,971	346	5,460	519,663	525,123
Total	$ 9,615	$ 5,304	$ 9,552	$ 24,471	$ 9,800,053	$ 9,824,524

TDRs

At December 31, 2021, 2020 and 2019, LHFI classified as TDRs totaled $21.6 million, $25.8 million and $31.5 million, respectively, At December 31, 2021, LHFI classified as TDRs were primarily comprised of bankruptcies, payment concessions and credits with interest-only payments for an extended period of time which totaled $18.2 million. At December 31, 2020, LHFI classified as TDRs were primarily comprised of credits with interest-only payments for an extended period of time, payment concessions and credits renewed at a rate that was not commensurate with that of new debt with similar risk which totaled $17.7 million. At December 31, 2019, LHFI classified as TDRs were primarily comprised of credits with interest-only payments for an extended period of time and credits renewed at a rate that was not commensurate with that of new debt with similar risk which totaled $20.8 million. Trustmark had $1.0 million of unused commitments on TDRs at December 31, 2021, compared to $4.5 million of unused commitments on TDRs at December 31, 2020 and $7.0 million of unused commitments on TDRs at December 31, 2019.

At December 31, 2021 and 2020, TDRs had a related ACL of $1.5 million and $2.4 million, respectively, compared to a related loan loss allowance of $3.2 million at December 31, 2019. Specific charge-offs related to TDRs totaled $3.7 million, $2.3 million and $1.6 million for the years ended December 31, 2021, 2020 and 2019, respectively.

The following tables illustrate the impact of modifications classified as TDRs for the periods presented ($ in thousands):

	Year Ended December 31, 2021		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Loans secured by real estate:			
Construction, land development and other land	5	$ 5,582	$ 5,582
Other secured by 1-4 family residential properties	3	37	37
Secured by nonfarm, nonresidential properties	5	5,789	5,265
Other loans secured by real estate:			
Secured by 1-4 family residential properties	8	909	906
Commercial and industrial loans	2	1,014	1,014
Consumer loans	1	6	6
Total	24	$ 13,337	$ 12,810

	Year Ended December 31, 2020		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Loans secured by real estate:			
Other secured by 1-4 family residential properties	13	$ 923	$ 929
Secured by nonfarm, nonresidential properties	2	1,111	1,111
Commercial and industrial loans	4	1,665	1,664
Consumer loans	6	26	26
State and other political subdivision loans	2	3,902	3,872
Total	27	$ 7,627	$ 7,602

	Year Ended December 31, 2019		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Loans secured by real estate:			
Secured by 1-4 family residential properties	19	$ 1,742	$ 1,738
Secured by nonfarm, nonresidential properties	1	5,055	5,055
Commercial and industrial loans	8	9,167	9,054
Consumer loans	2	30	30
Total	30	$ 15,994	$ 15,877

The table below includes the balances at default for TDRs modified within the last 12 months for which there was a payment default during the periods presented ($ in thousands):

	Years Ended December 31,					
	2021		2020		2019	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Loans secured by real estate:						
Construction, land development and other land loans	5	$ 5,582	—	$ —	—	$ —
Other secured by 1-4 family residential properties	1	16	2	78	3	446
Secured by nonfarm, nonresidential properties	—	—	1	139	—	—
Other loans secured by real estate:						
Secured by 1-4 family residential properties	1	78	—	—	—	—
Commercial and industrial loans	—	—	1	82	7	192
Consumer loans	—	—	—	—	1	27
Total	7	$ 5,676	4	$ 299	11	$ 665

Trustmark's TDRs have resulted primarily from allowing the borrower to pay interest-only for an extended period of time and credits renewed at a rate that was not commensurate with that of new debt with similar risk rather than from forgiveness. Accordingly, as shown above, these TDRs have a similar recorded investment for both the pre-modification and post-modification disclosure. Trustmark has utilized loans 90 days or more past due to define payment default in determining TDRs that have subsequently defaulted.

The following tables detail LHFI classified as TDRs by loan class at December 31, 2021, 2020 and 2019 ($ in thousands):

	December 31, 2021		
	Accruing	Nonaccrual	Total
Loans secured by real estate:			
Construction, land development and other land	$ —	$ 4,640	$ 4,640
Other secured by 1-4 family residential properties	—	965	965
Secured by nonfarm, nonresidential properties	394	7,325	7,719
Other loans secured by real estate:			
Secured by 1-4 family residential properties	50	2,484	2,534
Commercial and industrial loans	2,000	215	2,215
Consumer loans	7	9	16
State and other political subdivision loans	—	3,486	3,486
Other commercial loans	—	36	36
Total TDRs	$ 2,451	$ 19,160	$ 21,611

	December 31, 2020		
	Accruing	Nonaccrual	Total
Loans secured by real estate:			
Construction, land development and other land	$ —	$ 12	$ 12
Other secured by 1-4 family residential properties	—	3,699	3,699
Secured by nonfarm, nonresidential properties	—	3,903	3,903
Commercial and industrial loans	1,500	12,749	14,249
Consumer loans	6	17	23
State and other political subdivision loans	—	3,793	3,793
Other commercial loans	—	81	81
Total TDRs	$ 1,506	$ 24,254	$ 25,760

	December 31, 2019		
	Accruing	Nonaccrual	Total
Loans secured by real estate:			
Construction, land development and other land	$ —	$ 15	$ 15
Secured by 1-4 family residential properties	77	3,865	3,942
Secured by nonfarm, nonresidential properties	—	5,176	5,176
Commercial and industrial loans	3,319	18,913	22,232
Consumer loans	—	21	21
Other loans	—	137	137
Total TDRs	$ 3,396	$ 28,127	$ 31,523

The CARES Act, as amended by subsequent legislation, specified that COVID-19 related modifications executed between March 1, 2020 and the earlier of (i) 60 days after the date of termination of the national emergency declared by the President or (ii) January 1, 2022, on loans that were current as of December 31, 2019 were not TDRs. Additionally, under guidance from the federal banking agencies, other short-term modifications made on a good faith basis in response to COVID-19 to borrowers that were current prior to any relief are not TDRs under FASB ASC Subtopic 310-40. These modifications include short-term (*e.g.*, up to six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented. Commercial concessions were primarily either interest only for 90 days or full payment deferrals for 90 days. Consumer concessions were 90-day full payment deferrals. At December 31, 2021 and 2020, the balance of loans remaining under some type of COVID-19 related concession totaled $1.1 million and $34.2 million, respectively.

Collateral-Dependent Loans

The following tables present the amortized cost basis of collateral-dependent loans by class of loans and collateral type at December 31, 2021 and 2020 ($ in thousands):

	December 31, 2021					
	Real Estate	Equipment and Machinery	Inventory and Receivables	Vehicles	Miscellaneous	Total
Loans secured by real estate:						
Construction, land development and other land	$ 5,198	$ —	$ —	$ —	$ —	$ 5,198
Secured by nonfarm, nonresidential properties	11,072	—	—	—	—	11,072
Other real estate secured	56	—	—	—	—	56
Other loans secured by real estate:						
Secured by 1-4 family residential properties	1,319	—	—	—	—	1,319
Commercial and industrial loans	42	349	1,253	370	16,430	18,444
State and other political subdivision loans	3,664	—	—	—	—	3,664
Other commercial loans	4,572	—	—	—	36	4,608
Total	$ 25,923	$ 349	$ 1,253	$ 370	$ 16,466	$ 44,361

	December 31, 2020					
	Real Estate	Equipment and Machinery	Inventory and Receivables	Vehicles	Miscellaneous	Total
Loans secured by real estate:						
Construction, land development and other land	$ 5,756	$ —	$ —	$ —	$ —	$ 5,756
Other secured by 1-4 family residential properties	454	—	—	—	—	454
Secured by nonfarm, nonresidential properties	12,037	—	—	—	—	12,037
Other real estate secured	60	—	—	—	—	60
Other loans secured by real estate:						
Secured by 1-4 family residential properties	1,441	—	—	—	—	1,441
Commercial and industrial loans	86	425	4,899	135	8,531	14,076
State and other political subdivision loans	3,970	—	—	—	—	3,970
Other commercial loans	606	—	1,958	—	3,051	5,615
Total	$ 24,410	$ 425	$ 6,857	$ 135	$ 11,582	$ 43,409

A loan is collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the sale of the collateral. The following provides a qualitative description by class of loan of the collateral that secures Trustmark's collateral-dependent LHFI:

- Loans secured by real estate – Loans within these loan classes are secured by liens on real estate properties. There have been no significant changes to the collateral that secures these financial assets during the period.
- Other loans secured by real estate – Loans within these loan classes are secured by liens on real estate properties. There have been no significant changes to the collateral that secures these financial assets during the period.
- Commercial and industrial loans – Loans within this loan class are primarily secured by inventory, accounts receivables, equipment and other non-real estate collateral. There have been no significant changes to the collateral that secures these financial assets during the period.
- State and other political subdivision loans – Loans within this loan class are secured by liens on real estate properties or other non-real estate collateral. There have been no significant changes to the collateral that secures these financial assets during the period.
- Other commercial loans – Loans within this loan class are secured by non-real estate collateral. There have been no significant changes to the collateral that secures these financial assets during the period.

Credit Quality Indicators

Trustmark's loan portfolio credit quality indicators focus on six key quality ratios that are compared against bank tolerances. The loan indicators are total classified outstanding, total criticized outstanding, nonperforming loans, nonperforming assets, delinquencies and net loan losses. Due to the homogenous nature of consumer loans, Trustmark does not assign a formal internal risk rating to each credit and therefore the criticized and classified measures are primarily composed of commercial loans.

In addition to monitoring portfolio credit quality indicators, Trustmark also measures how effectively the lending process is being managed and risks are being identified. As part of an ongoing monitoring process, Trustmark grades the commercial portfolio segment as it relates to credit file completion and financial statement exceptions, underwriting, collateral documentation and compliance with law as shown below:

- Credit File Completeness and Financial Statement Exceptions – evaluates the quality and condition of credit files in terms of content and completeness and focuses on efforts to obtain and document sufficient information to determine the quality and status of credits. Also included is an evaluation of the systems/procedures used to insure compliance with policy.
- Underwriting – evaluates whether credits are adequately analyzed, appropriately structured and properly approved within loan policy requirements. A properly approved credit is approved by adequate authority in a timely manner with all conditions of approval fulfilled. Total policy exceptions measure the level of underwriting and other policy exceptions within a portfolio segment.
- Collateral Documentation – focuses on the adequacy of documentation to perfect Trustmark's collateral position and substantiate collateral value. Collateral exceptions measure the level of documentation exceptions within a portfolio segment. Collateral exceptions occur when certain collateral documentation is either not present or not current.
- Compliance with Law – focuses on underwriting, documentation, approval and reporting in compliance with banking laws and regulations. Primary emphasis is directed to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), Regulation O requirements and regulations governing appraisals.

Commercial Credits

Trustmark has established a loan grading system that consists of ten individual credit risk grades (risk ratings) that encompass a range from loans where the expectation of loss is negligible to loans where loss has been established. The model is based on the risk of default for an individual credit and establishes certain criteria to delineate the level of risk across the ten unique credit risk grades. Credit risk grade definitions are as follows:

- Risk Rate (RR) 1 through RR 6 – Grades one through six represent groups of loans that are not subject to criticism as defined in regulatory guidance. Loans in these groups exhibit characteristics that represent low to moderate risk measured by using a variety of credit risk criteria such as cash flow coverage, debt service coverage, balance sheet leverage, liquidity, management experience, industry position, prevailing economic conditions, support from secondary sources of repayment and other credit factors that may be relevant to a specific loan. In general, these loans are supported by properly margined collateral and guarantees of principal parties.
- Other Assets Especially Mentioned (Special Mention) (RR 7) – a loan that has a potential weakness that if not corrected will lead to a more severe rating. This rating is for credits that are currently protected but potentially weak because of an adverse feature or condition that if not corrected will lead to a further downgrade.
- Substandard (RR 8) – a loan that has at least one identified weakness that is well defined. This rating is for credits where the primary sources of repayment are not viable at the time of evaluation or where either the capital or collateral is not adequate to support the loan and the secondary means of repayment do not provide a sufficient level of support to offset the identified weakness. Loss potential exists in the aggregate amount of substandard loans but does not necessarily exist in individual loans.
- Doubtful (RR 9) – a loan with an identified weakness that does not have a valid secondary source of repayment. Generally, these credits have an impaired primary source of repayment and secondary sources are not sufficient to prevent a loss in the credit. The exact amount of the loss has not been determined at this time.
- Loss (RR 10) – a loan or a portion of a loan that is deemed to be uncollectible.

By definition, credit risk grades special mention (RR 7), substandard (RR 8), doubtful (RR 9) and loss (RR 10) are criticized loans while substandard (RR 8), doubtful (RR 9) and loss (RR 10) are classified loans. These definitions are standardized by all bank regulatory agencies and are generally equally applied by each individual lending institution. The remaining credit risk grades are considered pass credits and are solely defined by Trustmark.

To enhance this process, Trustmark has determined that certain loans will be individually assessed, and a formal analysis will be performed and based upon the analysis the loan will be written down to net realizable value. Trustmark will individually assess and remove loans from the pool in the following circumstances:

- Commercial nonaccrual loans with total exposure of $500 thousand (excluding those portions of the debt that are government guaranteed or are secured by Trustmark deposits or marketable securities) or more.

- Any loan that is believed to not share similar risk characteristics with the rest of the pool will be individually assessed. Otherwise, the loan will be left within the pool based on the results of the assessment.

- Commercial accruing loans deemed to be a TDR with total exposure of $500 thousand (excluding those portions of the debt that are government guaranteed or are secured by Trustmark deposits or marketable securities) or more. If the loan is believed to not share similar risk characteristics with the rest of the loan pool, the loan will be individually assessed. Otherwise, the loan will be left within the pool and monitored on an ongoing basis.

Each loan officer assesses the appropriateness of the internal risk rating assigned to their credits on an ongoing basis. Trustmark's Asset Review area conducts independent credit quality reviews of the majority of Trustmark's commercial loan portfolio both on the underlying credit quality of each individual loan class as well as the adherence to Trustmark's loan policy and the loan administration process.

In addition to the ongoing internal risk rate monitoring described above, Trustmark's Credit Quality Review Committee meets monthly and performs a review of all loans of $100 thousand or more that are either delinquent thirty days or more or on nonaccrual. This review includes recommendations regarding risk ratings, accrual status, charge-offs and appropriate servicing officer as well as evaluation of problem credits for determination of TDRs. Quarterly, the Credit Quality Review Committee reviews and modifies continuous action plans for all credits risk rated seven or worse for relationships of $100 thousand or more.

In addition, periodic reviews of significant development, commercial construction, multi-family and nonowner-occupied projects are performed. These reviews assess each particular project with respect to location, project valuations, progress of completion, leasing status, current financial information, rents, operating expenses, cash flow, adherence to budget and projections and other information as applicable. Summary results are reviewed by Senior and Regional Credit Officers in addition to the Chief Credit Officer with a determination made as to the appropriateness of existing risk ratings and accrual status.

Consumer Credits

Consumer LHFI that do not meet a minimum custom credit score are reviewed quarterly. The Retail Credit Review Committee, Management Credit Policy Committee and the Directors Credit Policy Committee review the volume and/or percentage of approvals that did not meet the minimum passing custom score to ensure that Trustmark continues to originate quality loans.

Trustmark monitors the levels and severity of past due consumer LHFI on a daily basis through its collection activities. A detailed assessment of consumer LHFI delinquencies is performed monthly at both a product and market level.

The tables below present the amortized cost basis of loans by credit quality indicator and class of loans based on analyses performed at December 31, 2021 and 2020 ($ in thousands):

	Term Loans by Origination Year							
	2021	2020	2019	2018	2017	Prior	Revolving Loans	Total
As of December 31, 2021				Commercial LHFI				
Loans secured by real estate:								
Construction, land development and other land:								
Pass - RR 1 through RR 6	$ 376,438	$ 76,176	$ 21,366	$ 2,189	$ 1,367	$ 2,890	$ 26,505	$ 506,931
Special Mention - RR 7	71	6,382	—	—	—	—	—	6,453
Substandard - RR 8	2,243	—	3,435	30	—	—	—	5,708
Doubtful - RR 9	—	—	—	—	—	42	—	42
Total	378,752	82,558	24,801	2,219	1,367	2,932	26,505	519,134
Other secured by 1-4 family residential properties:								
Pass - RR 1 through RR 6	$ 44,208	$ 23,269	$ 13,194	$ 9,722	$ 5,737	$ 3,076	$ 8,771	$ 107,977
Special Mention - RR 7	111	143	—	—	—	—	—	254
Substandard - RR 8	721	150	6	166	46	627	—	1,716
Doubtful - RR 9	22	—	—	—	—	—	—	22
Total	45,062	23,562	13,200	9,888	5,783	3,703	8,771	109,969
Secured by nonfarm, nonresidential properties:								
Pass - RR 1 through RR 6	$ 750,869	$ 604,026	$ 610,446	$ 350,603	$ 183,115	$ 279,529	$ 113,808	$ 2,892,396
Special Mention - RR 7	1,510	9,584	412	—	1,562	4,522	—	17,590
Substandard - RR 8	11,017	2,357	13,609	3,591	5,988	29,309	1,025	66,896
Doubtful - RR 9	43	—	105	—	—	21	—	169
Total	763,439	615,967	624,572	354,194	190,665	313,381	114,833	2,977,051
Other real estate secured:								
Pass - RR 1 through RR 6	$ 256,273	$ 105,687	$ 220,487	$ 64,268	$ 6,816	$ 56,196	$ 13,350	$ 723,077
Special Mention - RR 7	—	—	—	—	—	773	—	773
Substandard - RR 8	1,684	65	—	8	—	101	—	1,858
Doubtful - RR 9	—	—	—	—	—	—	—	—
Total	257,957	105,752	220,487	64,276	6,816	57,070	13,350	725,708

As of December 31, 2021	2021	2020	2019	2018	2017	Prior	Revolving Loans	Total
	Term Loans by Origination Year							
	Commercial LHFI							
Other loans secured by real estate:								
Other construction								
Pass - RR 1 through RR 6	$ 273,747	$ 393,580	$ 25,142	$ —	$ —	$ —	$ 17,909	$ 710,378
Special Mention - RR 7	—	—	—	—	—	—	—	—
Substandard - RR 8	1,435	—	—	—	—	—	—	1,435
Doubtful - RR 9	—	—	—	—	—	—	—	—
Total	275,182	393,580	25,142	—	—	—	17,909	711,813
Commercial and industrial loans:								
Pass - RR 1 through RR 6	$ 503,073	$ 249,171	$ 74,239	$ 33,403	$ 50,016	$ 35,883	$ 400,423	$ 1,346,208
Special Mention - RR 7	643	365	147	550	48	—	99	1,852
Substandard - RR 8	14,530	1,338	1,221	1,119	9,237	386	38,182	66,013
Doubtful - RR 9	20	46	29	107	—	4	—	206
Total	518,266	250,920	75,636	35,179	59,301	36,273	438,704	1,414,279
State and other political subdivision loans:								
Pass - RR 1 through RR 6	$ 381,317	$ 148,156	$ 56,987	$ 30,558	$ 95,491	$ 418,319	$ 8,409	$ 1,139,237
Special Mention - RR 7	—	—	—	—	—	3,350	—	3,350
Substandard - RR 8	—	—	—	—	—	3,664	—	3,664
Doubtful - RR 9	—	—	—	—	—	—	—	—
Total	381,317	148,156	56,987	30,558	95,491	425,333	8,409	1,146,251
Other commercial loans:								
Pass - RR 1 through RR 6	$ 103,504	$ 38,661	$ 64,871	$ 8,643	$ 7,924	$ 41,112	$ 232,476	$ 497,191
Special Mention - RR 7	4,059	—	—	—	—	—	9,013	13,072
Substandard - RR 8	4,532	6,681	82	212	—	—	13,000	24,507
Doubtful - RR 9	—	50	—	—	—	23	—	73
Total	112,095	45,392	64,953	8,855	7,924	41,135	254,489	534,843
Total commercial LHFI	$ 2,732,070	$ 1,665,887	$ 1,105,778	$ 505,169	$ 367,347	$ 879,827	$ 882,970	$ 8,139,048

	Term Loans by Origination Year							
As of December 31, 2021	2021	2020	2019	2018	2017	Prior	Revolving Loans	Total
				Consumer LHFI				
Loans secured by real estate:								
Construction, land development and other land:								
Current	$ 51,849	$ 16,204	$ 3,024	$ 3,059	$ 797	$ 2,404	$ —	$ 77,337
Past due 30-89 days	—	265	49	5	—	14	—	333
Past due 90 days or more	—	—	—	—	—	7	—	7
Nonaccrual	64	—	—	—	—	93	—	157
Total	51,913	16,469	3,073	3,064	797	2,518	—	77,834
Other secured by 1-4 family residential properties:								
Current	$ 21,166	$ 11,098	$ 6,119	$ 5,903	$ 3,291	$ 7,853	$ 347,743	$ 403,173
Past due 30-89 days	5	34	87	114	—	145	1,214	1,599
Past due 90 days or more	—	4	—	—	—	13	91	108
Nonaccrual	26	70	29	9	341	274	2,085	2,834
Total	21,197	11,206	6,235	6,026	3,632	8,285	351,133	407,714
Secured by nonfarm, nonresidential properties:								
Current	$ 31	$ —	$ —	$ —	$ 2	$ —	$ —	$ 33
Past due 30-89 days	—	—	—	—	—	—	—	—
Past due 90 days or more	—	—	—	—	—	—	—	—
Nonaccrual	—	—	—	—	—	—	—	—
Total	31	—	—	—	2	—	—	33
Other real estate secured:								
Current	$ —	$ 97	$ —	$ 8	$ 60	$ 170	$ —	$ 335
Past due 30-89 days	—	—	—	—	—	—	—	—
Past due 90 days or more	—	—	—	—	—	—	—	—
Nonaccrual	—	—	—	—	—	—	—	—
Total	—	97	—	8	60	170	—	335

	Term Loans by Origination Year							
As of December 31, 2021	2021	2020	2019	2018	2017	Prior	Revolving Loans	Total
				Consumer LHFI				
Other loans secured by real estate:								
Secured by 1-4 family residential properties								
Current	$ 622,330	$ 233,951	$ 137,500	$ 107,345	$ 56,374	$ 285,919	$ —	$ 1,443,419
Past due 30-89 days	542	494	333	10	369	714	—	2,462
Past due 90 days or more	199	501	165	122	218	450	—	1,655
Nonaccrual	272	1,875	1,419	2,105	916	6,187	—	12,774
Total	623,343	236,821	139,417	109,582	57,877	293,270	—	1,460,310
Consumer loans:								
Current	$ 65,366	$ 25,512	$ 8,498	$ 4,734	$ 1,289	$ 378	$ 54,518	$ 160,295
Past due 30-89 days	989	223	123	22	10	5	468	1,840
Past due 90 days or more	26	23	6	—	—	—	248	303
Nonaccrual	71	17	2	13	8	—	6	117
Total	66,452	25,775	8,629	4,769	1,307	383	55,240	162,555
Total consumer LHFI	$ 762,936	$ 290,368	$ 157,354	$ 123,449	$ 63,675	$ 304,626	$ 406,373	$ 2,108,781
Total LHFI	$ 3,495,006	$ 1,956,255	$ 1,263,132	$ 628,618	$ 431,022	$ 1,184,453	$ 1,289,343	$ 10,247,829

As of December 31, 2020	2020	2019	2018	2017	2016	Prior	Revolving Loans	Total
	Term Loans by Origination Year							
	Commercial LHFI							
Loans secured by real estate:								
Construction, land development and other land:								
Pass - RR 1 through RR 6	$ 287,218	$ 62,078	$ 26,401	$ 4,487	$ 3,274	$ 3,564	$ 28,548	$ 415,570
Special Mention - RR 7	—	—	—	—	—	—	—	—
Substandard - RR 8	5,419	4,363	1,226	12	494	22	101	11,637
Doubtful - RR 9	—	—	—	—	—	42	—	42
Total	292,637	66,441	27,627	4,499	3,768	3,628	28,649	427,249
Other secured by 1-4 family residential properties:								
Pass - RR 1 through RR 6	$ 35,139	$ 19,596	$ 15,399	$ 9,605	$ 10,273	$ 4,786	$ 8,486	$ 103,284
Special Mention - RR 7	255	—	50	—	—	—	—	305
Substandard - RR 8	1,155	8	914	341	302	337	3,950	7,007
Doubtful - RR 9	29	—	—	—	—	—	—	29
Total	36,578	19,604	16,363	9,946	10,575	5,123	12,436	110,625
Secured by nonfarm, nonresidential properties:								
Pass - RR 1 through RR 6	$ 697,439	$ 496,476	$ 442,264	$ 293,072	$ 254,747	$ 251,219	$ 96,098	$ 2,531,315
Special Mention - RR 7	13,452	6,139	2,956	4,466	4,957	20,545	—	52,515
Substandard - RR 8	19,119	20,572	4,516	12,956	38,956	25,438	2,779	124,336
Doubtful - RR 9	52	163	—	—	217	306	—	738
Total	730,062	523,350	449,736	310,494	298,877	297,508	98,877	2,708,904
Other real estate secured:								
Pass - RR 1 through RR 6	$ 146,803	$ 376,765	$ 347,472	$ 48,626	$ 89,824	$ 23,680	$ 12,116	$ 1,045,286
Special Mention - RR 7	—	—	—	—	—	841	—	841
Substandard - RR 8	18,649	14	18	—	556	122	—	19,359
Doubtful - RR 9	—	—	—	—	—	—	—	—
Total	165,452	376,779	347,490	48,626	90,380	24,643	12,116	1,065,486

As of December 31, 2020	2020	2019	2018	2017	2016	Prior	Revolving Loans	Total
	Term Loans by Origination Year							
				Commercial LHFI				
Other loans secured by real estate:								
Other construction								
Pass - RR 1 through RR 6	$ 262,544	$ 425,936	$ 81,476	$ 14,074	$ 2,464	$ —	$ 7,735	$ 794,229
Special Mention - RR 7	—	—	—	—	—	—	—	—
Substandard - RR 8	754	—	—	—	—	—	—	754
Doubtful - RR 9	—	—	—	—	—	—	—	—
Total	263,298	425,936	81,476	14,074	2,464	—	7,735	794,983
Commercial and industrial loans:								
Pass - RR 1 through RR 6	$ 444,304	$ 165,163	$ 77,611	$ 77,985	$ 59,131	$ 43,214	$ 372,486	$ 1,239,894
Special Mention - RR 7	677	45	—	—	—	—	240	962
Substandard - RR 8	12,090	1,814	9,737	3,735	2,160	5,024	33,380	67,940
Doubtful - RR 9	151	95	—	—	32	4	—	282
Total	457,222	167,117	87,348	81,720	61,323	48,242	406,106	1,309,078
State and other political subdivision loans:								
Pass - RR 1 through RR 6	$ 250,363	$ 79,595	$ 41,334	$ 113,817	$ 132,634	$ 372,831	$ 1,446	$ 992,020
Special Mention - RR 7	—	—	—	—	—	4,018	—	4,018
Substandard - RR 8	—	—	—	247	—	4,491	—	4,738
Doubtful - RR 9	—	—	—	—	—	—	—	—
Total	250,363	79,595	41,334	114,064	132,634	381,340	1,446	1,000,776
Other commercial loans:								
Pass - RR 1 through RR 6	$ 101,230	$ 70,990	$ 20,769	$ 9,723	$ 33,481	$ 30,715	$ 225,533	$ 492,441
Special Mention - RR 7	7,500	—	—	—	—	—	11,333	18,833
Substandard - RR 8	381	2,099	683	6	707	—	9,948	13,824
Doubtful - RR 9	2	—	—	—	—	23	—	25
Total	109,113	73,089	21,452	9,729	34,188	30,738	246,814	525,123
Total commercial LHFI	$ 2,304,725	$ 1,731,911	$ 1,072,826	$ 593,152	$ 634,209	$ 791,222	$ 814,179	$ 7,942,224

As of December 31, 2020	2020	2019	2018	2017	2016	Prior	Revolving Loans	Total
	Term Loans by Origination Year							
	Consumer LHFI							
Loans secured by real estate:								
Construction, land development and other land:								
Current	$ 47,336	$ 24,174	$ 8,496	$ 2,036	$ 1,447	$ 2,868	$ —	$ 86,357
Past due 30-89 days	—	318	20	—	1	12	—	351
Past due 90 days or more	—	—	—	—	—	—	—	—
Nonaccrual	—	—	—	—	—	99	—	99
Total	47,336	24,492	8,516	2,036	1,448	2,979	—	86,807
Other secured by 1-4 family residential properties:								
Current	$ 20,864	$ 10,253	$ 12,037	$ 4,177	$ 2,082	$ 11,124	$ 348,830	$ 409,367
Past due 30-89 days	93	12	—	13	—	133	1,058	1,309
Past due 90 days or more	—	—	—	—	—	30	22	52
Nonaccrual	6	44	121	428	—	382	2,398	3,379
Total	20,963	10,309	12,158	4,618	2,082	11,669	352,308	414,107
Secured by nonfarm, nonresidential properties:								
Current	$ 109	$ —	$ —	$ 4	$ —	$ 9	$ —	$ 122
Past due 30-89 days	—	—	—	—	—	—	—	—
Past due 90 days or more	—	—	—	—	—	—	—	—
Nonaccrual	—	—	—	—	—	—	—	—
Total	109	—	—	4	—	9	—	122
Other real estate secured:								
Current	$ 107	$ —	$ 38	$ 37	$ 96	$ 200	$ —	$ 478
Past due 30-89 days	—	—	—	—	—	—	—	—
Past due 90 days or more	—	—	—	—	—	—	—	—
Nonaccrual	—	—	—	—	—	—	—	—
Total	107	—	38	37	96	200	—	478

As of December 31, 2020	2020	2019	2018	2017	2016	Prior	Revolving Loans	Total
	Term Loans by Origination Year							
	Consumer LHFI							
Other loans secured by real estate:								
Secured by 1-4 family residential properties								
Current	$ 289,521	$ 214,056	$ 173,324	$ 92,564	$ 109,031	$ 321,250	$ —	$ 1,199,746
Past due 30-89 days	499	93	753	366	1,080	799	—	3,590
Past due 90 days or more	159	214	208	127	—	549	—	1,257
Nonaccrual	283	711	2,024	682	239	7,868	—	11,807
Total	290,462	215,074	176,309	93,739	110,350	330,466	—	1,216,400
Consumer loans:								
Current	$ 65,370	$ 25,303	$ 13,140	$ 3,893	$ 1,257	$ 345	$ 53,669	$ 162,977
Past due 30-89 days	524	158	67	19	7	3	305	1,083
Past due 90 days or more	77	—	4	—	—	—	159	240
Nonaccrual	12	4	55	13	2	—	—	86
Total	65,983	25,465	13,266	3,925	1,266	348	54,133	164,386
Total consumer LHFI	$ 424,960	$ 275,340	$ 210,287	$ 104,359	$ 115,242	$ 345,671	$ 406,441	$ 1,882,300
Total LHFI	$ 2,729,685	$ 2,007,251	$ 1,283,113	$ 697,511	$ 749,451	$ 1,136,893	$ 1,220,620	$ 9,824,524

Past Due LHFS

LHFS past due 90 days or more totaled $69.9 million and $119.4 million at December 31, 2021 and 2020, respectively.

Trustmark did not exercise its buy-back option on any delinquent loans serviced for GNMA during 2021 or 2020.

ACL, LHFI

Trustmark's ACL methodology for LHFI is based upon guidance within FASB ASC Subtopic 326-20 as well as applicable regulatory guidance. The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Credit quality within the LHFI portfolio is continuously monitored by Management and is reflected within the ACL for loans. The ACL is an estimate of expected losses inherent within Trustmark's existing LHFI portfolio. The ACL for LHFI is adjusted through the PCL, LHFI and reduced by the charge off of loan amounts, net of recoveries.

The methodology for estimating the amount of expected credit losses reported in the ACL has two basic components: a collective, or pooled, component for estimated expected credit losses for pools of loans that share similar risk characteristics, and an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans. In estimating the ACL for the collective component, loans are segregated into loan pools based on loan product types and similar risk characteristics.

The loans secured by real estate and other loans secured by real estate portfolio segments include loans for both commercial and residential properties. 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, availability of permanent financing, maximum loan-to-value ratios, minimum equity requirements, acceptable amortization periods and minimum debt service coverage requirements, based on property type. 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. Ultimate repayment of these loans is sensitive to interest rate changes, general economic conditions, liquidity and availability of long-term financing.

The commercial and industrial LHFI portfolio segment includes loans within Trustmark's geographic markets 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 and term financing for equipment and fixed asset purchases that are secured by those assets. Trustmark's credit underwriting process for commercial and industrial 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.

The consumer LHFI portfolio segment is comprised of loans which are underwritten after evaluating a borrower's repayment capacity, credit and collateral. Several factors are considered when assessing a borrower's capacity to repay the obligation, including the borrower's employment, income, current debt and assets. Credit is assessed using a credit report that provides credit scores and the borrower's current and past information about their credit history. Property appraisals are obtained to assist in evaluating collateral. Loan-to-value and debt-to-income ratios, loan amount and lien position are also considered in assessing whether to originate a loan. These borrowers are particularly susceptible to downturns in economic trends such as conditions that negatively affect housing prices and demand and levels of unemployment.

The state and other political subdivision LHFI and the other commercial LHFI portfolio segments 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.

The following table provides a description of each of Trustmark's portfolio segments, loan classes, loan pools and the ACL methodology and loss drivers:

Portfolio Segment	Loan Class	Loan Pool	Methodology	Loss Drivers
Loans secured by real estate	Construction, land development and other land	1-4 family residential construction	DCF	Prime Rate, National GDP
		Lots and development	DCF	Prime Rate, Southern Unemployment
		Unimproved land	DCF	Prime Rate, Southern Unemployment
		All other consumer	DCF	Southern Unemployment
	Other secured by 1-4 family residential properties	Consumer 1-4 family - 1st liens	DCF	Prime Rate, Southern Unemployment
		All other consumer	DCF	Southern Unemployment
		Nonresidential owner-occupied	DCF	Southern Unemployment, National GDP
	Secured by nonfarm, nonresidential properties	Nonowner-occupied - hotel/motel	DCF	Southern Vacancy Rate, Southern Unemployment
		Nonowner-occupied - office	DCF	Southern Vacancy Rate, Southern Unemployment
		Nonowner-occupied- Retail	DCF	Southern Vacancy Rate, Southern Unemployment
		Nonowner-occupied - senior living/nursing homes	DCF	Southern Vacancy Rate, Southern Unemployment
		Nonowner-occupied - all other	DCF	Southern Vacancy Rate, Southern Unemployment
		Nonresidential owner-occupied	DCF	Southern Unemployment, National GDP
	Other real estate secured	Nonresidential nonowner -occupied - apartments	DCF	Southern Vacancy Rate, Southern Unemployment
		Nonresidential owner-occupied	DCF	Southern Unemployment, National GDP
		Nonowner-occupied - all other	DCF	Southern Vacancy Rate, Southern Unemployment
Other loans secured by real estate	Other construction	Other construction	WARM	Prime Rate, National Unemployment
	Secured by 1-4 family residential properties	Trustmark mortgage	WARM	Southern Unemployment
Commercial and industrial loans	Commercial and industrial loans	Commercial and industrial - non-working capital	DCF	Trustmark historical data
		Commercial and industrial - working capital	DCF	Trustmark historical data
		Credit cards	WARM	Trustmark call report data
Consumer loans	Consumer loans	Credit cards	WARM	Trustmark call report data
		Overdrafts	Loss Rate	Trustmark historical data
		All other consumer	DCF	Southern Unemployment
State and other political subdivision loans	State and other political subdivision loans	Obligations of state and political subdivisions	DCF	Moody's Bond Default Study
Other commercial loans	Other commercial loans	Other loans	DCF	Prime Rate, Southern Unemployment
		Commercial and industrial - non-working capital	DCF	Trustmark historical data
		Commercial and industrial - working capital	DCF	Trustmark historical data

In general, Trustmark utilizes a DCF method to estimate the quantitative portion of the ACL for loan pools. The DCF model consists of two key components, a loss driver analysis (LDA) and a cash flow analysis. For loan pools utilizing the DCF methodology, multiple assumptions are in place, depending on the loan pool. A reasonable and supportable forecast is utilized for each loan pool by developing a LDA for each loan class. The LDA uses charge off data from Federal Financial Institutions Examination Council (FFIEC) reports to construct a periodic default rate (PDR). The PDR is decomposed into a probability of default (PD). Regressions are run using the data for various macroeconomic variables in order to determine which ones correlate to Trustmark's losses. These variables are then incorporated into the application to calculate a quarterly PD using a third-party baseline forecast. In addition to the PD, a loss given default (LGD) is derived using a method referred to as Frye Jacobs. The Frye Jacobs method is a mathematical formula that traces the

relationship between LGD and PD over time and projects the LGD based on the levels of PD forecasts. This model approach is applicable to all pools within the construction, land development and other land, other secured by 1-4 family residential properties, secured by nonfarm, nonresidential properties and other real estate secured loan classes as well as the all other consumer and other loans pools.

For the commercial and industrial loans related pools, Trustmark uses its own PD and LGD data, instead of the macroeconomic variables and the Frye Jacobs method described above, to calculate the PD and LGD as there were no defensible macroeconomic variables that correlated to Trustmark's losses. Trustmark utilizes a third-party Bond Default Study to derive the PD and LGD for the obligations of state and political subdivisions pool. Due to the lack of losses within this pool, no defensible macroeconomic factors were identified to correlate.

The PD and LGD measures are used in conjunction with prepayment data as inputs into the DCF model to calculate the cash flows at the individual loan level. Contractual cash flows based on loan terms are adjusted for PD, LGD and prepayments to derive loss cash flows. These loss cash flows are discounted by the loan's coupon rate to arrive at the discounted cash flow based quantitative loss. The prepayment studies are updated quarterly by a third-party for each applicable pool.

An alternate method of estimating the ACL is used for certain loan pools due to specific characteristics of these loans. For the non-DCF pools, specifically, those using the weighted average remaining maturity (WARM) method, the remaining life is incorporated into the ACL quantitative calculation.

Trustmark determined that reasonable and supportable forecasts could be made for a twelve-month period for all of its loan pools. To the extent the lives of the loans in the LHFI portfolio extend beyond this forecast period, Trustmark uses a reversion period of four quarters and reverts to the historical mean on a straight-line basis over the remaining life of the loans. The econometric models currently in production reflect segment or pool level sensitivities of PD to changes in macroeconomic variables. By measuring the relationship between defaults and changes in the economy, the quantitative reserve incorporates reasonable and supportable forecasts of future conditions that will affect the value of its assets, as required by FASB ASC Topic 326. Under stable forecasts, these linear regressions will reasonably predict a pool's PD. However, due to the COVID-19 pandemic, the macroeconomic variables used for reasonable and supportable forecasting have changed rapidly. At the current levels, it is not clear that the models currently in production will produce reasonably representative results since the models were originally estimated using data beginning in 2004 through 2019. During this period, a traditional, albeit severe, economic recession occurred. Thus, econometric models are sensitive to similar future levels of PD.

In order to prevent the econometric models from extrapolating beyond reasonable boundaries of their input variables, Trustmark chose to establish an upper and lower limit process when applying the periodic forecasts. In this way, Management will not rely upon unobserved and untested relationships in the setting of the quantitative reserve. This approach applies to all input variables, including: Southern Unemployment, National Unemployment, National Gross Domestic Product (GDP), Southern Vacancy Rate and the Prime Rate. The upper and lower limits are based on the distribution of the macroeconomic variable by selecting extreme percentiles at the upper and lower limits of the distribution, the 1st and 99th, respectively. These upper and lower limits are then used to calculate the PD for the forecast time period in which the forecasted values are outside of the upper and lower limit range. During 2021, the forecast related to the macroeconomic variables used in the quantitative modeling process were positively impacted due to the updated forecast effects. However, due to multiple periods having a PD or LGD at or near zero as a result of improving macroeconomic forecasts, Management implemented PD and LGD floors to account for the risk associated with each portfolio. The PD and LGD floors are based on Trustmark's historical loss experience and applied at a portfolio level.

Qualitative factors used in the ACL methodology include the following:

- Lending policies and procedures
- Economic conditions and concentrations of credit
- Nature and volume of the portfolio
- Performance trends
- External factors

While all these factors are incorporated into the overall methodology, only three are currently considered active: economic conditions and concentrations of credit, performance trends and external factors.

Two of Trustmark's largest loan classes are the loans secured by nonfarm, nonresidential properties and the loans secured by other real estate. Trustmark elected to create a qualitative factor specifically for these loan classes which addresses changes in the economic conditions of metropolitan areas and applies additional pool level reserves. This qualitative factor is based on third-party market data and forecast trends and is updated quarterly as information is available, by market and by loan pool.

For the performance trends factor, Trustmark uses migration analyses to allocate additional ACL to non-pass/delinquent loans within each pool. In this way, Management believes the ACL will directly reflect changes in risk, based on the performance of the loans within a pool, whether declining or improving.

The external factors qualitative factor is Management's best judgement on the loan or pool level impact of all factors that affect the portfolio that are not accounted for using any other part of the ACL methodology (*e.g.*, natural disasters, changes in legislation, impacts due to technology and pandemics). During 2020, Trustmark activated the External Factor – Pandemic to ensure reserve adequacy for collectively evaluated loans most likely to be impacted by the unique economic and behavioral conditions created by the COVID-19 pandemic. Additional qualitative reserves are derived based on two principles. The first is the disconnect of economic factors to Trustmark's modeled probability of default (derived from the econometric models underpinning the quantitative pooled reserves). During the pandemic, extraordinary measures by the federal government were made available to consumers and businesses, including COVID-19 loan payment concessions, direct transfer payments to households, tax deferrals, and reduced interest rates, among others. These government interventions may have extended the lag between economic conditions and default, relative to what was captured in the model development data. Because Trustmark's econometric PD models rely on the observed relationship from the economic downturn from 2007 to 2009 in both timing and severity, Management does not expect the models to reflect these current conditions. For example, while the models would predict contemporaneous unemployment peaks and loan defaults, this may not occur when borrowers can request payment deferrals. Thus, for the affected population, economic conditions are not fully considered as a part of Trustmark's quantitative reserve. The second principle is the change in risk that is identified by rating changes. As a part of Trustmark's credit review process, loans in the affected population have been given more frequent screening to ensure accurate ratings are maintained through this dynamic period. Trustmark's quantitative reserve does not directly address changes in ratings, thus a migration qualitative factor was designed to work in concert with the quantitative reserve. In a downturn, the qualitative factor is inactive for most pools because changes in ratings are congruent with changes in macroeconomic conditions, which directly influence the PD models in the quantitative reserve.

As discussed above, the disconnect of economic factors means that changes in rating caused by deteriorating and weak economic conditions as a result of the pandemic are not being captured in the quantitative reserve. During 2020, due to unforeseen pandemic conditions that varied from Management's expectations, additional reserves were further dimensioned in order to appropriately reflect the risk within the portfolio related to the COVID-19 pandemic. In an effort to ensure the External Factor-Pandemic qualitative factor is reasonable and supportable, historical Trustmark loss data was leveraged to construct a framework that is quantitative in nature. To dimension the additional reserve, Management uses the sensitivity of the quantitative commercial loan reserve to changes in macroeconomic conditions to apply to loans rated acceptable or better (RR 1-4). In addition, to account for the known changes in risk, a weighted average of the commercial loan portfolio loss rate, derived from the performance trends qualitative factor, is used to dimension additional reserves for downgraded credits. Loans rated acceptable with risk (RR 5) or watch (RR 6) received the additional reserves based on the average of the macroeconomic conditions and weighted- average of the commercial loan portfolio loss rate while the loans rated special mention and substandard received additional reserves based on the weighted-average described above.

The following tables disaggregate the ACL and the amortized cost basis of the loans by the measurement methodology used at December 31, 2021 and 2020 ($ in thousands):

	Year Ended December 31, 2021					
	ACL			LHFI		
	Individually Evaluated for Credit Loss	Collectively Evaluated for Credit Loss	Total ACL	Individually Evaluated for Credit Loss	Collectively Evaluated for Credit Loss	Total LHFI
Loans secured by real estate:						
Construction, land development and other land	$ 278	$ 5,801	$ 6,079	$ 5,198	591,770	$ 596,968
Other secured by 1-4 family residential properties	—	10,310	10,310	—	517,683	517,683
Secured by nonfarm, nonresidential properties	—	37,912	37,912	11,072	2,966,012	2,977,084
Other real estate secured	—	4,713	4,713	56	725,987	726,043
Other loans secured by real estate:						
Other construction	—	5,968	5,968	—	711,813	711,813
Secured by 1-4 family residential properties	—	2,706	2,706	1,319	1,458,991	1,460,310
Commercial and industrial loans	5,750	13,189	18,939	18,444	1,395,835	1,414,279
Consumer loans	—	4,774	4,774	—	162,555	162,555
State and other political subdivision loans	1,394	1,314	2,708	3,664	1,142,587	1,146,251
Other commercial loans	203	5,145	5,348	4,608	530,235	534,843
Total	$ 7,625	$ 91,832	$ 99,457	$ 44,361	$ 10,203,468	$ 10,247,829

	ACL			LHFI		
	December 31, 2020					
	Individually Evaluated for Credit Loss	Collectively Evaluated for Credit Loss	Total	Individually Evaluated for Credit Loss	Collectively Evaluated for Credit Loss	Total
Loans secured by real estate:						
Construction, land development and other land	$ —	$ 6,854	$ 6,854	$ 5,756	$ 508,300	$ 514,056
Other secured by 1-4 family residential properties	—	9,928	9,928	454	524,278	524,732
Secured by nonfarm, nonresidential properties	—	48,523	48,523	12,037	2,696,989	2,709,026
Other real estate secured	—	7,382	7,382	60	1,065,904	1,065,964
Other loans secured by real estate:						
Other construction	—	8,158	8,158	—	794,983	794,983
Secured by 1-4 family residential properties	—	5,143	5,143	1,441	1,214,959	1,216,400
Commercial and industrial loans	579	14,272	14,851	14,076	1,295,002	1,309,078
Consumer loans	—	5,838	5,838	—	164,386	164,386
State and other political subdivision loans	1,700	1,490	3,190	3,970	996,806	1,000,776
Other loans	2,100	5,339	7,439	5,615	519,508	525,123
Total	$ 4,379	$ 112,927	$ 117,306	$ 43,409	$ 9,781,115	$ 9,824,524

Changes in the ACL were as follows for the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Balance at beginning of period	$ 117,306	$ 84,277	$ 79,290
FASB ASU 2016-13 adoption adjustments:			
LHFI	—	(3,039)	—
Allowance for loan losses, acquired loans transfer	—	815	—
Acquired loans ACL adjustment	—	1,007	—
Loans charged-off	(10,275)	(11,475)	(14,481)
Recoveries	13,925	9,608	8,671
Net (charge-offs) recoveries	3,650	(1,867)	(5,810)
PCL, LHFI	(21,499)	36,113	10,797
Balance at end of period	$ 99,457	$ 117,306	$ 84,277

The following tables detail changes in the ACL by loan class for the years ended December 31, 2021 and 2020 ($ in thousands):

	2021				
	Balance January 1,	Charge-offs	Recoveries	PCL	Balance December 31,
Loans secured by real estate:					
Construction, land development and other land	$ 6,854	$ (39)	$ 1,564	$ (2,300)	$ 6,079
Other secured by 1-4 family residential properties	9,928	(109)	505	(14)	10,310
Secured by nonfarm, nonresidential properties	48,523	(169)	1,245	(11,687)	37,912
Other real estate secured	7,382	—	20	(2,689)	4,713
Other loans secured by real estate:					
Other construction	8,158	—	47	(2,237)	5,968
Secured by 1-4 family residential properties	5,143	(177)	128	(2,388)	2,706
Commercial and industrial loans	14,851	(4,391)	4,727	3,752	18,939
Consumer loans	5,838	(1,640)	1,665	(1,089)	4,774
State and other political subdivision loans	3,190	—	—	(482)	2,708
Other commercial loans	7,439	(3,750)	4,024	(2,365)	5,348
Total	$ 117,306	$ (10,275)	$ 13,925	$ (21,499)	$ 99,457

The increase in the PCL for the commercial and industrial loan portfolio for the year ended December 31, 2021 was primarily due to specific reserves for individually analyzed credits.

The PCL for loans secured by real estate, other loans secured by real estate, state and other political subdivision loans and other commercial loans decreased during the year ended December 31, 2021 primarily due to improvements in the macroeconomic forecast and credit quality.

	2020					
	Balance January 1,	FASB ASU 2016-13 Adoption Adjustment	Charge-offs	Recoveries	PCL	Balance December 31,
Loans secured by real estate:						
Construction, land development and other land	$ 6,371	$ (188)	$ (12)	$ 716	$ (33)	$ 6,854
Other secured by 1-4 family residential properties	5,888	4,188	(117)	378	(409)	9,928
Secured by nonfarm, nonresidential properties	26,158	(8,179)	(3,777)	546	33,775	48,523
Other real estate secured	4,024	(765)	(8)	68	4,063	7,382
Other loans secured by real estate:						
Other construction	1,889	3,202	—	208	2,859	8,158
Secured by 1-4 family residential properties	3,044	2,891	(43)	203	(952)	5,143
Commercial and industrial loans	25,992	(8,964)	(1,557)	1,736	(2,356)	14,851
Consumer loans	3,379	2,059	(2,039)	1,824	615	5,838
State and other political subdivision loans	2,229	2,455	—	—	(1,494)	3,190
Other commercial loans	5,303	2,084	(3,922)	3,929	45	7,439
Total	$ 84,277	$ (1,217)	$ (11,475)	$ 9,608	$ 36,113	$ 117,306

The increases in the PCL for nonfarm, nonresidential properties, other real estate secured loans, other construction loans and consumer loans for the year ended December 31, 2020 were primarily due to the negative impact of COVID-19.

The PCL for the commercial and industrial loan portfolio decreased $2.4 million during the year ended December 31, 2020 primarily due to loans that had been specifically reserved for being charged down, upgrades on loans from substandard to pass, paydowns as well as a slight decrease in the calculated PD and LGD, which uses Trustmark’s historical data. The decrease in the PCL for state and other political subdivision loans of $1.5 million was primarily due to a decrease in reserves based on routine updates to the qualitative portion of the allowance calculation.

Note 5 – Acquired Loans

Trustmark’s loss share agreement with the Federal Deposit Insurance Corporation (FDIC) covering the acquired covered loans secured by 1-4 family residential properties expired in 2021.

Upon adoption of FASB ASC Topic 326, which was effective for Trustmark on January 1, 2020, Trustmark elected to account for its existing acquired loans as PCD loans included within the LHFI portfolio. Consequently, acquired loans of $72.6 million, as well as the allowance for loan losses, acquired loans of $815 thousand, were transferred on January 1, 2020.

Under FASB ASC Subtopic 310-30, the accretable yield is the excess of expected cash flows at acquisition over the initial fair value of acquired impaired loans 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. The following table presents changes in the accretable yield for the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Accretable yield at beginning of period	$ —	$ (14,816)	$ (17,722)
FASB ASU 2016-13 adoption adjustment	—	14,816	—
Accretion to interest income	—	—	5,532
Disposals, net	—	—	2,072
Reclassification from nonaccretable difference *(1)*	—	—	(4,698)
Accretable yield at end of period	$ —	$ —	$ (14,816)

(1)Reclassifications from nonaccretable difference are due to lower loss expectations and improvements in expected cash flows.

The following table presents the components of the allowance for loan losses on acquired impaired loans for the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Balance at beginning of period	$ —	$ 815	$ 1,231
FASB ASU 2016-13 adoption adjustment	—	(815)	—
Net (charge-offs) recoveries	—	—	(458)
Provision for loan losses, acquired loans	—	—	42
Balance at end of period	$ —	$ —	$ 815

Note 6 – Premises and Equipment, Net

At December 31, 2021 and 2020, premises and equipment, net consisted of the following ($ in thousands):

	December 31,	
	2021	2020
Land	$ 54,342	$ 52,189
Buildings and leasehold improvements	221,986	216,650
Furniture and equipment	190,907	180,976
Total cost of premises and equipment	467,235	449,815
Less accumulated depreciation and amortization	271,334	263,147
Premises and equipment, net	195,901	186,668
Finance lease right-of-use assets	6,017	7,471
Assets held for sale	3,726	139
Total premises and equipment, net	$ 205,644	$ 194,278

Assets held for sale consisted of two properties at December 31, 2021 compared to one property at 2020. These properties were transferred from premises and equipment, net to assets held for sale due to Trustmark's intent to sell the properties over the next twelve months as a result of its strategic initiatives. Property valuation adjustments of $140 thousand were recognized and included in other expense for 2021 compared to $1.7 million for 2020 and none for 2019.

Depreciation and amortization of premises and equipment totaled $15.6 million in 2021, $14.8 million in 2020 and $15.7 million in 2019.

Note 7 – Mortgage Banking

MSR

The activity in the MSR is detailed in the table below for the periods presented ($ in thousands):

	Years Ended December 31,	
	2021	2020
Balance at beginning of period	$ 66,464	$ 79,394
Origination of servicing assets	28,125	29,805
Change in fair value:		
Due to market changes	13,258	(26,147)
Due to runoff	(20,160)	(16,588)
Balance at end of period	$ 87,687	$ 66,464

Trustmark determines the fair value of the MSR using a valuation model administered by a third party that calculates the present value of estimated future net servicing income. Trustmark considers the conditional prepayment rate (CPR), which is an estimated loan prepayment rate that uses historical prepayment rates for previous loans similar to the loans being evaluated, and the discount rate in determining the fair value of the MSR. An increase in either the CPR 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. At December 31, 2021, the fair value of the MSR included an assumed average prepayment speed of 12 CPR and an average discount rate of 9.56% compared to an assumed average prepayment speed of 15 CPR and an average discount rate of 9.53% at December 31, 2020. 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.

Mortgage Loans Sold/Serviced

During 2021, 2020 and 2019, Trustmark sold $2.286 billion, $2.532 billion and $1.404 billion, respectively, of residential mortgage loans. Gain on sales of loans, net totaled $56.0 million in 2021, $110.9 million in 2020 and $30.3 million in 2019. Trustmark receives annual servicing fee income approximating 0.32% of the outstanding balance of the underlying loans, which totaled $25.1 million in 2021, $23.3 million in 2020 and $22.6 million in 2019. The gains on the sale of residential mortgage loans and the annual servicing fee are both recorded to noninterest income in mortgage banking, net in the accompanying consolidated statements of income. The investors and the securitization trusts have no recourse to the assets of Trustmark for failure of debtors to pay when due.

The table below details the mortgage loans sold and serviced for others at December 31, 2021 and 2020 ($ in thousands):

	December 31, 2021	December 31, 2020
Federal National Mortgage Association	$ 4,709,584	$ 4,629,670
Government National Mortgage Association	3,194,373	2,960,760
Federal Home Loan Mortgage Corporation	35,971	50,459
Other	13,272	16,201
Total mortgage loans sold and serviced for others	$ 7,953,200	$ 7,657,090

Trustmark is subject to losses in its loan servicing portfolio due to loan foreclosures. Trustmark has obligations to either repurchase the outstanding principal balance of a loan or make the purchaser whole for the economic benefits of a loan if it is determined that the loan sold was in violation of representations or warranties made by Trustmark at the time of the sale, herein referred to as mortgage loan servicing putback expenses. Such representations and warranties typically include those made regarding loans that had missing or insufficient file documentation, loans that do not meet investor guidelines, loans in which the appraisal does not support the value and/or loans obtained through fraud by the borrowers or other third parties. Generally, putback requests may be made until the loan is paid in full. However, mortgage loans delivered to Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) on or after January 1, 2013 are subject to the Representations and Warranties Framework, which provides that FNMA and FHLMC will not exercise their remedies, including a putback request, for breaches of certain selling representations and warranties if the mortgage loans satisfy certain criteria, such as payment history or quality control review.

When a putback request is received, Trustmark evaluates the request and takes appropriate actions based on the nature of the request. Trustmark is required by FNMA and FHLMC to provide a response to putback requests within 60 days of the date of receipt. The total mortgage loan servicing putback expenses were included in other expense. At both December 31, 2021 and 2020, Trustmark had a reserve for mortgage loan servicing putback expenses of $500 thousand.

There is inherent uncertainty in reasonably estimating the requirement for reserves against potential future mortgage loan servicing putback expenses. Future putback expenses are dependent on many subjective factors, including the review procedures of the purchasers and the potential refinance activity on loans sold with servicing released and the subsequent consequences under the representations and warranties. Trustmark believes that it has appropriately reserved for potential mortgage loan servicing putback requests.

Note 8 – Goodwill and Identifiable Intangible Assets

Goodwill

The table below illustrates goodwill by segment for the years ended December 31, 2021 and 2020 ($ in thousands):

	General Banking	Insurance	Total
Balance as of January 1, 2020	$ 334,603	$ 45,024	$ 379,627
Additions during 2020	—	5,643	5,643
Balance as of December 31, 2020	334,603	50,667	385,270
Adjustment during 2021	—	(1,033)	(1,033)
Balance as of December 31, 2021	$ 334,603	$ 49,634	$ 384,237

Trustmark's General Banking Segment delivers a full range of banking services to consumer, corporate, small and middle-market businesses through its extensive branch network. The Insurance Segment includes TNB's wholly-owned retail insurance subsidiary that

offers a diverse mix of insurance products and services. Trustmark performed goodwill impairment tests for the General Banking and Insurance Segments during 2021, 2020 and 2019. Based on these tests, Trustmark concluded that the fair value of both the General Banking and Insurance Segments exceeded the book value and no impairment charge was required.

Identifiable Intangible Assets

At December 31, 2021 and 2020, identifiable intangible assets consisted of the following ($ in thousands):

	December 31, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles	$ 87,674	$ 86,280	$ 1,394	$ 87,674	$ 84,580	$ 3,094
Insurance intangibles	17,272	13,709	3,563	17,272	13,159	4,113
Banking charters	1,325	1,208	117	1,325	1,142	183
Total	$ 106,271	$ 101,197	$ 5,074	$ 106,271	$ 98,881	$ 7,390

Trustmark recorded $2.3 million of amortization of identifiable intangible assets in 2021, $3.1 million in 2020 and $4.1 million in 2019. Trustmark estimates that amortization expense for identifiable intangible assets will be $1.4 million in 2022, $673 thousand in 2023, $471 thousand in 2024, $403 thousand in 2025 and $341 thousand in 2026. Trustmark continually evaluates whether events and circumstances have occurred that indicate that identifiable intangible assets have become impaired. Measurement of any impairment of such identifiable intangible assets is based on the fair values of those assets. There were no impairment losses on identifiable intangible assets recorded during 2021, 2020 or 2019.

The following table illustrates the carrying amounts and remaining weighted-average amortization periods of identifiable intangible assets at December 31, 2021 ($ in thousands):

	Net Carrying Amount	Remaining Weighted-Average Amortization Period in Years
Core deposit intangibles	$ 1,394	2.7
Insurance intangibles	3,563	16.5
Banking charters	117	1.8
Total	$ 5,074	12.4

Note 9 – Other Real Estate

At December 31, 2021, Trustmark's geographic other real estate distribution was concentrated in its Mississippi market region. The ultimate recovery of a substantial portion of the carrying amount of other real estate is susceptible to changes in market conditions in these areas.

For the periods presented, changes and gains (losses), net on other real estate were as follows ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Balance at beginning of period	$ 11,651	$ 29,248	$ 34,668
Additions	770	635	8,598
Disposals	(6,932)	(16,446)	(11,474)
Write-downs	(932)	(1,786)	(2,544)
Balance at end of period	$ 4,557	$ 11,651	$ 29,248
Gains (losses), net on the sale of other real estate included in other real estate expense	$ (1,869)	$ 897	$ (291)

At December 31, 2021 and 2020, other real estate by type of property consisted of the following ($ in thousands):

	December 31,	
	2021	2020
Construction, land development and other land properties	$ —	$ 3,857
1-4 family residential properties	94	1,349
Nonfarm, nonresidential properties	4,463	6,445
Total other real estate	$ 4,557	$ 11,651

At December 31, 2021 and 2020, other real estate by geographic location consisted of the following ($ in thousands):

	December 31,	
	2021	2020
Alabama	$ —	$ 3,271
Mississippi *(1)*	4,557	8,330
Tennessee *(2)*	—	50
Total other real estate	$ 4,557	$ 11,651

(1)Mississippi includes Central and Southern Mississippi Regions.
(2)Tennessee includes Memphis, Tennessee and Northern Mississippi Regions.

At December 31, 2021 and 2020, the balance of other real estate included $94 thousand and $1.3 million, respectively, of foreclosed residential real estate properties recorded as a result of obtaining physical possession of the property. At December 31, 2021 and 2020, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process was $1.2 million and $424 thousand, respectively.

Note 10 – Leases

The table below details the components of net lease cost for the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Finance leases			
Amortization of right-of-use assets	$ 1,546	$ 1,856	$ 2,162
Interest on lease liabilities	219	254	307
Operating lease cost	5,275	5,188	5,183
Short-term lease cost	463	423	370
Variable lease cost	1,234	1,286	1,387
Sublease income	(350)	(335)	(331)
Net lease cost	$ 8,387	$ 8,672	$ 9,078

The table below details the cash payments included in the measurement of lease liabilities during the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Finance leases			
Operating cash flows included in operating activities	$ 219	$ 254	$ 307
Financing cash flows included in payments under finance lease obligations	1,434	1,715	1,964
Operating leases			
Operating cash flows (fixed payments) included in other operating activities, net	4,781	4,988	5,092
Operating cash flows (liability reduction) included in other operating activities, net	3,948	3,856	5,404

The table below details balance sheet information, as well as weighted-average lease terms and discount rates, at December 31, 2021 and 2020 ($ in thousands):

	December 31,	
	2021	2020
Finance lease right-of-use assets, net of accumulated depreciation	$ 6,017	$ 7,471
Finance lease liabilities	6,464	7,805
Operating lease right-of-use assets	34,603	30,901
Operating lease liabilities	36,468	32,290
Weighted-average lease term		
Finance leases	8.37 years	8.53 years
Operating leases	9.25 years	8.65 years
Weighted-average discount rate		
Finance leases	3.24 %	3.10 %
Operating leases	2.84 %	3.41 %

At December 31, 2021, future minimum rental commitments under finance and operating leases were as follows ($ in thousands):

	Finance Leases	Operating Leases
2022	$ 1,597	$ 4,934
2023	885	4,688
2024	572	4,828
2025	584	4,796
2026	589	4,601
Thereafter	3,279	17,652
Total minimum lease payments	7,506	41,499
Less imputed interest	(1,042)	(5,031)
Lease liabilities	$ 6,464	$ 36,468

Note 11 – Deposits

At December 31, 2021 and 2020, deposits consisted of the following ($ in thousands):

	December 31,	
	2021	2020
Noninterest-bearing demand	$ 4,771,065	$ 4,349,010
Interest-bearing demand	4,372,500	3,646,246
Savings	4,745,137	4,647,610
Time	1,198,458	1,405,898
Total	$ 15,087,160	$ 14,048,764

Interest expense on deposits by type consisted of the following for the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Interest-bearing demand	$ 4,906	$ 9,985	$ 35,428
Savings	7,912	13,481	19,462
Time	4,127	14,021	24,281
Total	$ 16,945	$ 37,487	$ 79,171

Time deposits that exceed the FDIC insurance limit of $250 thousand totaled $164.0 million and $228.1 million at December 31, 2021 and 2020, respectively.

The maturities of interest-bearing deposits at December 31, 2021, are as follows ($ in thousands):

2022	$ 984,432
2023	154,697
2024	31,418
2025	12,970
2026	11,276
Thereafter	3,665
Total time deposits	1,198,458
Interest-bearing deposits with no stated maturity	9,117,637
Total interest-bearing deposits	$ 10,316,095

Note 12 - Borrowings

Securities Sold Under Repurchase Agreements

Trustmark utilizes securities sold under repurchase agreements as a source of borrowing in connection with overnight repurchase agreements offered to commercial deposit customers by using its unencumbered investment securities as collateral. Trustmark accounts for its securities sold under repurchase agreements as secured borrowings in accordance with FASB ASC Subtopic 860-30, "Transfers and Servicing – Secured Borrowing and Collateral." Securities sold under repurchase agreements are stated at the amount of cash received in connection with the transaction. Trustmark monitors collateral levels on a continual basis and may be required to provide additional collateral based on the fair value of the underlying securities. Securities sold under repurchase agreements are secured by securities with a carrying amount of $252.4 million and $156.1 million at December 31, 2021 and 2020, respectively. At December 31, 2021, all repurchase agreements were short-term and consisted primarily of sweep repurchase arrangements, under which excess deposits are "swept" into overnight repurchase agreements with Trustmark. The following table presents the securities sold under repurchase agreements by collateral pledged at December 31, 2021 and 2020 ($ in thousands):

	December 31,	
	2021	2020
Mortgage-backed securities		
Residential mortgage pass-through securities		
Issued by FNMA and FHLMC	$ 167,310	$ 115,357
Other residential mortgage-backed securities		
Issued or guaranteed by FNMA, FHLMC or GNMA	1,475	12,696
Commercial mortgage-backed securities		
Issued or guaranteed by FNMA, FHLMC or GNMA	24,528	—
Total securities sold under repurchase agreements	$ 193,313	$ 128,053

Other Borrowings

At December 31, 2021 and 2020, other borrowings consisted of the following ($ in thousands):

	December 31,	
	2021	2020
FHLB advances	$ 97	$ 741
Serviced GNMA loans eligible for repurchase	84,464	141,160
Finance lease liabilities	6,464	7,805
Other	—	18,546
Total other borrowings	$ 91,025	$ 168,252

FHLB Advances

At December 31, 2021, Trustmark had no outstanding short-term FHLB advances with the FHLB of Atlanta, compared to one outstanding FHLB advance totaling $625 thousand at December 31, 2020. This advance was assumed through the BancTrust merger and had a fixed interest rate of 0.75%.

Trustmark incurred $2 thousand of interest expense on short-term FHLB advances in 2021, compared to $9 thousand of interest expense in 2020 and no interest expense in 2019.

At both December 31, 2021 and 2020, Trustmark had one outstanding long-term FHLB advance with the FHLB of Atlanta totaling $97 thousand and $116 thousand, respectively. This advance was assumed through the BancTrust merger and had a fixed interest rate of 0.08%. At December 31, 2021 and 2020, this advance had a remaining maturity of 4.71 years and 5.71 years. There was no fair market value adjustment associated with the BancTrust merger included in the FHLB advances at December 31, 2021 and 2020. Trustmark's FHLB advances are collateralized by securities held in safekeeping with the FHLB of Atlanta.

Trustmark incurred no interest expense on long-term FHLB advances in 2021, compared to $8 thousand of interest expense in 2020 and $5 thousand of interest expense in 2019.

At both December 31, 2021 and 2020, Trustmark had no outstanding FHLB advances with the FHLB of Dallas.

At December 31, 2021 and 2020, Trustmark had $3.449 billion and $2.725 billion, respectively, available in additional borrowing capacity from the FHLB of Dallas.

Subordinated Notes

During 2020, Trustmark agreed to issue and sell $125.0 million aggregate principal amount of its 3.625% Fixed-to-Floating Rate Subordinated Notes (the Notes) due December 1, 2030. The Notes were sold at an underwriting discount of 1.2%, resulting in net proceeds to Trustmark of $123.5 million before deducting offering expenses. At December 31, 2021 and 2020, the carrying amount of the Notes was $123.0 million and $122.9 million, respectively. The Notes are unsecured obligations and are subordinated in right of payment to all of Trustmark's existing and future senior indebtedness, whether secured or unsecured. The Notes are obligations of Trustmark only and are not obligations of, and are not guaranteed by, any of its subsidiaries, including TNB. From the date of issuance until November 30, 2025, the Notes bear interest at a fixed rate of 3.625% per year, payable semi-annually in arrears on June 1 and December 1 of each year. Beginning December 1, 2025, the Notes will bear interest at a floating rate per year equal to the Benchmark rate, which is the Three-Month Term Secured Overnight Financing Rate (SOFR), plus 338.7 basis points, payable quarterly in arrears on March 1, June 1, September 1 and December 1 of each year. The Notes qualify as Tier 2 capital for Trustmark. The Notes may be redeemed at Trustmark's option under certain circumstances. Trustmark intends to use the net proceeds for general corporate purposes.

Junior Subordinated Debt Securities

On August 18, 2006, Trustmark completed a private placement of $60.0 million of trust preferred securities through a newly formed Delaware trust affiliate, Trustmark Preferred Capital Trust I (the Trust). The trust preferred securities mature September 30, 2036, are redeemable at Trustmark's option and bear interest at a variable rate per annum equal to the three-month LIBOR plus 1.72%. Under applicable regulatory guidelines, these trust preferred securities qualify as Tier 1 capital. The proceeds from the sale of the trust preferred securities were used by the Trust to purchase $61.9 million in aggregate principal amount of Trustmark's junior subordinated debentures.

The debentures were issued pursuant to a Junior Subordinated Indenture, dated August 18, 2006, between Trustmark, as issuer, and Wilmington Trust Company, National Association, as trustee. Like the trust preferred securities, the debentures bear interest at a variable rate per annum equal to the three-month LIBOR plus 1.72% and mature on September 30, 2036. The debentures may be redeemed at Trustmark's option at any time. The interest payments by Trustmark will be used to pay the quarterly distributions payable by the Trust to the holder of the trust preferred securities. However, so long as no event of default has occurred under the debentures, Trustmark may defer interest payments on the debentures (in which case the Trust will also defer distributions otherwise due on the trust preferred securities) for up to 20 consecutive quarters.

The debentures are subordinated to the prior payment of any other indebtedness of Trustmark that, by its terms, is not similarly subordinated. The trust preferred securities are recorded as a long-term liability on Trustmark's balance sheet; however, for regulatory purposes the trust preferred securities are treated as Tier 1 capital under the rules of the Federal Reserve Board (FRB), Trustmark's primary federal regulatory agency.

Trustmark also entered into a Guarantee Agreement, dated August 18, 2006, pursuant to which it has agreed to guarantee the payment by the Trust of distributions on the trust preferred securities and the payment of principal of the trust preferred securities when due, either at maturity or on redemption, but only if and to the extent that the Trust fails to pay distributions on or principal of the trust preferred securities after having received interest payments or principal payments on the junior subordinated debentures from Trustmark for the purpose of paying those distributions or the principal amount of the trust preferred securities.

As defined in applicable accounting standards, the Trust, a wholly-owned subsidiary of Trustmark, 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.

At both December 31, 2021 and 2020, assets for the Trust totaled $61.9 million, resulting from the investment in junior subordinated debentures issued by Trustmark. Liabilities and shareholders' equity for the Trust also totaled $61.9 million at both December 31, 2021 and 2020, resulting from the issuance of trust preferred securities in the amount of $60.0 million as well as $1.9 million in common securities issued to Trustmark. During 2021, net income for the Trust equaled $36 thousand resulting from interest income from the junior subordinated debt securities issued by Trustmark to the Trust, compared with net income of $51 thousand during 2020 and $79 thousand during 2019. Dividends issued to Trustmark by the Trust during 2021 totaled $36 thousand, compared to $51 thousand during 2020 and $79 thousand during 2019.

Note 13 – Revenue from Contracts with Customers

The following table presents noninterest income disaggregated by reportable operating segment and revenue stream for the periods presented ($ in thousands):

	Year Ended December 31, 2021			Year Ended December 31, 2020			Year Ended December 31, 2019		
	Topic 606	Not Topic 606 *(1)*	Total	Topic 606	Not Topic 606 *(1)*	Total	Topic 606	Not Topic 606 *(1)*	Total
General Banking Segment									
Service charges on deposit accounts	$ 33,169	$ —	$ 33,169	$ 32,213	$ —	$ 32,213	$ 42,509	$ —	$ 42,509
Bank card and other fees	30,897	3,727	34,624	27,398	3,594	30,992	27,973	3,706	31,679
Mortgage banking, net	—	63,750	63,750	—	125,822	125,822	—	29,822	29,822
Wealth management	48	—	48	254	—	254	379	—	379
Other, net	6,621	(338)	6,283	7,432	978	8,410	9,528	(161)	9,367
Total noninterest income	$ 70,735	$ 67,139	$ 137,874	$ 67,297	$ 130,394	$ 197,691	$ 80,389	$ 33,367	$ 113,756
Wealth Management Segment									
Service charges on deposit accounts	$ 77	$ —	$ 77	$ 76	$ —	$ 76	$ 94	$ —	$ 94
Bank card and other fees	38	—	38	30	—	30	57	—	57
Wealth management	35,142	—	35,142	31,371	—	31,371	30,300	—	30,300
Other, net	130	33	163	107	50	157	306	103	409
Total noninterest income	$ 35,387	$ 33	$ 35,420	$ 31,584	$ 50	$ 31,634	$ 30,757	$ 103	$ 30,860
Insurance Segment									
Insurance commissions	$ 48,511	$ —	$ 48,511	$ 45,176	$ —	$ 45,176	$ 42,396	$ —	$ 42,396
Other, net	105	—	105	92	—	92	33	—	33
Total noninterest income	$ 48,616	$ —	$ 48,616	$ 45,268	$ —	$ 45,268	$ 42,429	$ —	$ 42,429
Consolidated									
Service charges on deposit accounts	$ 33,246	$ —	$ 33,246	$ 32,289	$ —	$ 32,289	$ 42,603	$ —	$ 42,603
Bank card and other fees	30,935	3,727	34,662	27,428	3,594	31,022	28,030	3,706	31,736
Mortgage banking, net	—	63,750	63,750	—	125,822	125,822	—	29,822	29,822
Insurance commissions	48,511	—	48,511	45,176	—	45,176	42,396	—	42,396
Wealth management	35,190	—	35,190	31,625	—	31,625	30,679	—	30,679
Other, net	6,856	(305)	6,551	7,631	1,028	8,659	9,867	(58)	9,809
Total noninterest income	$ 154,738	$ 67,172	$ 221,910	$ 144,149	$ 130,444	$ 274,593	$ 153,575	$ 33,470	$ 187,045

(1)Noninterest income not in scope for FASB ASC Topic 606 includes customer derivatives revenue and miscellaneous credit card income within bank card and other fees; mortgage banking, net; amortization of tax credits, accretion of the FDIC indemnification asset, cash surrender value on various life insurance policies, earnings on Trustmark's non-qualified deferred compensation plans, other partnership investments and rental income within other, net; and securities gains (losses), net.

Note 14 – Income Taxes

The income tax provision included in the consolidated statements of income was as follows for the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Current			
Federal	$ 5,815	$ 40,118	$ 20,068
State	2,118	9,439	7,145
Deferred			
Federal	16,092	(15,840)	(3,104)
State	4,023	(3,960)	(776)
Income tax provision	$ 28,048	$ 29,757	$ 23,333

For the periods presented, the income tax provision differs from the amount computed by applying the statutory federal income tax rate in effect for each respective period to income before income taxes as a result of the following ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Income tax computed at statutory tax rate	$ 36,837	$ 39,854	$ 36,497
Tax exempt interest	(3,935)	(4,284)	(4,951)
Nondeductible interest expense	106	247	564
State income taxes, net	1,673	7,457	5,645
Income tax credits, net	(10,479)	(9,375)	(13,473)
Death benefit gains	(175)	(91)	(123)
Other	4,021	(4,051)	(826)
Income tax provision	$ 28,048	$ 29,757	$ 23,333

Temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities gave rise to the following net deferred tax assets at December 31, 2021 and 2020, which are included in other assets on the accompanying consolidated balance sheets ($ in thousands):

	December 31,	
	2021	2020
Deferred tax assets:		
Loan purchase accounting	$ —	$ 293
Other real estate	1,182	2,049
Accumulated credit losses	33,895	39,073
Deferred compensation	18,804	17,465
Finance and operating lease liabilities	10,733	10,024
Realized built-in losses	9,930	10,681
Securities	5,924	2,233
Pension and other postretirement benefit plans	4,929	6,128
Interest on nonaccrual loans	1,235	1,034
LHFS	591	2,754
Stock-based compensation	2,771	2,749
Loan fees	125	3,401
Other	9,705	10,294
Gross deferred tax asset	99,824	108,178
Deferred tax liabilities:		
Goodwill and other identifiable intangibles	14,667	15,136
Premises and equipment	16,470	11,479
Finance and operating lease right-of-use assets	10,155	9,593
MSR	13,007	7,108
Securities	1,686	9,712
Other	3,081	4,537
Gross deferred tax liability	59,066	57,565
Net deferred tax asset	$ 40,758	$ 50,613

The following table provides a summary of the changes during the 2021 calendar year in the amount of unrecognized tax benefits that are included in other liabilities in the consolidated balance sheet ($ in thousands):

	December 31,		
	2021	2020	2019
Balance at beginning of period	$ 1,781	$ 1,524	$ 1,249
Change due to tax positions taken during the current year	412	353	279
Change due to tax positions taken during a prior year	107	79	134
Change due to the lapse of applicable statute of limitations during the current year	(171)	(175)	(138)
Balance at end of period	$ 2,129	$ 1,781	$ 1,524
Accrued interest, net of federal benefit	$ 419	$ 330	$ 271
Unrecognized tax benefits that would impact the effective tax rate, if recognized	$ 1,766	$ 1,420	$ 1,218

Interest and penalties related to unrecognized tax benefits, if any, are recorded in income tax expense. With limited exception, Trustmark is no longer subject to U.S. federal, state and local audits by tax authorities for 2015 and earlier tax years. Trustmark does not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months.

Note 15 – Defined Benefit and Other Postretirement Benefits

Qualified Pension Plan

Trustmark maintains a noncontributory tax-qualified defined benefit pension plan titled the Trustmark Corporation Pension Plan for Certain Employees of Acquired Financial Institutions (the Continuing Plan) to satisfy commitments made by Trustmark to associates covered through plans obtained in acquisitions.

The following tables present information regarding the benefit obligation, plan assets, funded status, amounts recognized in accumulated other comprehensive loss, net periodic benefit cost and other statistical disclosures for the Continuing Plan for the periods presented ($ in thousands):

	December 31, 2021	December 31, 2020
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 9,547	$ 9,060
Service cost	252	254
Interest cost	173	241
Actuarial (gain) loss	(198)	876
Benefits paid	(1,127)	(884)
Benefit obligation, end of year	$ 8,647	$ 9,547
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 2,873	$ 3,443
Actual return on plan assets	291	(87)
Employer contributions	863	401
Benefit payments	(1,127)	(884)
Fair value of plan assets, end of year	$ 2,900	$ 2,873
Funded status at end of year - net liability	$ (5,747)	$ (6,674)
Amounts recognized in accumulated other comprehensive loss:		
Net loss - amount recognized	$ 1,428	$ 2,564
Actuarial (gain) loss included in benefit obligation:		
Change in discount rate	$ (491)	$ 1,009
Change in mortality table	15	(47)
Other	278	(86)
Actuarial (gain) loss	$ (198)	$ 876

	Years Ended December 31, 2021	2020	2019
Net periodic benefit cost:			
Service cost	$ 252	$ 254	$ 211
Interest cost	173	241	361
Expected return on plan assets	(130)	(154)	(202)
Recognized net loss due to lump sum settlements	183	119	312
Recognized net actuarial loss	594	326	373
Net periodic benefit cost	$ 1,072	$ 786	$ 1,055
Other changes in plan assets and benefit obligation recognized in other comprehensive income (loss), before taxes:			
Net loss - Total recognized in other comprehensive income (loss)	$ (1,136)	$ 671	$ (277)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (64)	$ 1,457	$ 778
Weighted-average assumptions as of end of year:			
Discount rate for benefit obligation	2.41%	1.95%	2.84%
Discount rate for net periodic benefit cost	1.95%	2.84%	3.97%
Expected long-term return on plan assets	5.00%	5.00%	5.00%

Plan Assets

The weighted-average asset allocations by asset category are presented below for the Continuing Plan at December 31, 2021 and 2020.

	December 31, 2021	2020
Money market fund	4.0 %	5.0 %
Exchange traded funds:		
Equity securities	50.0 %	43.0 %
Fixed income	35.0 %	41.0 %
International	11.0 %	11.0 %
Total	100.0 %	100.0 %

The strategic objective of the investments of the assets in the Continuing Plan aims to provide long-term capital growth with moderate income. The allocation is managed on a total return basis with the average participant age in mind. It is constructed with an intermediate investment time frame with a moderate to high risk tolerance or a long-term investment time frame with a low to moderate risk tolerance. The plan allocation is typically balanced between equity and fixed income. The equity exposure has the potential to earn a return greater than inflation while the fixed income exposure may reduce the risk and volatility of the portfolio to which the equity allocation contributes.

Fair Value Measurements

At this time, Trustmark presents no fair values that are derived through internal modeling. Should positions requiring fair valuation arise that are not relevant to existing methodologies, Trustmark will make every reasonable effort to obtain market participant assumptions, or independent evaluation.

The following tables set forth by level, within the fair value hierarchy, the Continuing Plan's assets measured at fair value at December 31, 2021 and 2020 ($ in thousands):

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Money market fund	$ 107	$ 107	$ —	$ —
Exchange traded funds:				
Equity securities	1,460	1,460	—	—
Fixed income	1,021	1,021	—	—
International	312	312	—	—
Total assets at fair value	$ 2,900	$ 2,900	$ —	$ —

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Money market fund	$ 131	$ 131	$ —	$ —
Exchange traded funds:				
Equity securities	1,242	1,242	—	—
Fixed income	1,182	1,182	—	—
International	318	318	—	—
Total assets at fair value	$ 2,873	$ 2,873	$ —	$ —

There have been no changes in the methodologies used in estimating the fair value of plan assets at December 31, 2021. The money market fund approximates fair value due to its immediate maturity.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Trustmark believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Contributions

The range of potential contributions to the Continuing Plan is determined annually by the Continuing Plan's actuary in accordance with applicable IRS rules and regulations. Trustmark's policy is to fund amounts that are sufficient to satisfy the annual minimum funding requirements and do not exceed the maximum that is deductible for federal income tax purposes. The actual amount of the contribution

is determined annually based on the Continuing Plan's funded status and return on plan assets as of the measurement date, which is December 31. For the plan year ending December 31, 2021, Trustmark's minimum required contribution to the Continuing Plan was $312 thousand and Trustmark contributed $324 thousand. For the plan year ending December 31, 2022, Trustmark's minimum required contribution to the Continuing Plan is expected to be $164 thousand. Management and the Board of Directors of Trustmark will monitor the Continuing Plan throughout 2022 to determine any additional funding requirements by the plan's measurement date.

Estimated Future Benefit Payments and Other Disclosures

The following table presents the expected benefit payments, which reflect expected future service, for the Continuing Plan ($ in thousands):

Year	Amount
2022	$ 1,275
2023	1,486
2024	1,145
2025	594
2026	641
2027 - 2031	2,138

Amounts in accumulated other comprehensive income (loss) expected to be recognized as components of net periodic benefit cost during 2022 include a net loss of $241 thousand.

Supplemental Retirement Plans

Trustmark maintains a nonqualified supplemental retirement plan covering key executive officers and senior officers as well as directors who have elected to defer fees. The plan provides for retirement and/or death benefits based on a participant's covered salary or deferred fees. Although plan benefits may be paid from Trustmark's general assets, Trustmark has purchased life insurance contracts on the participants covered under the plan, which may be used to fund future benefit payments under the plan. The annual measurement date for the plan is December 31. As a result of mergers prior to 2014, Trustmark became the administrator of nonqualified supplemental retirement plans, for which the plan benefits were frozen prior to the merger date.

The following tables present information regarding the benefit obligation, plan assets, funded status, amounts recognized in accumulated other comprehensive loss, net periodic benefit cost and other statistical disclosures for Trustmark's nonqualified supplemental retirement plans for the periods presented ($ in thousands):

	December 31, 2021	December 31, 2020
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 59,646	$ 57,482
Service cost	75	77
Interest cost	1,125	1,576
Actuarial (gain) loss	(2,357)	4,168
Benefits paid	(3,454)	(3,657)
Benefit obligation, end of year	$ 55,035	$ 59,646
Change in plan assets:		
Fair value of plan assets, beginning of year	$ —	$ —
Employer contributions	3,454	3,657
Benefit payments	(3,454)	(3,657)
Fair value of plan assets, end of year	$ —	$ —
Funded status at end of year - net liability	$ (55,035)	$ (59,646)
Amounts recognized in accumulated other comprehensive loss:		
Net loss	$ 17,937	$ 21,486
Prior service cost	348	459
Amounts recognized	$ 18,285	$ 21,945
Actuarial (gain) loss included in benefit obligation:		
Change in discount rate	$ (2,431)	$ 4,997
Change in mortality table	134	(380)
Other	(60)	(449)
Actuarial (gain) loss	$ (2,357)	$ 4,168

	Years Ended December 31, 2021	2020	2019
Net periodic benefit cost:			
Service cost	$ 75	$ 77	$ 109
Interest cost	1,125	1,576	2,044
Amortization of prior service cost	111	150	250
Recognized net actuarial loss	1,192	957	627
Net periodic benefit cost	$ 2,503	$ 2,760	$ 3,030
Other changes in plan assets and benefit obligation recognized in other comprehensive income (loss), before taxes:			
Net (gain) loss	$ (3,549)	$ 3,211	$ 4,872
Amortization of prior service cost	(111)	(150)	(250)
Total recognized in other comprehensive income (loss)	$ (3,660)	$ 3,061	$ 4,622
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (1,157)	$ 5,821	$ 7,652
Weighted-average assumptions as of end of year:			
Discount rate for benefit obligation	2.41 %	1.95 %	2.84 %
Discount rate for net periodic benefit cost	1.95 %	2.84 %	3.97 %

Estimated Supplemental Retirement Plan Payments and Other Disclosures

The following table presents the expected benefits payments for Trustmark's supplemental retirement plans ($ in thousands):

Year		Amount
2022	$	4,065
2023		3,978
2024		3,967
2025		3,801
2026		3,742
2027 - 2031		16,941

Amounts in accumulated other comprehensive income (loss) expected to be recognized as components of net periodic benefit cost during 2022 include a loss of $986 thousand and prior service cost of $111 thousand.

Other Benefit Plans

Defined Contribution Plan

Trustmark provides associates with a self-directed 401(k) retirement plan that allows associates to contribute a percentage of base pay, within limits provided by the Internal Revenue Code and accompanying regulations, into the plan. Trustmark matches 100% of associate contributions to the plan based on the amount of each participant's contributions up to a maximum of 6% of eligible compensation. Associates may become eligible to make elective deferral contributions the first of the month following 30 days of employment. Eligible associates must complete one year of service in order to vest in Trustmark's matching contributions. Trustmark's contributions to this plan were $9.9 million in 2021, $9.2 million in 2020 and $8.2 million in 2019.

Note 16 – Stock and Incentive Compensation Plans

Trustmark has granted stock and incentive compensation awards and units subject to the provisions of the Stock and Incentive Compensation Plan (the Stock Plan). Current outstanding and future grants of stock and incentive compensation awards are subject to the provisions of the Stock Plan, which is designed to provide flexibility to Trustmark regarding its ability to motivate, attract and retain the services of key associates and directors. The Stock Plan also allows Trustmark to grant nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and performance units to key associates and directors. At December 31, 2021, the maximum number of shares of Trustmark's common stock available for issuance under the Stock Plan was 563,994 shares.

Restricted Stock Grants

Performance Awards

Trustmark's performance awards vest over three years and are granted to Trustmark's executive and senior management teams. Performance awards granted vest based on performance goals of return on average tangible equity and total shareholder return. Performance awards are valued utilizing a Monte Carlo simulation model to estimate fair value of the awards at the grant date. The Monte Carlo simulation is performed by an independent valuation consultant and requires the use of subjective modeling assumptions. These awards are recognized using the straight-line method over the requisite service period. These awards provide for achievement units if performance measures exceed 100%. The restricted share agreement for these awards provides for voting rights and dividend privileges. Beginning in 2020, Trustmark began granting performance units instead of performance awards. The performance units have the same attributes as the previously granted performance awards, except for the performance units do not provide voting rights.

The following table summarizes Trustmark's performance award activity for the periods presented:

	Years Ended December 31,					
	2021		2020		2019	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Nonvested shares, beginning of year	145,042	$ 32.43	149,914	$ 32.88	177,695	$ 27.10
Granted	53,273	30.02	53,450	31.98	50,862	33.44
Released from restriction	(44,536)	31.88	(36,357)	33.31	(61,347)	20.18
Forfeited	(12,958)	31.28	(21,965)	32.97	(17,296)	20.18
Nonvested shares, end of year	140,821	$ 31.80	145,042	$ 32.43	149,914	$ 32.88

Time-based Awards

Trustmark's time-based awards granted to Trustmark's executive and senior management teams vest over three years. Trustmark's time-based awards granted to members of Trustmark's Board of Directors vest over one year. Time-based awards are valued utilizing the fair value of Trustmark's stock at the grant date. These awards are recognized on the straight-line method over the requisite service period. During 2020, Trustmark began granting time-based units instead of time-based awards. The time-based units have the same attributes as the previously granted time-based awards, except for the time-based units do not provide voting rights.

The following table summarizes Trustmark's time-based award activity for the periods presented:

	Years Ended December 31,					
	2021		2020		2019	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Nonvested shares, beginning of year	301,619	$ 32.24	300,006	$ 33.04	321,870	$ 28.48
Granted	180,847	29.85	123,810	31.52	113,673	33.42
Released from restriction	(135,120)	31.77	(110,537)	33.58	(124,598)	21.64
Forfeited	(9,880)	31.19	(11,660)	32.47	(10,939)	32.73
Nonvested shares, end of year	337,466	$ 31.18	301,619	$ 32.24	300,006	$ 33.04

The following table presents information regarding compensation expense for awards under the Stock Plan for the periods presented ($ in thousands):

	Recognized Compensation Expense for Years Ended December 31,			At December 31, 2021	
	2021	2020	2019	Unrecognized Compensation Expense	Weighted Average Life of Unrecognized Compensation Expense
Performance awards	$ 828	$ 815	$ 1,524	$ 1,475	1.64
Time-based awards	4,774	4,382	3,263	3,185	1.77
Total	$ 5,602	$ 5,197	$ 4,787	$ 4,660	

Note 17 – Commitments and Contingencies

Lending Related

Trustmark makes commitments to extend credit and issues standby and commercial letters of credit (letters of credit) in the normal course of business in order to fulfill the financing needs of its customers. The carrying amount of commitments to extend credit and letters of credit approximates the fair value of such financial instruments.

Commitments to extend credit are agreements to lend money to customers pursuant to certain specified conditions. Commitments generally have fixed expiration dates or other termination clauses. Because many of these commitments are expected to expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The exposure to credit loss in the event of nonperformance by the other party to the commitments to extend credit is represented by the contract amount of those instruments. Trustmark applies the same credit policies and standards as it does in the lending process when making these

commitments. The collateral obtained is based upon the nature of the transaction and the assessed creditworthiness of the borrower. At December 31, 2021 and 2020, Trustmark had unused commitments to extend credit of $5.238 billion and $4.867 billion, respectively.

Letters of credit are conditional commitments issued by Trustmark to insure the performance of a customer to a third-party. A financial standby letter of credit irrevocably obligates Trustmark to pay a third-party beneficiary when a customer fails to repay an outstanding loan or debt instrument. A performance standby letter of credit irrevocably obligates Trustmark to pay a third-party beneficiary when a customer fails to perform some contractual, nonfinancial obligation. When issuing letters of credit, Trustmark uses the same policies regarding credit risk and collateral, which are followed in the lending process. At December 31, 2021 and 2020, Trustmark's maximum exposure to credit loss in the event of nonperformance by the other party for letters of credit was $222.5 million and $113.8 million, respectively. These amounts consist primarily of commitments with maturities of less than three years, which have an immaterial carrying value. Trustmark holds collateral to support standby letters of credit when deemed necessary. At December 31, 2021 and 2020, the fair value of collateral held was $124.6 million and $21.9 million, respectively.

ACL on Off-Balance Sheet Credit Exposures

Trustmark adopted FASB ASC Topic 326, effective January 1, 2020, which requires Trustmark to estimate expected credit losses for off-balance sheet credit exposures which are not unconditionally cancellable. Trustmark maintains a separate ACL on off-balance sheet credit exposures, including unfunded loan commitments and letters of credit, which is included on the accompanying consolidated balance sheet.

Changes in the ACL on off-balance sheet credit exposures were as follows for the period presented ($ in thousands):

	Years Ended December 31,	
	2021	2020
Balance at beginning of period	$ 38,572	$ —
FASB ASU 2016-13 adoption adjustment	—	29,638
PCL, off-balance sheet credit exposures *(1)*	(2,949)	8,934
Balance at end of period	$ 35,623	$ 38,572

(1)During 2021, Trustmark reclassified its credit loss expense related to off-balance sheet credit exposures from noninterest expense to PCL, off-balance sheet credit exposures. Prior periods have been reclassified accordingly.

Adjustments to the ACL on off-balance sheet credit exposures are recorded to PCL, off-balance sheet credit exposures. The decrease in the ACL on off-balance sheet credit exposures for the year ended December 31, 2021 was primarily due to the overall decrease in the total reserve rates applied to off-balance sheet credit exposures as a result of improvements in macroeconomic forecasts and credit quality. The increase in the ACL on off-balance sheet credit exposures for the year ended December 31, 2020 was primarily due to the negative effects of the COVID-19 pandemic.

Legal Proceedings

Trustmark's wholly-owned subsidiary, TNB, has been named as a defendant in several lawsuits related to the collapse of the Stanford Financial Group.

On August 23, 2009, a purported class action complaint was filed 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 and one individual, each of which are unaffiliated with Trustmark, as defendants. The complaint sought 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.

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 have been 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, which was granted in December 2012. The OSIC initially sought to recover from TNB and the other defendant financial institutions: (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.

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 4, 2016, the OSIC filed a First Amended Intervenor Complaint, which added claims for (i) aiding, abetting or participation in violations of the Texas Securities Act and (ii) aiding, abetting or participation in the breach of fiduciary duty. On November 7, 2017, the court denied the Class Plaintiffs' 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.

On May 3, 2019, individual investors and entities filed motions to intervene in the action. On September 18, 2019, the court denied the motions to intervene. On October 14, 2019, certain of the proposed intervenors filed a notice of appeal. On February 3, 2021, the Fifth Circuit Court of Appeals affirmed the denial of the motions to intervene; this decision was affirmed by a panel of the Fifth Circuit on March 12, 2021.

On February 12, 2021, all defendants (including TNB) filed a motion for summary judgment with respect to OSIC claims that applied to all defendants. In addition, on the same date, TNB filed a separate motion for summary judgment with respect to aspects of OSIC claims that applied specifically to TNB. On March 19, 2021, OSIC filed notice with the court that it was abandoning as against all of the defendants (including TNB) certain of the claims previously set forth in the SAC. As a result, only the claims for (i) aiding, abetting and participating in breaches of fiduciary duty, (ii) aiding, abetting and participating in violations of the Texas Securities Act, and (iii)

punitive damages remain as against TNB. On January 20, 2022, the court denied TNB's motion for summary judgment, as well as the motion for summary judgment filed by all defendants (including TNB) with respect to OSIC claims that apply to all defendants.

The parties to the action have agreed that the case is to be tried in the District Court for the Southern District of Texas. On March 25, 2021, the judge to whom the case is currently assigned in the District Court for the Northern District of Texas rescinded his previously-issued trial scheduling orders so that the Southern District of Texas could set scheduling for this case once the case has in fact been remanded. On January 19, 2022, the judge of the District Court for the Northern District of Texas to whom the case is currently assigned issued a recommendation to the Judicial Panel on Multidistrict Litigation (the Panel) that the case be remanded to the District Court for the Southern District of Texas in light of that judge's determination with respect to the summary judgment motions that triable issues of fact exist. On January 21, 2022, the Panel approved the remand of the case to the District Court for the Southern District of Texas, subject to a seven-day stay to allow for any objections to the remand to be filed. On January 28, 2022, with no objections having been filed, the Panel lifted the stay, and the remand of the case became effective.

On December 14, 2009, a different Stanford-related lawsuit was filed in the District Court of Ascension Parish, Louisiana, individually by Harold Jackson, Paul Blaine and 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. There have been no developments in this case since this date.

On April 11, 2016, Trustmark learned that a different 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 TD Bank Declaratory Action). 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 separate 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. Trustmark understands that on or about June 8, 2021, after an extensive trial on the merits, the judge in the Joint Liquidators' Action ruled in favor of TD Bank and found TD Bank not liable as to the claims asserted against the bank by the joint liquidators of Stanford International Bank Limited. Trustmark understands that the plaintiffs in the Joint Liquidators' Action have appealed this decision. TNB was never served in connection with the TD Bank Declaratory Action (including the recent appeal), and thus has not made an appearance in that action.

On November 1, 2019, TNB was named as a defendant in a complaint filed by Paul Blaine Smith, Carolyn Bass Smith and other plaintiffs identified therein (the Smith Complaint). The Smith Complaint was filed in Texas state court (District Court, Harris County, Texas) and named TNB and four other financial institutions and one individual, each of which are unaffiliated with Trustmark, as defendants. The Smith Complaint relates to the collapse of the Stanford Financial Group, as does the other pending litigation relating to Stanford summarized above. Plaintiffs in the Smith Complaint have demanded a jury trial.

On January 15, 2020, the court granted Stanford Financial Group receiver's motion to stay the Texas state court action. On February 26, 2020, the lawsuit was removed to federal court in the Southern District of Texas by TNB. TNB and its counsel are carefully evaluating the Smith Complaint.

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 remain in pre-trial stages.

On December 30, 2019, a complaint was filed in the United States District Court for the Southern District of Mississippi, Northern Division by Alysson Mills in her capacity as Court-appointed Receiver (the Receiver) for Arthur Lamar Adams (Adams) and Madison Timber Properties, LLC (Madison Timber), naming TNB, two other Mississippi-based financial institutions both of which are unaffiliated with Trustmark and two individuals, one of who was employed by TNB at all times relevant to the complaint and the other was employed either by TNB or one of the other defendant financial institutions, as defendants. The complaint seeks to recover from the defendants, for the benefit of the receivership estate and also for certain investors who were allegedly defrauded by Adams and Madison Timber, damages (including punitive damages) and related costs allegedly attributable to actions of the defendants that

allegedly enabled illegal and fraudulent activities engaged in by Adams and Madison Timber. The Receiver did not quantify damages. By order issued by the court on September 30, 2021, the action to which TNB is a party was consolidated with three other pending cases for purposes of discovery, based upon a finding by the court that the actions involve overlapping questions of law and fact.

TNB's relationship with Adams and Madison Timber consisted of traditional banking services in the ordinary course of business.

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, with the exception of the TD Bank Declaratory Action that, as noted above, Trustmark was not served in connection with. In accordance FASB ASC Subtopic 450-20, "Loss Contingencies," Trustmark will establish an accrued liability for any litigation matter if and when such matter presents loss contingencies that are both probable and reasonably estimable. At the present time, Trustmark believes, based on its evaluation and the advice of legal counsel, that a loss in any currently pending legal proceeding is not probable and a reasonable estimate cannot reasonably be made.

Note 18 – Shareholders' Equity

Regulatory Capital

Trustmark and TNB are subject to minimum risk-based capital and leverage capital requirements, as described in the section captioned "Capital Adequacy" included in Part I. Item 1. – Business of this report, which are administered by the federal bank regulatory agencies. These capital requirements, as defined by federal regulations, involve quantitative and qualitative measures of assets, liabilities and certain off-balance sheet instruments. Trustmark's and TNB's minimum risk-based capital requirements include a capital conservation buffer of 2.500% at both December 31, 2021 and 2020. Accumulated other comprehensive income (loss), net of tax, is not included in computing regulatory capital. Trustmark elected the five-year phase-in transition period (through December 31, 2024) related to adopting FASB ASU 2016-13 for regulatory capital purposes. Failure to meet minimum capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements of Trustmark and TNB and limit Trustmark's and TNB's ability to pay dividends. At December 31, 2021, Trustmark and TNB exceeded all applicable minimum capital standards. In addition, Trustmark and TNB met applicable regulatory guidelines to be considered well-capitalized at December 31, 2021. To be categorized in this manner, Trustmark and TNB maintained minimum common equity Tier 1 risk-based capital, Tier 1 risk-based capital, total risk-based capital and Tier 1 leverage ratios as set forth in the accompanying table, and were not subject to any written agreement, order or capital directive, or prompt corrective action directive issued by their primary federal regulators to meet and maintain a specific capital level for any capital measures. There are no significant conditions or events that have occurred since December 31, 2021, which Management believes have affected Trustmark's or TNB's present classification.

The following table provides Trustmark's and TNB's actual regulatory capital amounts and ratios under regulatory capital standards in effect at December 31, 2021 and 2020 ($ in thousands):

	Actual Regulatory Capital			Minimum	To Be Well
		Amount	Ratio	Requirement	Capitalized
At December 31, 2021:					
Common Equity Tier 1 Capital (to Risk Weighted Assets)					
Trustmark Corporation	$	1,425,227	11.29 %	7.000 %	n/a
Trustmark National Bank		1,518,599	12.03 %	7.000 %	6.50 %
Tier 1 Capital (to Risk Weighted Assets)					
Trustmark Corporation	$	1,485,227	11.77 %	8.500 %	n/a
Trustmark National Bank		1,518,599	12.03 %	8.500 %	8.00 %
Total Capital (to Risk Weighted Assets)					
Trustmark Corporation	$	1,710,700	13.55 %	10.500 %	n/a
Trustmark National Bank		1,621,030	12.84 %	10.500 %	10.00 %
Tier 1 Leverage (to Average Assets)					
Trustmark Corporation	$	1,485,227	8.73 %	4.00 %	n/a
Trustmark National Bank		1,518,599	8.94 %	4.00 %	5.00 %
At December 31, 2020:					
Common Equity Tier 1 Capital (to Risk Weighted Assets)					
Trustmark Corporation	$	1,395,844	11.62 %	7.000 %	n/a
Trustmark National Bank		1,412,015	11.75 %	7.000 %	6.50 %
Tier 1 Capital (to Risk Weighted Assets)					
Trustmark Corporation	$	1,455,844	12.11 %	8.500 %	n/a
Trustmark National Bank		1,412,015	11.75 %	8.500 %	8.00 %
Total Capital (to Risk Weighted Assets)					
Trustmark Corporation	$	1,696,794	14.12 %	10.500 %	n/a
Trustmark National Bank		1,530,044	12.73 %	10.500 %	10.00 %
Tier 1 Leverage (to Average Assets)					
Trustmark Corporation	$	1,455,844	9.33 %	4.00 %	n/a
Trustmark National Bank		1,412,015	9.07 %	4.00 %	5.00 %

Dividends on Common Stock

Dividends paid by Trustmark are substantially funded from dividends received from TNB. Approval by TNB's regulators is required if the total of all dividends declared in any calendar year exceeds the total of its net income for that year combined with its retained net income of the preceding two years. In 2022, TNB will have available approximately $161.9 million plus its net income for that year to pay as dividends.

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 could be acquired through March 31, 2019. Trustmark repurchased approximately 1.2 million shares of its common stock valued at $36.9 million during the year ended December 31, 2019. Under the 2016 program, Trustmark repurchased approximately 3.2 million shares valued at $100.0 million.

The Board of Directors of Trustmark authorized a stock repurchase program effective April 1, 2019 under which $100.0 million of Trustmark's outstanding common stock could be acquired through March 31, 2020. The adoption of this stock repurchase program followed the receipt of non-objection from the FRB. Trustmark repurchased approximately 887 thousand shares of its common stock valued at $27.5 million during the year ended December 31, 2020, compared to approximately 601 thousand shares of its common stock valued at $19.7 million during the year ended December 31, 2019. Under the 2019 program, Trustmark repurchased approximately 1.5 million shares of its common stock valued at $47.2 million.

On January 28, 2020, the Board of Directors of Trustmark authorized a new stock repurchase program effective April 1, 2020 under which $100.0 million of Trustmark's outstanding common stock could be acquired through December 31, 2021. On March 9, 2020, Trustmark suspended its share repurchase programs to preserve capital to support customers during the COVID-19 pandemic. Trustmark resumed the repurchase of its shares in January 2021. Under this authority, Trustmark repurchased approximately 1.9 million shares of its outstanding common stock valued at $61.8 million during the year ended December 31, 2021.

On December 7, 2021, Trustmark's Board of Directors authorized a stock repurchase program effective January 1, 2022, under which $100.0 million of Trustmark's outstanding shares may be acquired through December 31, 2022. The repurchase program, which is subject to market conditions and management discretion, will continue to be implemented through open market repurchases or privately negotiated transactions. Under this authority, Trustmark repurchased approximately 156 thousand shares of its common stock valued at $5.2 million during January 2022.

Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

The following tables present the net change in the components of accumulated other comprehensive income (loss) and the related tax effects allocated to each component for the years ended December 31, 2021, 2020 and 2019 ($ in thousands). The amortization of prior service cost, recognized net loss due to lump sum settlements and change in net actuarial loss are included in the computation of net periodic benefit cost (see Note 15 – Defined Benefit and Other Postretirement Benefits for additional details). Reclassification adjustments related to pension and other postretirement benefit plans are included in salaries and employee benefits and other expense in the accompanying consolidated statements of income. Reclassification adjustments related to the cash flow hedge derivative are included in other interest expense in the accompanying consolidated statements of income.

	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Year Ended December 31, 2021			
Securities available for sale and transferred securities:			
Net unrealized holding gains (losses) arising during the period	$ (49,454)	$ 12,364	$ (37,090)
Change in net unrealized holding loss on securities transferred to held to maturity	2,647	(662)	1,985
Total securities available for sale and transferred securities	(46,807)	11,702	(35,105)
Pension and other postretirement benefit plans:			
Change in the actuarial loss of pension and other postretirement benefit plans	2,845	(711)	2,134
Reclassification adjustments for changes realized in net income:			
Net change in prior service costs	111	(27)	84
Recognized net loss due to lump sum settlements	183	(46)	137
Change in net actuarial loss	1,655	(414)	1,241
Total pension and other postretirement benefit plans	4,794	(1,198)	3,596
Total other comprehensive income (loss)	$ (42,013)	$ 10,504	$ (31,509)
Year Ended December 31, 2020			
Securities available for sale and transferred securities:			
Net unrealized holding gains (losses) arising during the period	$ 30,622	$ (7,657)	$ 22,965
Change in net unrealized holding loss on securities transferred to held to maturity	3,177	(794)	2,383
Total securities available for sale and transferred securities	33,799	(8,451)	25,348
Pension and other postretirement benefit plans:			
Change in the actuarial loss of pension and other postretirement benefit plans	(5,128)	1,282	(3,846)
Reclassification adjustments for changes realized in net income:			
Net change in prior service costs	150	(38)	112
Recognized net loss due to lump sum settlements	119	(30)	89
Change in net actuarial loss	1,128	(282)	846
Total pension and other postretirement benefit plans	(3,731)	932	(2,799)
Total other comprehensive income (loss)	$ 30,068	$ (7,519)	$ 22,549
Year Ended December 31, 2019			
Securities available for sale and transferred securities:			
Net unrealized holding gains (losses) arising during the period	$ 44,136	$ (11,033)	$ 33,103
Change in net unrealized holding loss on securities transferred to held to maturity	3,605	(901)	2,704
Total securities available for sale and transferred securities	47,741	(11,934)	35,807
Pension and other postretirement benefit plans:			
Change in the actuarial loss of pension and other postretirement benefit plans	(5,703)	1,425	(4,278)
Reclassification adjustments for changes realized in net income:			
Net change in prior service costs	250	(63)	187
Recognized net loss due to lump sum settlements	312	(77)	235
Change in net actuarial loss	796	(199)	597
Total pension and other postretirement benefit plans	(4,345)	1,086	(3,259)
Cash flow hedge derivatives:			
Change in accumulated gain (loss) on effective cash flow hedge derivatives	(145)	36	(109)
Reclassification adjustment for (gain) loss realized in net income	(479)	119	(360)
Total cash flow hedge derivatives	(624)	155	(469)
Total other comprehensive income (loss)	$ 42,772	$ (10,693)	$ 32,079

The following table presents the changes in the balances of each component of accumulated other comprehensive income (loss) for the periods presented ($ in thousands). All amounts are presented net of tax.

	Securities Available for Sale and Transferred Securities	Defined Benefit Pension Items	Cash Flow Hedge Derivative	Total
Balance, January 1, 2019	$ (43,824)	$ (12,324)	$ 469	$ (55,679)
Other comprehensive income (loss) before reclassification	35,807	(4,278)	(109)	31,420
Amounts reclassified from accumulated other comprehensive income (loss)	—	1,019	(360)	659
Net other comprehensive income (loss)	35,807	(3,259)	(469)	32,079
Balance, December 31, 2019	(8,017)	(15,583)	—	(23,600)
Other comprehensive income (loss) before reclassification	25,348	(3,846)	—	21,502
Amounts reclassified from accumulated other comprehensive income (loss)	—	1,047	—	1,047
Net other comprehensive income (loss)	25,348	(2,799)	—	22,549
Balance, December 31, 2020	17,331	(18,382)	—	(1,051)
Other comprehensive income (loss) before reclassification	(35,105)	2,134	—	(32,971)
Amounts reclassified from accumulated other comprehensive income (loss)	—	1,462	—	1,462
Net other comprehensive income (loss)	(35,105)	3,596	—	(31,509)
Balance, December 31, 2021	$ (17,774)	$ (14,786)	$ —	$ (32,560)

Note 19 – Fair Value

Financial Instruments Measured at Fair Value

The methodologies Trustmark uses in determining the fair values are based primarily on the use of independent, market-based data to reflect a value that would be reasonably expected upon exchange of the position in an orderly transaction between market participants at the measurement date. The predominant portion of assets that are stated at fair value are of a nature that can be valued using prices or inputs that are readily observable through a variety of independent data providers. The providers selected by Trustmark for fair valuation data are widely recognized and accepted vendors whose evaluations support the pricing functions of financial institutions, investment and mutual funds, and portfolio managers. Trustmark has documented and evaluated the pricing methodologies used by the vendors and maintains internal processes that regularly test valuations for anomalies.

Trustmark utilizes an independent pricing service to advise it on the carrying value of the securities available for sale portfolio. As part of Trustmark's procedures, the price provided from the service is evaluated for reasonableness given market changes. When a questionable price exists, Trustmark investigates further to determine if the price is valid. If needed, other market participants may be utilized to determine the correct fair value. Trustmark has also reviewed and confirmed its determinations in thorough discussions with the pricing source regarding their methods of price discovery.

Mortgage loan commitments are valued based on the securities prices of similar collateral, term, rate and delivery for which the loan is eligible to deliver in place of the particular security. Trustmark acquires a broad array of mortgage security prices that are supplied by a market data vendor, which in turn accumulates prices from a broad list of securities dealers. Prices are processed through a mortgage pipeline management system that accumulates and segregates all loan commitment and forward-sale transactions according to the similarity of various characteristics (maturity, term, rate, and collateral). Prices are matched to those positions that are deemed to be an eligible substitute or offset (*i.e.,* "deliverable") for a corresponding security observed in the marketplace.

Trustmark estimates fair value of the MSR through the use of prevailing market participant assumptions and market participant valuation processes. This valuation is periodically tested and validated against other third-party firm valuations.

Trustmark obtains the fair value of interest rate swaps from a third-party pricing service that uses an industry standard discounted cash flow methodology. In addition, credit valuation adjustments are incorporated in the fair values to account for potential nonperformance risk. In adjusting the fair value of its interest rate swap contracts for the effect of nonperformance risk, Trustmark has considered any applicable credit enhancements such as collateral postings, thresholds, mutual puts, and guarantees. In conjunction with the FASB's

fair value measurement guidance, Trustmark made an accounting policy election to measure the credit risk of these derivative financial instruments, which are subject to master netting agreements, on a net basis by counterparty portfolio.

Trustmark has determined that the majority of the inputs used to value its interest rate swaps offered to qualified commercial borrowers fall within Level 2 of the fair value hierarchy, while the credit valuation adjustments associated with these derivatives utilize Level 3 inputs, such as estimates of current credit spreads. Trustmark has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its interest rate swaps and has determined that the credit valuation adjustment is not significant to the overall valuation of these derivatives. As a result, Trustmark classifies its interest rate swap valuations in Level 2 of the fair value hierarchy.

Trustmark also utilizes exchange-traded derivative instruments such as Treasury note futures contracts and option contracts to achieve a fair value return that offsets the changes in fair value of the MSR attributable to interest rates. Fair values of these derivative instruments are determined from quoted prices in active markets for identical assets therefore allowing them to be classified within Level 1 of the fair value hierarchy. In addition, Trustmark utilizes derivative instruments such as interest rate lock commitments in its mortgage banking area which lack observable inputs for valuation purposes resulting in their inclusion in Level 3 of the fair value hierarchy.

At this time, Trustmark presents no fair values that are derived through internal modeling. Should positions requiring fair valuation arise that are not relevant to existing methodologies, Trustmark will make every reasonable effort to obtain market participant assumptions, or independent evaluation.

Financial Assets and Liabilities

The following tables summarize financial assets and financial liabilities measured at fair value on a recurring basis at December 31, 2021 and 2020, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value ($ in thousands). There were no transfers between fair value levels for the years ended December 31, 2021 and 2020.

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
U.S. Treasury securities	$ 344,640	$ 344,640	$ —	$ —
U.S. Government agency obligations	13,727	—	13,727	—
Obligations of states and political subdivisions	5,714	—	5,714	—
Mortgage-backed securities	2,874,796	—	2,874,796	—
Securities available for sale	3,238,877	344,640	2,894,237	—
LHFS	275,706	—	275,706	—
MSR	87,687	—	—	87,687
Other assets - derivatives	24,809	2,794	20,156	1,859
Other liabilities - derivatives	4,677	414	4,263	—

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
U.S. Government agency obligations	$ 18,041	$ —	$ 18,041	$ —
Obligations of states and political subdivisions	5,835	—	5,835	—
Mortgage-backed securities	1,967,939	—	1,967,939	—
Securities available for sale	1,991,815	—	1,991,815	—
LHFS	446,951	—	446,951	—
MSR	66,464	—	—	66,464
Other assets - derivatives	47,768	145	38,063	9,560
Other liabilities - derivatives	5,324	666	4,658	—

The changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2021 and 2020 are summarized as follows ($ in thousands):

	MSR	Other Assets - Derivatives
Balance, January 1, 2021	$ 66,464	$ 9,560
Total net (loss) gain included in Mortgage banking, net *(1)*	(6,902)	9,104
Additions	28,125	—
Sales	—	(16,805)
Balance, December 31, 2021	$ 87,687	$ 1,859
The amount of total gains (losses) for the period included in earnings that are attributable to the change in unrealized gains or losses still held at December 31, 2021	$ 13,258	$ 3,159
Balance, January 1, 2020	$ 79,394	$ 1,439
Total net (loss) gain included in Mortgage banking, net *(1)*	(42,735)	40,669
Additions	29,805	—
Sales	—	(32,548)
Balance, December 31, 2020	$ 66,464	$ 9,560
The amount of total gains (losses) for the period included in earnings that are attributable to the change in unrealized gains or losses still held at December 31, 2020	$ (26,146)	$ 25,031

(1)Total net (loss) gain included in Mortgage banking, net relating to the MSR includes changes in fair value due to market changes and due to run-off.

Trustmark may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. Assets at December 31, 2021, which have been measured at fair value on a nonrecurring basis, include collateral-dependent LHFI. A loan is collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the sale of the collateral. The expected credit loss for collateral-dependent loans is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral, adjusted for the estimated cost to sell. Fair value estimates for collateral-dependent loans are derived from appraised values based on the current market value or as is value of the collateral, normally from recently received and reviewed appraisals. Current appraisals are ordered on an annual basis based on the inspection date or more often if market conditions necessitate. Appraisals are obtained from state-certified appraisers and are based on certain assumptions, which may include construction or development status and the highest and best use of the property. These appraisals are reviewed by Trustmark's Appraisal Review Department to ensure they are acceptable, and values are adjusted down for costs associated with asset disposal. At December 31, 2021, Trustmark had outstanding balances of $44.4 million with a related ACL of $7.6 million in collateral-dependent LHFI, compared to outstanding balances of $43.4 million with a related ACL of $4.4 million in collateral-dependent LHFI at December 31, 2020. The collateral-dependent LHFI are classified as Level 3 in the fair value hierarchy.

Nonfinancial Assets and Liabilities

Certain nonfinancial assets measured at fair value on a nonrecurring basis include foreclosed assets (upon initial recognition or subsequent impairment), nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test, and intangible assets and other nonfinancial long-lived assets measured at fair value for impairment assessment.

Other real estate includes assets that have been acquired in satisfaction of debt through foreclosure and is recorded at the fair value less cost to sell (estimated fair value) at the time of foreclosure. Fair value is based on independent appraisals and other relevant factors. In the determination of fair value subsequent to foreclosure, Management also considers other factors or recent developments, such as changes in market conditions from the time of valuation and anticipated sales values considering plans for disposition, which could result in an adjustment to lower the collateral value estimates indicated in the appraisals. Periodic revaluations are classified as Level 3 in the fair value hierarchy since assumptions are used that may not be observable in the market.

Foreclosed assets of $7.3 million were re-measured during 2021, requiring write-downs of $437 thousand to reach their current fair values compared to $10.1 million of foreclosed assets that were re-measured during 2020, requiring write-downs of $2.0 million.

Fair Value of Financial Instruments

FASB ASC Topic 825 requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis.

The carrying amounts and estimated fair values of financial instruments at December 31, 2021 and 2020 were as follows ($ in thousands):

	December 31, 2021		December 31, 2020	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:				
Level 2 Inputs:				
Cash and short-term investments	$ 2,266,829	$ 2,266,829	$ 1,952,554	$ 1,952,554
Securities held to maturity	342,537	353,511	538,072	563,115
Level 3 Inputs:				
Net LHFI and PPP loans	10,181,708	10,123,379	10,317,352	10,312,395
Financial Liabilities:				
Level 2 Inputs:				
Deposits	15,087,160	15,084,440	14,048,764	14,052,863
Federal funds purchased and securities sold under repurchase agreements	238,577	238,577	164,519	164,519
Other borrowings	91,025	91,022	168,252	168,252
Subordinated notes	123,042	128,438	122,921	127,500
Junior subordinated debt securities	61,856	49,485	61,856	46,083

Fair Value Option

Trustmark has elected to account for its LHFS under the fair value option, with interest income on these LHFS reported in interest and fees on LHFS and LHFI. The fair value of the LHFS is determined using quoted prices for a similar asset, adjusted for specific attributes of that loan. The LHFS are actively managed and monitored and certain market risks of the loans may be mitigated through the use of derivatives. These derivative instruments are carried at fair value with changes in fair value recorded as noninterest income in mortgage banking, net. The changes in the fair value of the LHFS are largely offset by changes in the fair value of the derivative instruments. For the year ended December 31, 2021, a net loss of $10.3 million was recorded as noninterest income in mortgage banking, net for changes in the fair value of the LHFS accounted for under the fair value option compared to net gains of $10.5 million and $1.5 million for the years ended December 31, 2020 and 2019, respectively. Interest and fees on LHFS and LHFI for the year ended December 31, 2021 included $7.0 million of interest earned on the LHFS accounted for under the fair value option compared to $6.9 million and $5.9 million for the years ended December 31, 2020 and 2019, respectively. Election of the fair value option allows Trustmark to reduce the accounting volatility that would otherwise result from the asymmetry created by accounting for the financial instruments at the lower of cost or fair value and the derivatives at fair value. The fair value option election does not apply to the GNMA optional repurchase loans which do not meet the requirements under FASB ASC Topic 825 to be accounted for under the fair value option. GNMA optional repurchase loans totaled $84.5 million and $141.2 million at December 31, 2021 and 2020, respectively, and are included in LHFS on the accompanying consolidated balance sheets.

The following table provides information about the fair value and the contractual principal outstanding of the LHFS accounted for under the fair value option at December 31, 2021 and 2020 ($ in thousands):

	December 31,	
	2021	2020
Fair value of LHFS	$ 191,242	$ 305,791
LHFS contractual principal outstanding	186,535	290,625
Fair value less unpaid principal	$ 4,707	$ 15,166

Note 20 – Derivative Financial Instruments

Derivatives Designated as Hedging Instruments

On April 4, 2013, Trustmark entered into a forward interest rate swap contract on junior subordinated debentures with a total notional amount of $60.0 million. The interest rate swap contract was designated as a derivative instrument in a cash flow hedge under FASB ASC Topic 815 with the objective of protecting the quarterly interest payments on Trustmark's $60.0 million of junior subordinated

debentures issued to the Trust throughout the five-year period which began December 31, 2014 and ended December 31, 2019 from the risk of variability of those payments resulting from changes in the three-month LIBOR interest rate. Under the swap, which became effective on December 31, 2014, Trustmark paid a fixed interest rate of 1.66% and received a variable interest rate based on three-month LIBOR on a total notional amount of $60.0 million, with quarterly net settlements.

No ineffectiveness related to the interest rate swap designated as a cash flow hedge was recognized in the consolidated statements of income for the years ended December 31, 2021, 2020 and 2019. The interest rate swap matured on December 31, 2019; therefore, there was no accumulated net after-tax amount related to the effective cash flow hedge included in accumulated other comprehensive income (loss) at December 31, 2021, 2020 and 2019. Amounts reported in accumulated other comprehensive income (loss) related to this derivative were reclassified to other interest expense as interest payments were made on Trustmark's variable rate junior subordinated debentures.

Derivatives not Designated as Hedging Instruments

Trustmark utilizes a portfolio of exchange-traded derivative instruments, such as Treasury note futures contracts and option contracts, to achieve a fair value return that economically hedges changes in the fair value of the MSR attributable to interest rates. These transactions are considered freestanding derivatives that do not otherwise qualify for hedge accounting. The total notional amount of these derivative instruments was $409.5 million at December 31, 2021 compared to $326.5 million at December 31, 2020. Changes in the fair value of these exchange-traded derivative instruments are recorded as noninterest income in mortgage banking, net and are offset by changes in the fair value of the MSR. The impact of this strategy resulted in a net positive ineffectiveness of $2.5 million for the year ended December 31, 2021, compared to a net positive ineffectiveness of $7.8 million for the year ended December 31, 2020 and a net negative ineffectiveness of $11.5 million for the year ended December 31, 2019.

As part of Trustmark's risk management strategy in the mortgage banking area, derivative instruments such as forward sales contracts are utilized. Trustmark's obligations under forward sales contracts consist of commitments to deliver mortgage loans, originated and/or purchased, in the secondary market at a future date. Changes in the fair value of these derivative instruments are recorded as noninterest income in mortgage banking, net and are offset by changes in the fair value of LHFS. Trustmark's off-balance sheet obligations under these derivative instruments totaled $236.0 million at December 31, 2021, with a negative valuation adjustment of $81 thousand, compared to $377.5 million at December 31, 2020, with a negative valuation adjustment of $3.1 million.

Trustmark also utilizes derivative instruments such as interest rate lock commitments in its mortgage banking area. Interest rate lock commitments are residential mortgage loan commitments with customers, which guarantee a specified interest rate for a specified time period. Changes in the fair value of these derivative instruments are recorded as noninterest income in mortgage banking, net and are offset by the changes in the fair value of forward sales contracts. Trustmark's off-balance sheet obligations under these derivative instruments totaled $142.6 million at December 31, 2021, with a positive valuation adjustment of $1.9 million, compared to $329.3 million at December 31, 2020, with a positive valuation adjustment of $9.6 million.

Trustmark offers certain derivatives products directly to qualified commercial lending clients seeking to manage their interest rate risk. Trustmark economically hedges interest rate swap transactions executed with commercial lending clients by entering into offsetting interest rate swap transactions with institutional derivatives market participants. Derivatives transactions executed as part of this program are not designated as qualifying hedging relationships and are, therefore, carried at fair value with the change in fair value recorded as noninterest income in bank card and other fees. Because these derivatives have mirror-image contractual terms, in addition to collateral provisions which mitigate the impact of non-performance risk, the changes in fair value are expected to substantially offset. The Chicago Mercantile Exchange rules legally characterize variation margin collateral payments made or received for centrally cleared interest rate swaps as settlements rather than collateral. As a result, centrally cleared interest rate swaps included in other assets and other liabilities are presented on a net basis in the accompanying consolidated balance sheets. At December 31, 2021, Trustmark had interest rate swaps with an aggregate notional amount of $1.225 billion related to this program, compared to $1.125 billion at December 31, 2020.

Credit-risk-related Contingent Features

Trustmark has agreements with its financial institution counterparties that contain provisions where if Trustmark defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then Trustmark could also be declared in default on its derivatives obligations.

At December 31, 2021 and 2020, the termination value of interest rate swaps in a liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $655 thousand and $1.3 million, respectively. At December 31, 2021, Trustmark had posted collateral of $850 thousand against its obligations because of negotiated thresholds and

minimum transfer amounts under these agreements. If Trustmark had breached any of these triggering provisions at December 31, 2021, it could have been required to settle its obligations under the agreements at the termination value.

Credit risk participation agreements arise when Trustmark contracts with other financial institutions, as a guarantor or beneficiary, to share credit risk associated with certain interest rate swaps. These agreements provide for reimbursement of losses resulting from a third-party default on the underlying swap. At December 31, 2021, Trustmark had entered into six risk participation agreements as a beneficiary with an aggregate notional amount of $52.0 million compared to three risk participation agreements as a beneficiary with an aggregate notional amount of $41.1 million at December 31, 2020. At both December 31, 2021 and 2020, Trustmark had entered into twenty-four risk participation agreements as a guarantor with aggregate notional amounts of $173.5 million and $172.0 million, respectively. The aggregate fair values of these risk participation agreements were immaterial at December 31, 2021 and 2020.

Tabular Disclosures

The following tables disclose the fair value of derivative instruments in Trustmark's consolidated balance sheets at December 31, 2021 and 2020 as well as the effect of these derivative instruments on Trustmark's results of operations for the periods presented ($ in thousands):

	December 31,	
	2021	2020
Derivatives not designated as hedging instruments		
Interest rate contracts:		
Futures contracts included in other assets	$ 2,356	$ —
Exchange traded purchased options included in other assets	438	145
OTC written options (rate locks) included in other assets	1,859	9,560
Interest rate swaps included in other assets *(1)*	20,115	37,974
Credit risk participation agreements included in other assets	41	89
Futures contracts included in other liabilities	—	34
Forward contracts included in other liabilities	81	3,145
Exchange traded written options included in other liabilities	414	632
Interest rate swaps included in other liabilities *(1)*	4,144	1,313
Credit risk participation agreements included in other liabilities	38	200

(1)In accordance with GAAP, the variation margin collateral payments made or received for interest rate swaps that are centrally cleared are legally characterized as settled. As a result, the centrally cleared interest rate swaps included in other assets and other liabilities are presented on a net basis in the accompanying consolidated balance sheets.

	Years Ended December 31,		
	2021	2020	2019
Derivatives in hedging relationships			
Amount of gain (loss) reclassified from accumulated other comprehensive income (loss) and recognized in other interest expense	$ —	$ —	$ 479
Derivatives not designated as hedging instruments			
Amount of gain (loss) recognized in mortgage banking, net	$ (15,436)	$ 39,436	$ 11,096
Amount of gain (loss) recognized in bank card and other fees	1,649	(1,022)	(776)

The following table discloses the amount included in other comprehensive income (loss), net of tax, for derivative instruments designated as cash flow hedges for the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
Derivatives in cash flow hedging relationship			
Amount of gain (loss) recognized in other comprehensive income (loss), net of tax	$ —	$ —	$ (109)

Information about financial instruments that are eligible for offset in the consolidated balance sheets at December 31, 2021 and 2020 is presented in the following tables ($ in thousands):

Offsetting of Derivative Assets
As of December 31, 2021

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Received	
Derivatives	$ 20,115	$ —	$ 20,115	$ 55	$ —	$ 20,170

Offsetting of Derivative Liabilities
As of December 31, 2021

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Posted	
Derivatives	$ 4,144	$ —	$ 4,144	$ 55	$ (850)	$ 3,349

Offsetting of Derivative Assets
As of December 31, 2020

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Received	
Derivatives	$ 37,974	$ —	$ 37,974	$ —	$ —	$ 37,974

Offsetting of Derivative Liabilities
As of December 31, 2020

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Posted	
Derivatives	$ 1,313	$ —	$ 1,313	$ —	$ (1,313)	$ —

Note 21 – Segment Information

Trustmark’s management reporting structure includes three segments: General Banking, Wealth Management and Insurance. The General Banking Segment is responsible for all traditional banking products and services, including loans and deposits. The General Banking Segment also consists of internal operations such as Human Resources, Executive Administration, Treasury (Funds Management), Public Affairs and Corporate Finance. The Wealth Management Segment provides customized solutions for customers by integrating financial services with traditional banking products and services such as money management, full-service brokerage, financial planning, personal and institutional trust and retirement services. Through FBBI, Trustmark’s Insurance Segment provides a full range of retail insurance products including commercial risk management products, bonding, group benefits and personal lines coverage.

The accounting policies of each reportable segment are the same as those of Trustmark except for its internal allocations. Noninterest expenses for back-office operations support are allocated to segments based on estimated uses of those services. Trustmark measures the net interest income of its business segments with a process that assigns cost of funds or earnings credit on a matched-term basis. This process, called “funds transfer pricing”, charges an appropriate cost of funds to assets held by a business unit, or credits the business unit for potential earnings for carrying liabilities. The net of these charges and credits flows through to the General Banking Segment, which contains the management team responsible for determining TNB’s funding and interest rate risk strategies.

The following table discloses financial information by reportable segment for the periods presented ($ in thousands):

	Years Ended December 31,		
	2021	2020	2019
General Banking			
Net interest income	$ 413,201	$ 420,225	$ 419,597
PCL *(1)*	(24,439)	45,058	10,622
Noninterest income	137,874	197,691	113,756
Noninterest expense *(1)*	421,561	401,810	367,976
Income before income taxes	153,953	171,048	154,755
Income taxes	22,706	25,109	18,638
General banking net income	$ 131,247	$ 145,939	$ 136,117
Selected Financial Information			
Total assets	$ 17,275,438	$ 16,226,358	$ 13,140,467
Depreciation and amortization	$ 44,776	$ 40,351	$ 38,634
Wealth Management			
Net interest income	$ 5,161	$ 6,082	$ 6,750
PCL	(9)	(11)	217
Noninterest income	35,420	31,634	30,860
Noninterest expense	31,721	30,318	28,882
Income before income taxes	8,869	7,409	8,511
Income taxes	2,219	1,853	2,123
Wealth Management net income	$ 6,650	$ 5,556	$ 6,388
Selected Financial Information			
Total assets	$ 232,997	$ 242,429	$ 283,164
Depreciation and amortization	$ 269	$ 274	$ 270
Insurance			
Net interest income	$ (11)	$ 230	$ 242
Noninterest income	48,616	45,268	42,429
Noninterest expense	36,014	34,173	32,144
Income before income taxes	12,591	11,325	10,527
Income taxes	3,123	2,795	2,572
Insurance net income	$ 9,468	$ 8,530	$ 7,955
Selected Financial Information			
Total assets	$ 87,201	$ 83,053	$ 74,246
Depreciation and amortization	$ 768	$ 700	$ 516
Consolidated			
Net interest income	$ 418,351	$ 426,537	$ 426,589
PCL *(1)*	(24,448)	45,047	10,839
Noninterest income	221,910	274,593	187,045
Noninterest expense *(1)*	489,296	466,301	429,002
Income before income taxes	175,413	189,782	173,793
Income taxes	28,048	29,757	23,333
Consolidated net income	$ 147,365	$ 160,025	$ 150,460
Selected Financial Information			
Total assets	$ 17,595,636	$ 16,551,840	$ 13,497,877
Depreciation and amortization	$ 45,813	$ 41,325	$ 39,420

(1)During 2021, Trustmark reclassified its credit loss expense related to off-balance sheet credit exposures from noninterest expense to PCL, off-balance sheet credit exposures. Prior periods have been reclassified accordingly.

Note 22 – Parent Company Only Financial Information
($ in thousands)

Condensed Balance Sheets	December 31, 2021	December 31, 2020
Assets:		
Investment in banks	$ 1,851,398	$ 1,769,165
Other assets	75,995	158,360
Total Assets	$ 1,927,393	$ 1,927,525
Liabilities and Shareholders' Equity:		
Accrued expense	$ 1,184	$ 1,631
Subordinated notes	123,042	122,921
Junior subordinated debt securities	61,856	61,856
Shareholders' equity	1,741,311	1,741,117
Total Liabilities and Shareholders' Equity	$ 1,927,393	$ 1,927,525

Condensed Statements of Income	Years Ended December 31, 2021	2020	2019
Revenue:			
Dividends received from banks	$ 45,284	$ 109,243	$ 120,297
Earnings of subsidiaries over distributions	108,141	53,724	32,971
Other income	95	66	90
Total Revenue	153,520	163,033	153,358
Expense:			
Other expense	6,155	3,008	2,898
Total Expense	6,155	3,008	2,898
Net Income	$ 147,365	$ 160,025	$ 150,460

Condensed Statements of Cash Flows	Years Ended December 31, 2021	2020	2019
Operating Activities:			
Net income	$ 147,365	$ 160,025	$ 150,460
Adjustments to reconcile net income to net cash provided by operating activities:			
Net change in investment in subsidiaries	(108,141)	(53,724)	(32,971)
Other	(2,078)	(326)	(1,800)
Net cash from operating activities	37,146	105,975	115,689
Financing Activities:			
Proceeds from subordinated notes	—	122,900	—
Common stock dividends	(58,085)	(58,769)	(59,804)
Repurchase and retirement of common stock	(61,799)	(27,538)	(56,615)
Net cash from financing activities	(119,884)	36,593	(116,419)
Net change in cash and cash equivalents	(82,738)	142,568	(730)
Cash and cash equivalents at beginning of year	158,275	15,707	16,437
Cash and cash equivalents at end of year	$ 75,537	$ 158,275	$ 15,707

Trustmark (parent company only) paid income taxes of approximately $15.3 million in 2021, $46.6 million in 2020 and $24.8 million in 2019. Trustmark paid interest of $4.6 million in 2021 compared to no interest paid or received in 2020 and interest received of $482 thousand during 2019.

TEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no change of accountants within the two-year period prior to December 31, 2021.

TEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, an evaluation was carried out by Trustmark's management, with the participation of its Chief Executive Officer and Treasurer and Principal Financial Officer (Principal Financial Officer), of the effectiveness of Trustmark's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Principal Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report. No changes were made to Trustmark's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, Trustmark's internal control over financial reporting.

Management Report on Internal Control over Financial Reporting

The management of Trustmark is responsible for establishing and maintaining adequate internal control over financial reporting. Trustmark's internal control over financial reporting was designed under the supervision of the Chief Executive Officer and Treasurer (Principal Financial Officer) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements in accordance with GAAP.

Management assessed the effectiveness of internal control over financial reporting as of December 31, 2021. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework (2013)*. Based on our assessment, we believe that, as of December 31, 2021, Trustmark's internal control over financial reporting was effective based on those criteria.

The effectiveness of Trustmark's internal control over financial reporting as of December 31, 2021 was audited by Crowe LLP, Atlanta, Georgia, (U.S. PCAOB Auditor Firm I.D.: 173), an independent registered public accounting firm, as stated in their report appearing in the section captioned "Report of Independent Registered Public Accounting Firm" included in Part II. Item 8. – Financial Statements and Supplementary Data of this report.

TEM 9B. OTHER INFORMATION

None.

TEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

ot applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Certain information regarding executive officers is included under the section captioned "Information about Executive Officers of Trustmark" in Part I. Item 1. - Business, elsewhere in this Annual Report on Form 10-K. Other information required by this Item is incorporated herein by reference to Trustmark Corporation's (Trustmark's) Proxy Statement (Schedule 14A) for its 2022 Annual Meeting of Shareholders to be filed with the SEC within 120 days of Trustmark's fiscal year-end.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to Trustmark's Proxy Statement (Schedule 14A) for its 2022 Annual Meeting of Shareholders to be filed with the SEC within 120 days of Trustmark's fiscal year-end.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plans

The table below contains summary information at December 31, 2021 with respect to the Amended and Restated Stock and Incentive Compensation Plan, which is Trustmark's only equity compensation plan under which shares of Trustmark common stock are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) *(1)*	Weighted-average exercise price of outstanding options, warrants and rights *(2)*	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) *(3)*
Equity compensation plans approved by security holders	140,821	$ —	563,994
Equity compensation plans not approved by security holders	—	—	—
Total	140,821	$ —	563,994

(1)This number represents the maximum potential shares issuable in connection with the vesting in excess of 100% of unvested performance-based restricted stock and restricted stock unit awards previously granted.
(2)Potential achievement shares, to the extent issued, do not have an exercise price and, therefore, are excluded for purposes of computing the weighted-average exercise price.
(3)This number represents shares available for future awards under the Amended and Restated Stock and Incentive Compensation Plan at December 31, 2021, in connection with stock options, stock appreciation rights, restricted stock, restricted stock units and performance units.

All other information required by this Item is incorporated herein by reference to Trustmark's Proxy Statement (Schedule 14A) for its 2022 Annual Meeting of Shareholders to be filed with the SEC within 120 days of Trustmark's fiscal year-end.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by reference to Trustmark's Proxy Statement (Schedule 14A) for its 2022 Annual Meeting of Shareholders to be filed with the SEC within 120 days of Trustmark's fiscal year-end.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated herein by reference to Trustmark's Proxy Statement (Schedule 14A) for its 2022 Annual Meeting of Shareholders to be filed with the SEC within 120 days of Trustmark's fiscal year-end.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

A-1. Financial Statements

The report of Crowe LLP, independent registered public accounting firm, and the following consolidated financial statements of Trustmark Corporation (Trustmark) and subsidiaries are included in the Registrant's 2021 Annual Report on Form 10-K and are incorporated into Part II. Item 8. – Financial Statements and Supplementary Data herein by reference:

Consolidated Balance Sheets as of December 31, 2021 and 2020

Consolidated Statements of Income for the Years Ended December 31, 2021, 2020 and 2019

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2021, 2020 and 2019

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2021, 2020 and 2019

Consolidated Statements of Cash Flows for the Years Ended December 31, 2021, 2020 and 2019

Notes to Consolidated Financial Statements (Notes 1 through 22)

A-2. Financial Statement Schedules

The schedules to the consolidated financial statements set forth by Article 9 of Regulation S-X are not required under the related instructions or are inapplicable and therefore have been omitted.

A-3. Exhibits

The exhibits to this Annual Report on Form 10-K listed below have been included only with the copy of this report filed with the Securities and Exchange Commission. Copies of individual exhibits will be furnished to shareholders upon written request to Trustmark and payment of a reasonable fee.

ITEM 16. SUMMARY

None.

EXHIBIT INDEX

2-a	Agreement and Plan of Reorganization by and between Trustmark Corporation and BancTrust Financial Group, Inc. Filed June 1, 2012, as Exhibit 2.1 to Trustmark's Form 8-K Current Report, incorporated herein by reference.
2-b	First Amendment to Agreement and Plan of Reorganization by and between Trustmark Corporation and BancTrust Financial Group, Inc. Filed October 9, 2012 as Exhibit 2.1 to Trustmark's Form 8-K Current Report, incorporated herein by reference.
3-a	Articles of Incorporation of Trustmark, as restated April 28, 2016. Incorporated herein by reference to Exhibit 3.1 to Trustmark's Form 8-K Current Report filed on May 2, 2016.
3-b	Amended and Restated Bylaws of Trustmark Corporation, as of October 27, 2020. Filed on October 27, 2020, as Exhibit 3.1 to Trustmark's Form 8-K Current Report, incorporated herein by reference.
4-a	Amended and Restated Trust Agreement among Trustmark Corporation, Wilmington Trust Company and the Administrative Trustees regarding Trustmark Preferred Capital Trust I. Filed August 21, 2006, as Exhibit 4.1 to Trustmark's Form 8-K Current Report, incorporated herein by reference.
4-b	Junior Subordinated Indenture between Trustmark Corporation and Wilmington Trust Company. Filed August 21, 2006, as Exhibit 4.2 to Trustmark's Form 8-K Current Report, incorporated herein by reference.
4-c	Guarantee Agreement between Trustmark Corporation and Wilmington Trust Company. Filed August 21, 2006, as Exhibit 4.3 to Trustmark's Form 8-K Current Report, incorporated herein by reference.
4-d	Description of Trustmark's Common Stock. Filed February 20, 2020, as exhibit 4-d to Trustmark's Form 10-K Annual Report, incorporated herein by reference.
10-a	Deferred Compensation Plan for Executive Officers (Executive Deferral Plan-Group 2) of Trustmark National Bank, as amended. Filed as Exhibit 10-a to Trustmark's Form 10-K Annual Report for the year ended December 31, 2007, incorporated herein by reference. *
10-b	Deferred Compensation Plan for Directors of First National Financial Corporation acquired October 7, 1994. Filed as Exhibit 10-c to Trustmark's Form 10-K Annual Report for the year ended December 31, 1994, incorporated herein by reference. *
10-c	Deferred Compensation Plan for Directors (Directors' Deferred Fee Plan) of Trustmark National Bank, as amended. Filed as Exhibit 10-e to Trustmark's Form 10-K Annual Report for the year ended December 31, 2007, incorporated herein by reference. *
10-d	Deferred Compensation Plan for Executives (Executive Deferral Plan-Group 1) of Trustmark National Bank, as amended. Filed as Exhibit 10-f to Trustmark's Form 10-K Annual Report for the year ended December 31, 2007, incorporated herein by reference. *
10-e	Trustmark Corporation Deferred Compensation Plan (Master Plan Document), as amended. Filed as Exhibit 10-g to Trustmark's Form 10-K Annual Report for the year ended December 31, 2007, incorporated herein by reference. *
10-f	Trustmark Corporation Amended and Restated Stock and Incentive Compensation Plan, as amended and restated April 28, 2015. Filed May 4, 2015, as Exhibit 10-f to Trustmark's Form 8-K Current Report, incorporated herein by reference. *
10-g	Revised Form of Restricted Stock Agreement (under the 2005 Stock and Incentive Compensation Plan). Filed February 26, 2009, as Exhibit 10-p to Trustmark's Annual Report on Form 10-K, incorporated herein by reference. *
10-h	Revised Form of Time-Based Restricted Stock Agreement for Executive (under the 2005 Stock and Incentive Compensation Plan). Filed February 26, 2009, as Exhibit 10-q to Trustmark's Annual Report on Form 10-K, incorporated herein by reference. *
10-i	First Amendment to Trustmark Corporation Deferred Compensation Plan (Master Plan Document). Filed November 7, 2008, as Exhibit 10-r to Trustmark's Form 10-Q Quarterly Report for the quarter ended September 30, 2008, incorporated herein by reference. *
10-j	Form of Performance-Based TARP-Compliant Restricted Stock Agreement for Executive (under the 2005 Stock and Incentive Compensation Plan.). Filed November 9, 2009, as Exhibit 10-y to Trustmark's Form 10-Q Quarterly Report for the quarter ended September 30, 2009 and incorporated herein by reference. *
10-k	Employment Agreement between Trustmark Corporation and Gerard R. Host dated September 14, 2010. Filed September 14, 2010, as Exhibit 10-z to Trustmark's Form 8-K Current Report, incorporated herein by reference. *

10-l	Form of Time-Based Restricted Stock Agreement for Director (under the 2005 Stock and Incentive Compensation Plan.) Filed August 8, 2011 as Exhibit 10-aa to Trustmark's Form 10-Q Quarterly Report for the quarter ended June 30, 2011 and incorporated herein by reference. *
10-m	Summary of the Trustmark Corporation Management Incentive Plan. Filed November 7, 2012, as Exhibit 10-ab to Trustmark's Form 10-Q Quarterly Report for the quarter ended September 30, 2012 and incorporated herein by reference. *
10-n	Form of Performance-Based Restricted Stock Agreement for Executive (under the 2005 Stock and Incentive Compensation Plan.) Filed February 27, 2013, as Exhibit 10-ac to Trustmark's Annual Report on Form 10-K, incorporated herein by reference. *
10-o	Form of Change in Control Agreement between Trustmark Corporation and certain executive officers. Filed February 7, 2014, as Exhibit 10-ad to Trustmark's Form 8-K Current Report, incorporated herein by reference. *
10-p	Form of Performance-Based Restricted Stock Agreement for Associate (under the Amended and Restated Stock and Incentive Compensation Plan.) Filed January 8, 2016, as Exhibit 10-p to Trustmark's Form 8-K Current Report, incorporated herein by reference. *
10-q	Form of Time-Based Restricted Stock Agreement for Associate (under the Amended and Restated Stock and Incentive Compensation Plan.) Filed January 8, 2016, as Exhibit 10-q to Trustmark's Form 8-K Current Report, incorporated herein by reference. *
10-r	Form of Time-Based Restricted Stock Agreement for Director (under the Amended and Restated Stock and Incentive Compensation Plan.) Filed January 8, 2016, as Exhibit 10-r to Trustmark's Form 8-K Current Report, incorporated herein by reference. *
10-s	Form of Performance-Based Restricted Stock Agreement for Associate (under the Amended and Restated Stock and Incentive Compensation Plan.) Filed February 15, 2018, as Exhibit 10-s to Trustmark's Form 8-K Current Report, incorporated herein by reference. *
10-t	Form of Time-Based Restricted Stock Agreement for Associate (under the Amended and Restated Stock and Incentive Compensation Plan.) Filed February 15, 2018, as Exhibit 10-t to Trustmark's Form 8-K Current Report, incorporated herein by reference. *
10-u	Form of Time-Based Restricted Stock Agreement for Director (under the Amended and Restated Stock and Incentive Compensation Plan.) Filed February 15, 2018, as Exhibit 10-u to Trustmark's Form 8-K Current Report, incorporated herein by reference. *
10-v	Amendment to Employment Agreement between Trustmark Corporation and Gerard R. Host dated February 15, 2018. Filed February 20, 2018, as Exhibit 10-v to Trustmark's Form 10-K Annual Report, incorporated herein by reference. *
10-w	Second Amendment to Trustmark Corporation Deferred Compensation Plan (Master Plan Document). Filed May 7, 2018, as Exhibit 10-w to Trustmark's Form 10-Q Quarterly Report, incorporated herein by reference. *
10-x	First Amendment to Deferred Compensation Plan for Directors (Directors' Deferred Fee Plan) of Trustmark National Bank. Filed May 7, 2018, as Exhibit 10-x to Trustmark's Form 10-Q Quarterly Report, incorporated herein by reference. *
10-y	First Amendment to Deferred Compensation Plan for Executives (Executive Deferral Plan-Group 1) of Trustmark National Bank. Filed May 7, 2018, as Exhibit 10-y to Trustmark's Form 10-Q Quarterly Report, incorporated herein by reference. *
10-z	Second Amendment to Employment Agreement between Trustmark Corporation and Gerard R. Host dated December 10, 2019. Filed December 10, 2019, as Exhibit 10.1 to Trustmark's Form 8-K Current Report, incorporated herein by reference. *
10-aa	Form of Performance Unit Agreement for Associate (under the Amended and Restated Stock and Incentive Compensation Plan.) Filed February 20, 2020, as exhibit 10-aa to Trustmark's Form 10-K Annual Report, incorporated herein by reference. *
10-ab	Form of Time-Based Restricted Stock Unit Agreement for Associate (under the Amended and Restated Stock and Incentive Compensation Plan.) Filed February 20, 2020, as exhibit 10-ab to Trustmark's Form 10-K Annual Report, incorporated herein by reference. *
10-ac	Form of Time-Based Restricted Stock Unit Agreement for Director (under the Amended and Restated Stock and Incentive Compensation Plan.) Filed February 20, 2020, as exhibit 10-ac to Trustmark's Form 10-K Annual Report, incorporated herein by reference. *

10-ad	Employment Agreement between Trustmark Corporation and Gerard R. Host dated October 27, 2020. Filed October 27, 2020 as Exhibit 10.1 to Trustmark's Form 8-K Current Report, incorporated herein by reference. *
10-ae	Employment Agreement between Trustmark Corporation and Duane A. Dewey dated October 27, 2020. Filed October 27, 2020 as Exhibit 10.2 to Trustmark's Form 8-K Current Report, incorporated herein by reference. *
21	List of Subsidiaries.
23	Consent of Crowe LLP.
31-a	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31-b	Certification by Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32-a	Certification by Chief Executive Officer pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32-b	Certification by Principal Financial Officer pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Schema Document
101.CAL	Inline XBRL Calculation Linkbase Document
101.DEF	Inline XBRL Label Linkbase Document
101.LAB	Inline XBRL Presentation Linkbase Document
101.PRE	Inline XBRL Definition Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

* - Denotes management contract.

All other exhibits are omitted, as they are inapplicable or not required by the related instructions.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRUSTMARK CORPORATION

BY:	/s/ Duane A. Dewey Duane A. Dewey President and Chief Executive Officer
DATE:	February 17, 2022

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

DATE:	February 17, 2022	BY:	/s/ Adolphus B. Baker Adolphus B. Baker, Director
DATE:	February 17, 2022	BY:	/s/ William A. Brown William A. Brown, Director
DATE:	February 17, 2022	BY:	/s/ Augustus L. Collins Augustus L. Collins, Director
DATE:	February 17, 2022	BY:	/s/ George T. Chambers, Jr. George T. Chambers, Jr., Chief Accounting Officer
DATE:	February 17, 2022	BY:	/s/ Tracy T. Conerly Tracy T. Conerly, Director
DATE:	February 17, 2022	BY:	/s/ Toni D. Cooley Toni D. Cooley, Director
DATE:	February 17, 2022	BY:	/s/ Duane A. Dewey Duane A. Dewey, President, Chief Executive Officer and Director
DATE:	February 17, 2022	BY:	/s/ Marcelo Eduardo Marcelo Eduardo, Director
DATE:	February 17, 2022	BY:	/s/ J. Clay Hays, Jr., M.D. J. Clay Hays, Jr., M.D., Director
DATE:	February 17, 2022	BY:	/s/ Gerard R. Host Gerard R. Host, Executive Chairman and Director
DATE:	February 17, 2022	BY:	/s/ Harris V. Morrissette Harris V. Morrissette, Director
DATE:	February 17, 2022	BY:	/s/ Thomas C. Owens Thomas C. Owens, Treasurer and Principal Financial Officer
DATE:	February 17, 2022	BY:	/s/ Richard H. Puckett Richard H. Puckett, Director
DATE:	February 17, 2022	BY:	/s/ William G. Yates III William G. Yates III, Director

Exhibit 21

LIST OF SUBSIDIARIES

The following is a list of all subsidiaries of Trustmark Corporation as of December 31, 2021, and the jurisdiction in which each was organized. Each subsidiary does business under its own name.

Name	Jurisdiction Where Organized
Trustmark National Bank	United States
F. S. Corporation (inactive)	Mississippi
First Building Corporation (inactive)	Mississippi
Trustmark Preferred Capital Trust I	Delaware
Trustmark Securities, Inc. (1) (inactive)	Mississippi
Fisher Brown Bottrell Insurance, Inc. (1)	Mississippi
Trustmark Investment Advisors, Inc. (1)	Mississippi
Southern Community Capital, LLC (1)	Mississippi

(1)Subsidiary of Trustmark National Bank.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statements (Nos. 333-213637, 333-124772, 333-124178) on Forms S-8 and Registration Statement (333-250158) on Form S-3 of Trustmark Corporation of our report dated February 17, 2022 relating to the consolidated balance sheets of Trustmark Corporation as of December 31, 2021 and 2020 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows of the three-year period ended December 31, 2021, and effectiveness of internal control over financial reporting, appearing in the Annual Report on Form 10-K of Trustmark Corporation and subsidiaries for the year ended December 31, 2021.

/s/ Crowe LLP

Atlanta, Georgia
February 17, 2022

Exhibit 31-a

TRUSTMARK CORPORATION

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Duane A. Dewey, certify that:

(1)I have reviewed this Annual Report on Form 10-K of Trustmark Corporation;

(2)Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3)Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4)The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c.Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d.Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5)The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

BY: /s/ Duane A. Dewey
Duane A. Dewey
President and Chief Executive Officer

DATE: February 17, 2022

Exhibit 31-b

TRUSTMARK CORPORATION

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas C. Owens, certify that:

(1)I have reviewed this Annual Report on Form 10-K of Trustmark Corporation;

(2)Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3)Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4)The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c.Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d.Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5)The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

BY: /s/ Thomas C. Owens
Thomas C. Owens
Treasurer and Principal Financial Officer

DATE: February 17, 2022

Exhibit 32-a

TRUSTMARK CORPORATION

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Trustmark Corporation (Trustmark) on Form 10-K for the fiscal year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Duane A. Dewey, President and Chief Executive Officer of Trustmark, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Trustmark.

BY: /s/ Duane A. Dewey
Duane A. Dewey
President and Chief Executive Officer

DATE: February 17, 2022

Exhibit 32-b

TRUSTMARK CORPORATION

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Trustmark Corporation (Trustmark) on Form 10-K for the fiscal year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Thomas C. Owens, Treasurer and Principal Financial Officer of Trustmark, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1)The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Trustmark.

BY: /s/ Thomas C. Owens
Thomas C. Owens
Treasurer and Principal Financial Officer

DATE: February 17, 2022