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, 2022

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. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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, 2022, 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 $1.065 billion.

As of January 31, 2023, there were issued and outstanding 60,979,518 shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Trustmark's 2023 Annual Meeting of Shareholders to be held April 25, 2023 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.

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, actions by the Board of Governors of the Federal Reserve System (FRB) that impact the level of market interest rates, 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, 2022, TNB had total assets of $18.013 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 169 offices and 2,738 full-time equivalent associates (measured at December 31, 2022) located in the states of Alabama (includes the Georgia Loan Production Office (LPO), which are collectively referred to herein as Trustmark's Alabama market region), 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.

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,	2022	2021	2020
Securities	$ 3,518,596	$ 3,581,414	$ 2,529,887
Total securities growth (decline)	$ (62,818)	$ 1,051,527	$ 189,384
Total securities growth (decline)	-1.8%	41.6%	8.1%
Loans held for investment (LHFI)	$ 12,204,039	$ 10,247,829	$ 9,824,524
Total loans growth (decline)	$ 1,956,210	$ 423,305	$ 416,295
Total loans growth (decline)	19.1%	4.3%	4.4%
Assets	$ 18,015,478	$ 17,595,636	$ 16,551,840
Total assets growth (decline)	$ 419,842	$ 1,043,796	$ 3,053,963
Total assets growth (decline)	2.4%	6.3%	22.6%
Deposits	$ 14,437,648	$ 15,087,160	$ 14,048,764
Total deposits growth (decline)	$ (649,512)	$ 1,038,396	$ 2,803,207
Total deposits growth (decline)	-4.3%	7.4%	24.9%
Equity	$ 1,492,268	$ 1,741,311	$ 1,741,117
Total equity growth (decline)	$ (249,043)	$ 194	$ 80,415
Total equity growth (decline)	-14.3%	—	4.8%
Years Ended December 31,			
Revenue *	$ 699,852	$ 640,261	$ 701,130
Total revenue growth (decline)	$ 59,591	$ (60,869)	$ 87,496
Total revenue growth (decline)	9.3%	-8.7%	14.3%

** 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 two 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.

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.

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

Economic activity continued to improve during 2022 as COVID-19 cases declined across the United States and restrictions were lifted; however, economic concerns remain as a result of the cumulative weight of uncertainty regarding the long-term effectiveness of the COVID-19 vaccine and the potential economic impact of recent geopolitical developments, such as Russia's invasion of Ukraine. Inflation has become elevated, reflecting supply and demand imbalances related to the pandemic, supply chain issues, higher energy prices and broader price pressures. Doubts surrounding the near-term direction of global markets and the potential impact 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 economic conditions, and thus may have an impact upon Trustmark's financial condition or results of operations.

Market interest rates began to rise during 2022 after an extended period at historical lows. Starting in March 2022, the FRB began raising the target federal funds rate for the first time in three years and continued with multiple increases throughout 2022, up to a range of 4.25% to 4.50% as of December 2022. The FRB also signaled the possibility of additional rate increases throughout 2023. In addition, the FRB increased the interest that it pays on reserves multiple times during 2022 from 0.10% to 4.40% as of December 2022. The prolonged period of reduced interest rates has had and may continue to have an adverse effect on net interest income and margins and profitability for financial institutions, including Trustmark. Additionally, as interest rates have increased, so have competitive pressures on the deposit cost of funds. It is not possible to predict the pace and magnitude of changes in interest rates, or the impact rate changes will have on Trustmark's results of operations.

In the January 2023 "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 24, 2022 through January 9, 2023) was mixed across Districts, with five Districts reporting slight to modest increases in overall activity, six Districts reporting no change or slight declines and one District reporting a significant decline. Reports by the twelve Federal Reserve Districts noted the following during the reporting period:

- Consumer spending increased slightly, with some retailers reporting more robust sales over the holidays. Other retailers noted that high inflation continued to reduce customers' purchasing power, particularly among low- and moderate-income households. Auto sales were flat on average, but some dealers noted that increased vehicle availability boosted sales. Tourism contacts reported moderate to robust activity augmented by strong holiday travel. Manufacturers indicated that activity declined modestly on average, and, in many Districts, reported that supply chain disruptions had eased.
- Housing markets continued to weaken, with sales and construction declining across Districts. Commercial real estate activity slowed slightly, on average, with more notable weakening in the office market.

- Most bankers reported that residential mortgage demand remained weak, and some said higher borrowing costs had begun to dampen commercial lending.

- Energy activity continued to increase moderately and agriculture conditions were generally unchanged or improving.

- Employment continued to grow at a modest to moderate pace for most Districts. While some Districts noted that labor availability had increased, firms continued to report difficulty in filling open positions. Many firms hesitated to lay off employees even as demand for their goods and services slowed and planned to reduce headcount through attrition if needed. With persistently tight labor markets, wage pressures remained elevated across Districts, though some reported that these pressures had eased somewhat. Some employers noted they have continued to offer bonuses and enhanced benefits to attract and retain workers.

- Selling prices increased at a modest or moderate pace in most Districts, though many said that the pace of increases had slowed from that of recent reporting periods. Manufacturers in many Districts reported continued easing in freight costs and prices of commodities, including steel and lumber, though some said input costs remained elevated. Many retailers noted increased difficulty in passing through cost increases, suggesting greater price sensitivity on the part of consumers. In addition, some retailers offered more discounts and promotions than they had a year ago in order to move merchandise and clear out excess inventories. On balance, contacts across Districts said they expected future price growth to moderate further in 2023.

- On balance, contacts generally expected little growth in the overall economic activity in the months ahead.

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 loan growth for a majority of portfolios was steady, institutions cut investments in mortgage-backed securities as unrealized losses in securities portfolios increased, deposit growth shifted primarily to time deposits as growth in other deposits declined during the reporting period, and institutions increased short-term borrowings to fund ongoing loan growth, and asset quality metrics showed a steady increase in the level of nonperformance. The Federal Reserve's Eleventh District also reported energy activity continued to expand during the reporting period, with a slight increase in rig count and sizeable increases in both oil and natural gas production during the fourth quarter of 2022, and due to high demand for oilfield services and supply chain issues, the industry remained constrained on equipment and labor and expectations were for activity to expand at a slow and steady pace in 2023. The Federal Reserve's Eleventh District report also noted that contacts seemed confident that crude oil markets to remain tight for the next several years, keeping oil prices higher enough for most District producers to profitably drill new wells, and that outlooks for the energy sector improved overall and most contacts expecting increases in capital spending in 2023.

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, 2022, 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 68.0% of the counties served. The following table presents Federal Deposit Insurance Corporation (FDIC) deposit data regarding TNB's deposit market share by state as of June 30, 2022. 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	1.70 %
Florida	0.16 %
Mississippi	12.88 %
Tennessee	0.33 %
Texas	0.04 %

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, 2022, Trustmark exceeded its minimum capital requirements with common equity Tier 1 capital, Tier 1 capital and total capital equal to 9.74%, 10.15% and 11.91% of its total risk-weighted assets, respectively. At December 31, 2022, TNB also exceeded these requirements with common equity Tier 1 capital, Tier 1 capital and total capital equal to 10.34%, 10.34% and 11.26% of its total risk-weighted assets, respectively. At December 31, 2022, the leverage ratios for Trustmark and TNB were 8.47% and 8.65%, respectively. At December 31, 2022, 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 May 5, 2022, the federal banking agencies issued a proposed rule that would substantially revise how they evaluate an insured depository institution's record of satisfying the credit needs of its entire communities, including low- and moderate- income individuals and neighborhoods, under the CRA. If this rule is finalized as proposed, it may become more challenging and/or costly for insured depository institutions, including TNB, to achieve an "Outstanding" or "Satisfactory" CRA rating, which could negatively impact their ability to obtain regulatory approval for an acquisition.

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.

Debit Interchange Regulation

The FRB has issued rules under the Electronic Fund Transfer Act (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 in September 2020, to restore the DIF reserve ratio to at least 1.35% by September 30, 2028. On October 18, 2022, the FDIC adopted a final rule to increase initial base deposit insurance assessment rates for insured depository institutions by 2 basis points, beginning with the first quarterly assessment period of 2023. The increased assessment rate schedules will remain in effect unless and until the DIF reserve ratio meets or exceeds 2.00%. As a result of the new rule, the FDIC insurance costs of insured depository institutions, including TNB, will generally increase.

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 2022, TNB's expenses related to deposit insurance premiums totaled $7.4 million.

TNB Subsidiaries

TNB's nonbanking subsidiaries are subject to a variety of state and federal laws and regulations. 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.

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, 2022, Trustmark employed 2,738 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, 68
- Trustmark Corporation
  - Chairman since May 2022
  - Executive Chairman from January 2021 to April 2022
  - Chairman from April 2020 to December 2020
  - President and Chief Executive Officer from January 2011 to December 2020
- Trustmark National Bank
  - Chairman since May 2022
  - Executive Chairman from January 2021 to April 2022
  - 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, 64
- 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., 63
- 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, 62
- 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, 63
- 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, 58
- 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, 57
Trustmark National Bank
President – Retail Banking since September 2011

Maria Luisa "Ria" Sugay, 41
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., 66
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. Market interest rates began to rise during 2022 after an extended period at historical lows. Starting in March 2022, the FRB began raising the target federal funds rate for the first time in three years and continued with multiple increases throughout 2022, up to a range of 4.25% to 4.50% as of December 2022. The FRB also signaled the possibility of additional rate increases throughout 2023. In addition, the FRB increased the interest that it pays on reserves multiple times during 2022 from 0.10% to 4.40% as of December 2022. The prolonged period of reduced interest rates has had and may continue to have an adverse effect on net interest income and margins and profitability for financial institutions, including Trustmark. Additionally, as interest rates have increased, so have competitive pressures on the deposit cost of funds. It is not possible to predict the pace and magnitude of changes in interest rates, or the impact rate changes will have on Trustmark's results of operations.

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, 2022, estimated that in the event of a hypothetical 200 basis point increase in interest rates, net interest income may increase 3.3%, while a hypothetical 100 basis point increase in interest rates, may increase net interest income 1.7%. In the event of a hypothetical 100 basis point decrease in interest rates using static balances at December 31, 2022, it is estimated net interest income may decrease by 1.8%.

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 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. On December 16, 2022, the FRB adopted a final rule that implements the Adjustable Interest Rate (LIBOR) Act by identifying benchmark rates based on SOFR that will replace LIBOR in certain financial contracts after June 30, 2023. 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, 2022, gross unrealized losses on securities for which an allowance for credit losses has not been recorded totaled $335.0 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.

Economic activity continued to improve during 2022 as COVID-19 cases declined across the United States and restrictions were lifted; however, economic concerns remain as a result of the cumulative weight of uncertainty regarding the long-term effectiveness of the COVID-19 vaccine and the potential economic impact of recent geopolitical developments, such as Russia's invasion of Ukraine. Inflation has become elevated, reflecting supply and demand imbalances related to the pandemic, supply chain issues, higher energy prices and broader price pressures. 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. 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.

Market interest rates rose during 2022 after an extended period at historical lows. The prolonged period of reduced interest rates in recent years, has and may continue to place pressure on net interest margins for Trustmark (as well as its competitors). Conversely, as interest rates rise, so do 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 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.

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

Trustmark 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. In 2021, TNB settled a fair lending enforcement action with the Department of Justice, the OCC and the CFPB and 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 metropolitan statistical area. Trustmark and TNB could be subject to other enforcement actions in the future.

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.

Financial Accounting Standards Board (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, 2022, goodwill and other identifiable intangible assets were $387.9 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 2022 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, 2022, Trustmark held $2.0 million of other real estate, compared to $4.6 million at December 31, 2021. 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*®) 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. TNB recently agreed to a settlement relating to litigation involving the Stanford Financial Group. For additional information regarding this settlement, see the section captioned "Legal Proceedings" in Note 16 - Commitments and Contingencies included in Part II. Item 8. - Financial Statements and Supplementary Data of this report.

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.

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 generally accepted accounting principles (GAAP) and International Financial Reporting Standards may result in changes to GAAP. Any such changes can be difficult to predict and can materially affect how Trustmark records and reports its financial condition or results of operations. For 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, 2022, Trustmark, through TNB, operated 163 full-service branches, 6 limited-service branches and an automated teller machine (ATM) network, which included

150 ATMs and 108 ITMs at its branches and other locations. In addition, Trustmark operated 16 offices in various locations providing mortgage banking, wealth management and insurance services. Trustmark leases 35 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 16 – 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. As a result of the entry into the Settlement relating to the litigation involving the Stanford Financial Group, Trustmark recognized a $100.0 million litigation settlement expense included in noninterest expense during the fourth quarter of 2022, plus an additional $750 thousand in related legal fees. 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 other than the settled Stanford litigation 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 other than the settled Stanford litigation 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 2022. 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, 2023, there were approximately 3,050 registered shareholders of record and approximately 18,774 beneficial account holders of shares in nominee name of Trustmark's common stock. Other information required by this item can be found in Note 17 - Shareholders' Equity included in Part II. Item 8. - Financial Statements and Supplementary Data of this report.

Stock Repurchase Program

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.

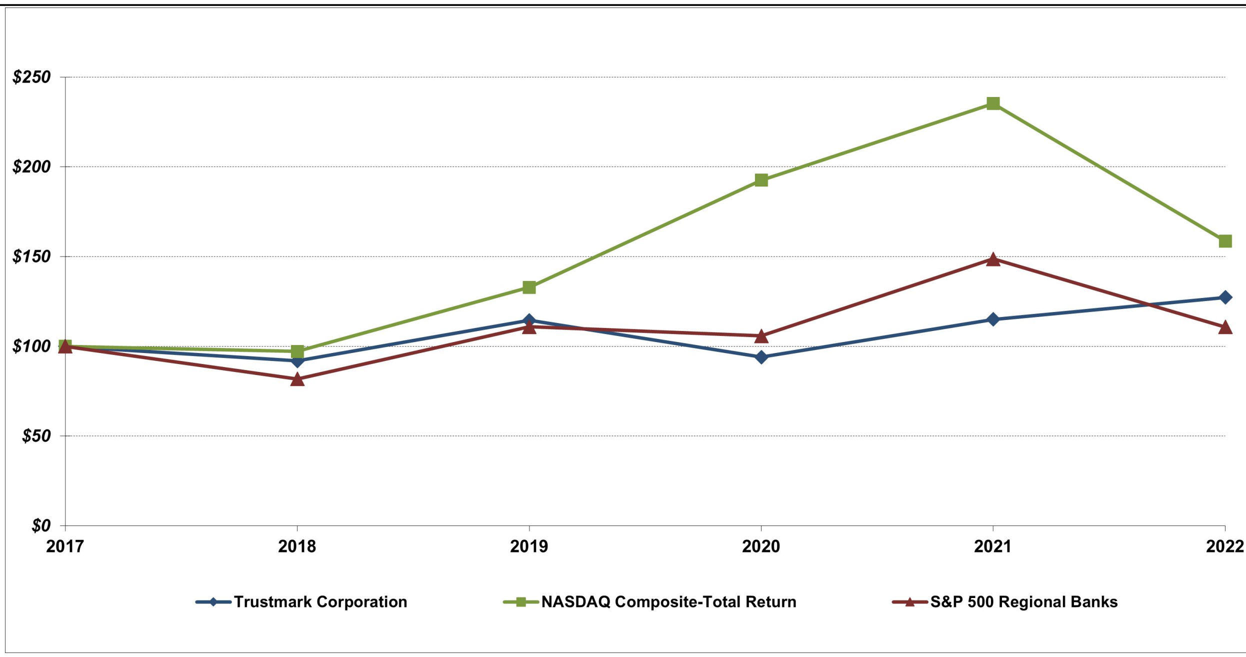
On January 28, 2020, the Board of Directors of Trustmark authorized a stock repurchase program, effective April 1, 2020, under which $100.0 million of Trustmark's outstanding common stock could be acquired through December 31, 2021. On March 9, 2020, Trustmark suspended its share repurchase programs 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 2021.

On December 7, 2021, the Board of Directors of Trustmark authorized a stock repurchase program, effective January 1, 2022, under which $100.0 million of Trustmark's outstanding common stock could be acquired through December 31, 2022. Under this authority, Trustmark repurchased approximately 789 thousand shares of its common stock value at $24.6 million during 2022.

On December 6, 2022, the Board of Directors of Trustmark authorized a new stock repurchase program, effective January 1, 2023, under which $50.0 million of Trustmark's outstanding common stock may be acquired through December 31, 2023. The repurchase program, which is subject to market conditions and management discretion, will be implemented through open market repurchases or privately negotiated transactions. No shares have been repurchased under this authority.

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, 2017, 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	2017	2018	2019	2020	2021	2022
Trustmark	$ 100.00	$ 91.78	$ 114.48	$ 93.98	$ 115.00	$ 127.27
NASDAQ Composite-Total Return	100.00	97.16	132.81	192.47	235.15	158.65
S&P 500 - Regional Banks	100.00	81.82	110.80	105.77	148.65	110.72

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, 2022 ($ 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,	2022	2021	2020
Consolidated Statements of Income			
Total interest income	$ 541,833	$ 442,511	$ 468,335
Total interest expense	47,125	24,160	41,798
Net interest income	494,708	418,351	426,537
Provision for credit losses (PCL), LHFI	21,677	(21,499)	36,113
PCL, off-balance sheet credit exposures *(1)*	1,215	(2,949)	8,934
Noninterest income	205,144	221,910	274,593
Noninterest expense *(1)*	603,213	489,296	466,301
Income before income taxes	73,747	175,413	189,782
Income taxes	1,860	28,048	29,757
Net Income	$ 71,887	$ 147,365	$ 160,025
Total Revenue *(2)*	$ 699,852	$ 640,261	$ 701,130
Per Share Data			
Basic earnings per share	$ 1.17	$ 2.35	$ 2.52
Diluted earnings per share	1.17	2.34	2.51
Cash dividends per share	0.92	0.92	0.92
Performance Ratios			
Return on average equity	4.48%	8.32%	9.52%
Return on average tangible equity	6.00%	10.81%	12.58%
Return on average assets	0.41%	0.86%	1.05%
Average equity / average assets	9.18%	10.38%	11.05%
Net interest margin (fully taxable equivalent)	3.17%	2.76%	3.19%
Dividend payout ratio	78.63%	39.15%	36.51%
Credit Quality Ratios *(3)*			
Net charge-offs (recoveries)/average loans	0.01%	-0.04%	0.02%
PCL, LHFI / average loans	0.19%	-0.21%	0.36%
Nonaccrual LHFI / (LHFI + LHFS)	0.53%	0.60%	0.61%
Nonperforming assets / (LHFI + LHFS) plus other real estate	0.55%	0.64%	0.73%
Allowance for credit losses (ACL), LHFI / LHFI	0.99%	0.97%	1.19%

(1) *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.*

(2) *Consistent with Trustmark's audited financial statements, total revenue is defined as net interest income plus noninterest income.*

(3) *Excludes Paycheck Protection Program (PPP) loans.*

December 31,	2022	2021	2020
Consolidated Balance Sheets			
Total assets	$ 18,015,478	$ 17,595,636	$ 16,551,840
Securities	3,518,596	3,581,414	2,529,887
Total loans (incl. PPP, LHFS and LHFI)	12,339,265	10,556,871	10,881,609
Deposits	14,437,648	15,087,160	14,048,764
Total shareholders' equity	1,492,268	1,741,311	1,741,117
Stock Performance			
Market value - close	$ 34.91	$ 32.46	$ 27.31
Book value	24.47	28.25	27.45
Tangible book value	18.11	21.93	21.26
Capital Ratios			
Total equity / total assets	8.28%	9.90%	10.52%
Tangible equity / tangible assets	6.27%	7.86%	8.34%
Tangible equity / risk-weighted assets	7.61%	10.71%	11.22%
Tier 1 leverage ratio *(1)*	8.47%	8.73%	9.33%
Common equity tier 1 risk-based capital ratio *(1)*	9.74%	11.29%	11.62%
Tier 1 risk-based capital ratio *(1)*	10.15%	11.77%	12.11%
Total risk-based capital ratio *(1)*	11.91%	13.55%	14.12%

(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, 2021 and 2020 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, 2021.

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 produced strong financial results during 2022 reflected by significant growth in LHFI of $1.956 billion, or 19.1%, the highest in Trustmark's history, expansion of the net interest margin, consistent performance from its fee businesses and solid credit quality.

On January 13, 2023, TNB entered into a settlement agreement that will, pending court approval, resolve all current and potential future claims relating to litigation involving the Stanford Financial Group that began in 2009. While Trustmark denies any liability or wrongdoing with respect to this matter, it believes the settlement is in the best interest of Trustmark and its shareholders as it eliminates risk, ongoing expense and uncertainty. In the fourth quarter of 2022, Trustmark recognized litigation settlement expense of $100.0 million as well as an additional $750 thousand in legal fees, which are included in noninterest expense for 2022.

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, 2023, to shareholders of record on March 1, 2023.

Financial Highlights

Trustmark reported a net loss of $34.1 million, or basic and diluted earnings per share (EPS) of -$0.56, for the fourth quarter of 2022, compared to a net income of $26.2 million, or basic and diluted EPS of $0.42, in the fourth quarter of 2021. Trustmark’s reported performance during the quarter ended December 31, 2022, produced a return on average tangible equity of -12.14%, a return on average assets of -0.76%, an average equity to average assets ratio of 8.41% and a dividend payout ratio of -41.07%, compared to 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% during the quarter ended December 31, 2021.

The decrease in net income when the fourth quarter of 2022 is compared to the fourth quarter of 2021 was principally due to the litigation settlement expense recorded during the fourth quarter of 2022 related to the Stanford Financial Group litigation. Excluding the litigation settlement expense, net income increased $15.3 million, or 58.3%, when the fourth quarter of 2022 is compared to the fourth quarter of 2021, principally due to an increase in revenue partially offset by an increase in noninterest expense, excluding the litigation settlement expense. Revenue, which is defined as net interest income plus noninterest income, totaled $191.8 million for the quarter ended December 31, 2022 compared to $149.1 million for the quarter ended December 31, 2021, an increase of $42.7 million, or 28.6%. The increase in total revenue for the fourth quarter of 2022 compared to the same time period in 2021 was principally due to an increase in interest and fees on LHFS and LHFI partially offset by an increase in interest on deposits and a decline in mortgage banking, net.

Net interest income for the fourth quarter of 2022 totaled $146.6 million, an increase of $48.3 million, or 49.1%, when compared to the fourth quarter of 2021, principally due to an increase in interest and fees on LHFS and LHFI partially offset by increases in all categories of interest expense. Noninterest income for the fourth quarter of 2022 totaled $45.2 million, a decrease of $5.6 million, or 11.0%, when compared to the fourth quarter of 2021, principally due to a decrease in mortgage banking, net partially offset by increases in service charges on deposit accounts and other income, net. Mortgage banking, net declined $8.2 million, or 70.6%, when the fourth quarter of 2022 is compared to the same time period in 2021, principally due to decreases in gain on sales of loans, net and the net hedge ineffectiveness partially offset by a decline in the MSR run-off. Service charges on deposit accounts increased $1.8 million, or 19.2%, when the fourth quarter of 2022 is compared to the same time period in 2021, principally due to increases in non-sufficient funds (NSF) and overdraft fees on consumer interest checking accounts and commercial demand deposit accounts (DDAs) as well as an increase in service charges on consumer interest checking accounts, partially offset by a decline in NSF and overdraft fees on consumer DDAs. Other income, net increased $1.3 million when the fourth quarter of 2022 is compared to the fourth quarter of 2021, principally due to an increase in cash management service fees and a decline in the amortization of tax credit partnerships.

Noninterest expense for the fourth quarter of 2022 totaled $231.2 million, an increase of $111.8 million, or 93.5%, when compared to the fourth quarter of 2021, principally due to the litigation settlement expense recorded during the fourth quarter of 2022 related to the Stanford Financial Group litigation. Excluding the litigation settlement expense, noninterest expense increased $11.0 million, or 9.2%, when the fourth quarter of 2022 is compared to the fourth quarter of 2021, principally due to increases in salaries and employee benefits, services and fees, other expense and net occupancy-premises. Salaries and employee benefits increased $5.2 million, or 7.6%, when the fourth quarter of 2022 is compared to the same time period in 2021, principally due to increases in salary expense as a result of general merit increases and the addition of employees in the Georgia LPO, severance expense, management performance incentives expense and commissions expense as a result of improvements in insurance business, partially offset by a decline in commission expense related to mortgage originations. Services and fees increased $3.9 million, or 16.8%, when the fourth quarter of 2022 is compared to the same time period in 2021, principally due to increases in legal fees and business processing outsourcing expenses. Other expense increased $1.2 million, or 7.9%, when the fourth quarter of 2022 is compared to the same time period in 2021, principally due to increases in loan expenses, sponsorships and contributions and FDIC assessment expense, partially offset by declines in other miscellaneous expenses. Net occupancy-premises expense increased $1.1 million, or 15.9%, when the fourth quarter of 2022 is compared to the same time period in 2021, principally due to increases in rental expense primarily due to lease termination expense, depreciation of building improvements and other office occupancy expense.

Trustmark's PCL, LHFI for the three months ended December 31, 2022 totaled $6.9 million compared to a negative $4.5 million for the three months ended December 31, 2021, an increase of $11.4 million. The PCL, LHFI for the fourth quarter of 2022 primarily reflected increases in reserves as a result of loan growth, the weakening of the macroeconomic forecasts and the nature and volume of the portfolio, partially offset by reserves released as a result of updates and adjustments to the qualitative factors and a decline in specific reserves for individually analyzed LHFI. The PCL, off-balance sheet credit exposures totaled $5.2 million for the three months ended December 31, 2022 compared to $2.9 million for the three months ended December 31, 2021, an increase of $2.3 million, or 77.4%. The PCL, off-balance sheet credit exposures for the fourth quarter of 2022 primarily reflected changes in the total reserve rate and an increase in unfunded balances. 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, 2022, Trustmark reported net income of $71.9 million, or basic and diluted EPS of $1.17, compared to $147.4 million, or basic and diluted EPS of $2.35 and $2.34, respectively, for the year ended December 31, 2021 and $160.0 million, or basic and diluted EPS of $2.52 and $2.51, respectively, for the year ended December 31, 2020. Trustmark's reported performance for the year ended December 31, 2022, produced a return on average tangible equity of 6.00%, a return on average assets of 0.41% and a dividend payout ratio of 78.63%, compared to 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% for the year ended December 31, 2021 and 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. Trustmark's average equity to average assets ratio was 9.18%, 10.38% and 11.05% for the years ended December 31, 2022, 2021 and 2020, respectively.

Revenue totaled $699.9 million for the year ended December 31, 2022, compared to $640.3 million and $701.1 million for the years ended December 31, 2021 and 2020, respectively, an increase of $59.6 million, or 9.3%, and a decrease of $60.9 million, or 8.7%, respectively. The increase in total revenue for 2022 compared to 2021 was principally due to increases in interest and fees on LHFS and LHFI and interest on securities partially offset by declines in mortgage banking, net and interest and fees on PPP loans as well as an increase in total interest expense.

Net interest income for the year ended December 31, 2022 totaled $494.7 million, an increase of $76.4 million, or 18.3%, when compared to the year ended December 31, 2021, principally due to increases in interest and fees on LHFS and LHFI and interest on securities, partially offset by a decline in interest and fees on PPP loans and an increase in interest expense on deposits. Interest and fees on LHFS and LHFI increased $109.2 million, or 30.0%, and interest on securities increased $20.8 million, or 53.0%, when 2022 is compared to 2021 as a result of increases in average balances and higher interest rates. Interest and fees on PPP loans decreased $36.1 million, or 98.3%, when 2022 is compared to 2021 principally due to the accelerated recognition of the unamortized loan fees on the PPP loans sold during the second quarter of 2021 as well as PPP loans that were forgiven by the Small Business Administration (SBA). Interest expense on deposits increased $12.1 million, or 71.5%, when 2022 is compared to 2021 principally due to increases 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 expense on federal funds purchased and securities sold under repurchase agreements increased $5.9 million when 2022 is compared to 2021, principally due to an increase in upstream federal funds purchased as well as the FRB's increase in the target range for the federal funds rate. Other interest expense increased $4.9 million, or 70.8%, when 2022 is compared to 2021, principally due to an increase in the amount of short-term FHLB advances obtained from the FHLB of Dallas.

Noninterest income totaled $205.1 million for 2022, a decrease of $16.8 million, or 7.6%, when compared to 2021, principally due to a decrease in mortgage banking, net partially offset by increases in service charges on deposit accounts, insurance commissions and other income, net. Mortgage banking, net decreased $35.4 million, or 55.6%, when 2022 is compared to 2021, principally due to decreases in gain on sales of loans, net and the net hedge ineffectiveness partially offset by a decline in the MSR run-off. Service charges on deposit accounts increased $8.9 million, or 26.8%, when 2022 is compared to 2021, principally due to increases in NSF and overdraft fees on consumer interest checking accounts and commercial DDAs as well as service charges on consumer interest checking accounts. Insurance commissions increased $5.2 million, or 10.7%, when 2022 is compared to 2021 principally due to increases in property and casualty commissions, other commission income and group health commissions. Other income, net increased $3.3 million, or 50.2%, when 2022 is compared to 2021, principally due to increases in cash management service fees and other miscellaneous income as well as a decline in the amortization of tax credit partnerships.

Noninterest expense totaled $603.2 million for 2022, an increase of $113.9 million, or 23.3%, when compared to 2021, principally due to the $100.8 million litigation settlement expense recorded during the fourth quarter of 2022. Excluding the litigation settlement expense, noninterest expense increased $13.2 million, or 2.7%, when 2022 is compared to 2021, principally due to increases in services and fees, salaries and employee benefits and net occupancy-premises, partially offset by a decline in other expense. Services and fees increased $12.1 million, or 13.5%, when 2022 is compared to 2021, primarily due to increases in professional services and fees, business processing outsourcing expenses and software licenses. Salaries and employee benefits expense increased $3.3 million, or 1.2%, when 2022 is compared to 2021 principally due to increases in salaries expense primarily related to general merit increases and the addition of the Georgia LPO associates, commissions expense primarily related to improvements in insurance business volumes, management performance incentives, severance expense and other salaries expense, partially offset by non-routine expenses related to the voluntary early retirement program completed during the third quarter of 2021 and a decline in commission expense related to mortgage production. Trustmark completed a voluntary early retirement program during 2021 and incurred $5.6 million of non-routine salaries and employee benefits expense related to this program. Excluding these non-routine expenses, salaries and employee benefits increased $8.9 million, or 3.2%, when 2022 is compared to 2021. Net occupancy-premises increased $2.2 million, or 8.2%, when 2022 is compared to 2021, principally due to increases in landscaping expense, building rental expense primarily due to lease termination expense and depreciation of building improvements. Other expense decreased $4.5 million, or 7.0%, when 2022 is compared to 2021 principally due to the $5.0 million regulatory settlement expense incurred during the third quarter of 2021 as well as a decline in other real estate expense, net, partially offset by increases FDIC assessment expense, travel and entertainment expenses and loan expenses. Excluding the non-routine regulatory settlement expense, other expense increased $471 thousand, or 0.8%, when 2022 is compared to 2021.

Trustmark's PCL, LHFI for 2022 totaled $21.7 million compared to a negative $21.5 million for 2021, an increase of $43.2 million. The increase in the PCL, LHFI during 2022 was principally due to the weakening of the macroeconomic forecasts, loan growth and specific reserves for individually analyzed LHFI. The PCL, off-balance sheet credit exposures totaled $1.2 million for 2022 compared to a negative $2.9 million for 2021, an increase of $4.2 million. The increase in the PCL, off-balance sheet credit exposures was principally due to changes in the total reserve rate. 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, 2022, nonperforming assets totaled $68.0 million, an increase of $703 thousand, or 1.0%, compared to December 31, 2021 reflecting an increase in nonaccrual LHFI largely offset by a decline other real estate. Total nonaccrual LHFI were $66.0 million at December 31, 2022, an increase of $3.3 million, or 5.2%, relative to December 31, 2021, principally due to LHFI placed on nonaccrual status partially offset by reductions, pay-offs and charge-offs of nonaccrual LHFI in the Mississippi, Alabama, Texas and Tennessee market regions. The percentage of loans, excluding PPP loans, that are 30 days or more past due and nonaccrual LHFI decreased in 2022 to 1.33% compared to 1.51% in 2021. Other real estate totaled $2.0 million at December 31, 2022, a decline of $2.6 million, or 56.4%, when compared to December 31, 2021, principally due to properties sold in Trustmark's Mississippi market region partially offset by properties foreclosed in the Mississippi market region.

LHFI totaled $12.204 billion at December 31, 2022, an increase of $1.956 billion, or 19.1%, compared to December 31, 2021. The increase in LHFI during 2022 was primarily due to net growth in all classes of LHFI with the exception of other commercial 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 $14.438 billion at December 31, 2022, a decrease of $649.5 million, or 4.3%, compared to December 31, 2021. During 2022, noninterest-bearing deposits decreased $677.3 million, or 14.2%, reflecting declines in all categories of noninterest-bearing deposit accounts. Interest-bearing deposits increased $27.8 million, or 0.3%, during 2022, primarily due to growth in consumer and commercial interest checking accounts, consumer savings accounts and all categories of certificates of deposits, partially offset by declines in all categories of Money Market Deposit Accounts (MMDA) as well as public interest checking accounts.

Federal funds purchased and repurchase agreements totaled $449.3 million at December 31, 2022 compared to $238.6 million at December 31, 2021, an increase of $210.8 million, or 88.3%. Trustmark had $383.0 million of upstream federal funds purchased at December 31, 2022, compared to none at December 31, 2021. Other borrowings totaled $1.051 billion at December 31, 2022, an increase of $959.9 million when compared with $91.0 million at December 31, 2021, primarily due to an increase in outstanding short-term FHLB advances with the FHLB of Dallas. The increases in the upstream federal funds purchased and FHLB advances during 2022 were the result of changes in funding needs to support the strong loan growth.

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 16 – 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, escrow account earnings and contractual servicing fee income and costs. Management reviews all significant assumptions at least 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, 2022, the MSR fair value was $129.7 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, 2022, would be a decline in fair value of approximately $4.5 million and $5.4 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 6 – 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		**2022**	**2021**	**2020**
AVERAGE BALANCES				
Total shareholders' equity		$ 1,604,854	$ 1,770,151	$ 1,681,587
Less: Goodwill		(384,237)	(384,463)	(383,582)
Identifiable intangible assets		(4,312)	(6,205)	(8,060)
Total average tangible equity		$ 1,216,305	$ 1,379,483	$ 1,289,945
PERIOD END BALANCES				
Total shareholders' equity		$ 1,492,268	$ 1,741,311	$ 1,741,117
Less: Goodwill		(384,237)	(384,237)	(385,270)
Identifiable intangible assets		(3,640)	(5,074)	(7,390)
Total tangible equity	**(a)**	$ 1,104,391	$ 1,352,000	$ 1,348,457
TANGIBLE ASSETS				
Total assets		$ 18,015,478	$ 17,595,636	$ 16,551,840
Less: Goodwill		(384,237)	(384,237)	(385,270)
Identifiable intangible assets		(3,640)	(5,074)	(7,390)
Total tangible assets	**(b)**	$ 17,627,601	$ 17,206,325	$ 16,159,180
Risk-weighted assets	**(c)**	$ 14,521,078	$ 12,623,630	$ 12,017,378
NET INCOME ADJUSTED FOR INTANGIBLE AMORTIZATION				
Net income		$ 71,887	$ 147,365	$ 160,025
Plus: Intangible amortization net of tax		1,076	1,738	2,289
Net income adjusted for intangible amortization		$ 72,963	$ 149,103	$ 162,314
Period end common shares outstanding	**(d)**	60,977,686	61,648,679	63,424,526
TANGIBLE EQUITY MEASUREMENTS				
Return on average tangible equity *(1)*		6.00 %	10.81 %	12.58 %
Tangible equity/tangible assets	**(a)/(b)**	6.27 %	7.86 %	8.34 %
Tangible equity/risk-weighted assets	**(a)/(c)**	7.61 %	10.71 %	11.22 %
Tangible book value	**(a)/(d)*1,000**	$ 18.11	$ 21.93	$ 21.26
COMMON EQUITY TIER 1 CAPITAL (CET1) - BASEL III				
Total shareholders' equity		$ 1,492,268	$ 1,741,311	$ 1,741,117
CECL transition adjustment *(2)*		19,500	26,000	31,199
AOCI-related adjustments		275,403	32,560	1,051
CET1 adjustments and deductions:				
Goodwill net of associated deferred tax liabilities (DTLs)		(370,241)	(370,252)	(371,333)
Other adjustments and deductions for CET1 *(3)*		(3,258)	(4,392)	(6,190)
CET1 capital	**(e)**	1,413,672	1,425,227	1,395,844
Additional tier 1 capital instruments plus related surplus		60,000	60,000	60,000
Tier 1 capital		$ 1,473,672	$ 1,485,227	$ 1,455,844
Common equity tier 1 risk-based capital ratio	**(e)/(c)**	9.74 %	11.29 %	11.62 %

(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,					
	2022		2021		2020	
	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS
Net Income (GAAP)	$ 71,887	$ 1.17	$ 147,365	$ 2.34	$ 160,025	$ 2.51
Significant non-routine transactions:						
Litigation settlement expense	75,563	1.23	—	—	—	—
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)	$ 147,450	$ 2.40	$ 156,640	$ 2.49	$ 163,306	$ 2.56

	Reported (GAAP)	Adjusted (Non-GAAP)	Reported (GAAP)	Adjusted (Non-GAAP)	Reported (GAAP)	Adjusted (Non-GAAP)
Return on average equity	4.48 %	9.13 %	8.32 %	8.83 %	9.52 %	9.69 %
Return on average tangible equity	6.00 %	12.12 %	10.81 %	11.45 %	12.58 %	12.81 %
Return on average assets	0.41 %	0.84 %	0.86 %	0.92 %	1.05 %	1.07 %

Litigation Settlement Expense

On January 13, 2023, TNB entered into a settlement agreement relating to the litigation involving the Stanford Financial Group. Information regarding this settlement and related litigation is set forth under the heading "Legal Proceedings" of Note 16 – Commitments and Contingencies in Part II. Item 8. – Financial Statements and Supplementary Data of this report. As a result of this settlement, Trustmark recognized a one-time charge of $100.0 million of litigation settlement expense as well as an additional $750 thousand of legal fees during the fourth quarter of 2022.

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, 2022 increased $77.0 million, or 17.9%, when compared with the year ended December 31, 2021. The increase in net interest income-FTE when 2022 is compared to 2021 was principally due to increases in interest and fees on LHFS and LHFI-FTE and interest on securities-taxable, partially offset by a decline in interest and fees on PPP loans and an increase in total interest expense. The net interest margin-FTE for 2022 increased 41 basis points to 3.17% when compared to 2021. 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 3.30% for 2022, an increase of 39 basis points when compared to 2.91% for 2021. The increase in the net interest margin-FTE excluding PPP loans and the balance held at the FRBA for 2022 was principally due to increases in the yields on the LHFS and LHFI and securities portfolios, partially offset by higher costs of interest-bearing liabilities reflecting the higher interest rate environment.

At December 31, 2022, Trustmark had no PPP loans outstanding compared to $33.3 million, net of deferred fees and costs of $500 thousand, at December 31, 2021. Processing fees earned by TNB as the originating lender were amortized over the life of the loans. Payments on PPP loans were deferred until the date the SBA remitted the borrower’s loan forgiveness amount to the lender (or, if the borrower did not apply for loan forgiveness, ten months after the end of the borrower’s loan forgiveness covered period). PPP loans totaling $33.5 million were forgiven by the SBA during 2022. 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 2022 totaled $14.9 million, a decrease of $335.8 million, or 95.8%, when compared to 2021. Interest and fees on PPP loans decreased $36.1 million, or 98.3%, when 2022 is compared to 2021. The yield on PPP loans decreased to 4.30% for 2022 compared to 10.47% for 2021.

The average FRBA balance, included in other earning assets, for 2022 totaled $846.9 million, a decrease of $929.6 million, or 52.3%, when compared to 2021. Interest earned on the FRBA balance increased $4.6 million when 2022 is compared to 2021. The yield on the FRBA balance was 0.82% and 0.13% for 2022 and 2021, respectively, an increase of 69 basis points reflecting the FRBA's increase in the interest rate that it pays on reserves during 2022.

Average interest-earning assets for 2022 were $16.014 billion compared to $15.569 billion for 2021, an increase of $445.1 million, or 2.9%. The increase in average earning assets during 2022 was primarily due to increases in average securities of $838.5 million, or 27.8%, and average loans (LHFS and LHFI) of $858.4 million, or 8.3%, which were partially offset by decreases in average other earning assets of $917.7 million, or 50.3%, and average PPP loans of $335.8 million, or 95.8%. The increase in average securities when 2022 is compared to 2021 was principally due to purchases of 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 an increase in the average balance of the LHFI portfolio of $1.058 billion, or 10.6%, partially offset by a decrease in the average balance of the LHFS portfolio of $163.0 million, or 45.7%, when balances at December 31, 2022 are compared to balances at December 31, 2021. See the sections captioned "LHFS" and "LHFI" for additional information regarding changes in the LHFS and LHFI portfolios. The decrease in average other earning assets when 2022 is compared to 2021 was primarily due to a decrease in reserves held at the FRBA. The decrease in average PPP loans when 2022 is compared to 2021 was principally due to the loans forgiven by the SBA.

Interest income-FTE totaled $554.2 million for 2022, an increase of $100.0 million, or 22.0%, while the yield on total earning assets increased 54 basis points to 3.46% when compared to 2021. The increase in interest income-FTE in 2022 primarily reflects increases in interest and fees on LHFS and LHFI-FTE, interest on securities-taxable and other interest income, partially offset by the decrease in interest and fees on PPP loans. During 2022, interest and fees on LHFS and LHFI-FTE increased $109.9 million, or 29.3%, when compared to 2021, while the yield on loans (LHFS and LHFI) increased 70 basis points to 4.32% as a result of the increase in the average balance of the LHFI portfolio as well as higher interest rates. During 2022, interest on securities-taxable increased $21.0 million, or 54.3%, while the yield on securities-taxable increased 26 basis points to 1.55% when compared to 2021, primarily due to securities purchased during 2022 as well as higher interest rates. During 2022, other interest income increased $5.3 million when compared to 2021, while the yield on other earning assets increased 74 basis points to 0.89%, principally due to FRBA's increase in the interest rate paid on reserves during 2022. See the discussion above regarding changes in interest income and yields on PPP loans and balances held at the FRBA.

Average interest-bearing liabilities for 2022 totaled $10.987 billion compared to $10.490 billion for 2021, an increase of $497.0 million, or 4.7%. The increase in average interest-bearing liabilities was primarily the result of increases in average interest-bearing deposits and average federal funds purchased and securities sold under repurchase agreements. Average interest-bearing deposits for 2022 increased $313.1 million, or 3.1%, when compared to 2021, reflecting growth in average interest-bearing demand deposits partially offset by declines in average savings and time deposits. Average federal funds purchased and securities sold under repurchase agreements increased $110.5 million, or 64.0%, when 2022 is compared to 2021, principally due to an increase in upstream federal funds purchased to fund loan growth.

Interest expense for 2022 totaled $47.1 million, an increase of $23.0 million, or 95.1%, when compared with 2021, while the rate on total interest-bearing liabilities increased 20 basis points to 0.43%. The increase in total interest expense for 2022 reflected increases in interest on deposits, interest on federal funds purchased and securities sold under repurchase agreements and other interest expense. Interest on deposits increased $12.1 million, or 71.5%, while the rate on interest-bearing deposits increased 11 basis points to 0.28% when 2022 is compared to 2021, primarily due to increases in interest on all categories of interest checking accounts and MMDAs, reflecting rising interest rates, partially offset by a decline in interest on time deposits, reflecting declines average balances. Interest expense on federal funds purchased and securities sold under repurchase agreements increased $5.9 million, while the rate on federal funds purchased and securities sold under repurchase agreements increased to 2.16% compared to 0.13%, when 2022 is compared to 2021, principally due to an increase in upstream federal funds purchased as well as the FRB's increase in the target range for the federal funds rate. Other interest expense increased $4.9 million, or 70.8%, while the rate on other borrowings increased 86 basis points to 3.11%, when 2022 is compared to 2021, principally due to an increase in the amount of short-term FHLB advances obtained from the FHLB of Dallas.

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,								
	2022			2021			2020		
	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	$ 1,753	$ 74	4.22 %	$ 79	$ —	—	$ 221	$ 1	0.45 %
Securities available for sale:									
Taxable	2,932,054	38,799	1.32 %	2,573,533	30,453	1.18 %	1,776,555	35,375	1.99 %
Nontaxable	4,997	195	3.90 %	5,166	199	3.85 %	10,737	384	3.58 %
Securities held to maturity:									
Taxable	911,010	20,918	2.30 %	423,763	8,245	1.95 %	626,983	12,875	2.05 %
Nontaxable	5,623	227	4.04 %	12,765	495	3.88 %	25,366	982	3.87 %
PPP loans	14,868	639	4.30 %	350,668	36,726	10.47 %	646,680	26,643	4.12 %
Loans (LHFS and LHFI)	11,236,388	485,246	4.32 %	10,377,941	375,330	3.62 %	9,996,192	402,539	4.03 %
Other earning assets	907,414	8,080	0.89 %	1,825,134	2,767	0.15 %	657,096	1,559	0.24 %
Total interest-earning assets	16,014,107	554,178	3.46 %	15,569,049	454,215	2.92 %	13,739,830	480,358	3.50 %
Other assets	1,567,921			1,599,114			1,592,393		
Allowance for loan losses	(104,138)			(110,170)			(108,567)		
Total Assets	$ 17,477,890			$ 17,057,993			$ 15,223,656		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Interest-bearing demand deposits	$ 4,585,955	16,409	0.36 %	$ 4,096,746	4,906	0.12 %	$ 3,584,249	9,985	0.28 %
Savings deposits	4,579,742	9,654	0.21 %	4,622,167	7,912	0.17 %	4,149,860	13,481	0.32 %
Time deposits	1,153,983	3,006	0.26 %	1,287,663	4,127	0.32 %	1,534,673	14,021	0.91 %
Federal funds purchased and securities sold under repurchase agreements	283,328	6,127	2.16 %	172,782	232	0.13 %	151,805	755	0.50 %
Other borrowings	198,672	4,963	2.50 %	125,554	1,037	0.83 %	133,602	1,389	1.04 %
Subordinated notes	123,144	4,751	3.86 %	122,933	4,752	3.87 %	10,766	474	4.40 %
Junior subordinated debt securities	61,856	2,215	3.58 %	61,856	1,194	1.93 %	61,856	1,693	2.74 %
Total interest-bearing liabilities	10,986,680	47,125	0.43 %	10,489,701	24,160	0.23 %	9,626,811	41,798	0.43 %
Noninterest-bearing demand deposits	4,452,046			4,531,642			3,646,860		
Other liabilities	434,310			266,499			268,398		
Shareholders' equity	1,604,854			1,770,151			1,681,587		
Total Liabilities and Shareholders' Equity	$ 17,477,890			$ 17,057,993			$ 15,223,656		
Net Interest Margin		507,053	3.17 %		430,055	2.76 %		438,560	3.19 %
Less tax equivalent adjustments:									
Investments		89			146			287	
Loans		12,256			11,558			11,736	
Net Interest Margin per Consolidated Statements of Income		$ 494,708			$ 418,351			$ 426,537	

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):

	2022 Compared to 2021 Increase (Decrease) Due To:			2021 Compared to 2020 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	$ —	$ 74	$ 74	$ (1)	$ —	$ (1)
Securities available for sale:						
Taxable	4,508	3,838	8,346	12,509	(17,431)	(4,922)
Nontaxable	(7)	3	(4)	(212)	27	(185)
Securities held to maturity:						
Taxable	10,962	1,711	12,673	(4,024)	(606)	(4,630)
Nontaxable	(287)	19	(268)	(490)	3	(487)
PPP loans	(22,339)	(13,748)	(36,087)	(16,498)	26,581	10,083
Loans, net of unearned income (LHFS and LHFI)	32,932	76,984	109,916	14,945	(42,154)	(27,209)
Other earning assets	(2,008)	7,321	5,313	1,974	(766)	1,208
Total interest-earning assets	23,761	76,202	99,963	8,203	(34,346)	(26,143)
Interest paid on:						
Interest-bearing demand deposits	648	10,855	11,503	1,279	(6,358)	(5,079)
Savings deposits	(73)	1,815	1,742	1,344	(6,913)	(5,569)
Time deposits	(399)	(722)	(1,121)	(1,968)	(7,926)	(9,894)
Federal funds purchased and securities sold under repurchase agreements	233	5,662	5,895	95	(618)	(523)
Other borrowings	881	3,045	3,926	(81)	(271)	(352)
Subordinated notes	9	(10)	(1)	4,342	(64)	4,278
Junior subordinated debt securities	—	1,021	1,021	—	(499)	(499)
Total interest-bearing liabilities	1,299	21,666	22,965	5,011	(22,649)	(17,638)
Change in net interest income on a tax equivalent basis	$ 22,462	$ 54,536	$ 76,998	$ 3,192	$ (11,697)	$ (8,505)

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 $21.7 million for 2022, compared to a negative PCL, LHFI of $21.5 million for 2021 and a PCL, LHFI of $36.1 million for 2020. The PCL, LHFI for 2022 was primarily driven by loan growth, specific reserves on individually analyzed loans, weakening of the macroeconomic forecasts and the nature and volume of the portfolio, partially offset by reserves released as a result of updates and adjustments to the qualitative factors.

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 $1.2 million for 2022 compared to a negative $2.9 million for 2021, and $8.9 million for 2020. The PCL, off-balance sheet credit exposures for 2022 primarily reflected an increase in unfunded balances.

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 29.3%, 34.7% and 39.2% of total revenue, before securities gains (losses), net in 2022, 2021 and 2020, respectively. The following table provides the comparative components of noninterest income for the periods presented ($ in thousands):

	Years Ended December 31,					
	2022		2021		2020	
	Amount	% Change	Amount	% Change	Amount	% Change
Service charges on deposit accounts	$ 42,157	26.8%	$ 33,246	3.0%	$ 32,289	-24.2%
Bank card and other fees	36,105	4.2%	34,662	11.7%	31,022	-2.2%
Mortgage banking, net	28,306	-55.6%	63,750	-49.3%	125,822	n/m
Insurance commissions	53,721	10.7%	48,511	7.4%	45,176	6.6%
Wealth management	35,013	-0.5%	35,190	11.3%	31,625	3.1%
Other, net	9,842	50.2%	6,551	-24.3%	8,659	-11.7%
Total Noninterest Income	$ 205,144	-7.6%	$ 221,910	-19.2%	$ 274,593	46.8%

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

Changes in various components of noninterest income for the year ended December 31, 2022 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."

Service Charges on Deposit Accounts

The increase in service charges on deposit accounts when 2022 is compared to 2021 was principally due to increases in NSF and overdraft fees on consumer interest checking accounts and commercial DDAs as well as service charges on consumer interest checking accounts.

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,					
	2022		2021		2020	
	Amount	% Change	Amount	% Change	Amount	% Change
Mortgage servicing income, net	$ 26,291	3.2%	$ 25,476	7.6%	$ 23,681	3.5%
Change in fair value-MSR from runoff	(14,034)	-30.4%	(20,160)	21.5%	(16,588)	40.2%
Gain on sales of loans, net	20,178	-64.0%	55,976	-49.5%	110,903	n/m
Mortgage banking income before net hedge ineffectiveness	32,435	-47.1%	61,292	-48.1%	117,996	n/m
Change in fair value-MSR from market changes	38,181	n/m	13,258	n/m	(26,147)	24.0%
Change in fair value of derivatives	(42,310)	n/m	(10,800)	n/m	33,973	n/m
Net hedge ineffectiveness	(4,129)	n/m	2,458	-68.6%	7,826	n/m
Mortgage banking, net	$ 28,306	-55.6%	$ 63,750	-49.3%	$ 125,822	n/m

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

The decrease in mortgage banking, net when 2022 is compared to 2021 was principally due to decreases in gain on sales of loans, net and the net hedge ineffectiveness partially offset by a decline in the MSR run-off. Mortgage loan production totaled $2.125 billion for 2022, a decrease of $678.1 million, or 24.2%, when compared to 2021. Mortgage loan production totaled $2.803 billion for 2021, a decrease of $181.7 million, or 6.1%, when compared to 2020. Loans serviced for others totaled $8.116 billion at December 31, 2022, compared with $7.953 billion at December 31, 2021, and $7.657 billion at December 31, 2020.

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 2022 is compared to 2021 was primarily the result of decreases in the volume of loans sold as well as lower profit margins in secondary marketing activities partially offset by an increase in the mortgage valuation adjustment. Loan sales decreased $1.043 billion, or 45.6%, during 2022 to total $1.243 billion compared to a decrease of $246.0 million, or 9.7%, during 2021 to total $2.286 billion. The decrease in loan sales during 2022 was principally due to a decline in mortgage lending activity as result of rising interest rates. 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.

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,					
	2022		2021		2020	
	Amount	% Change	Amount	% Change	Amount	% Change
Partnership amortization for tax credit purposes	$ (6,211)	-22.5%	$ (8,011)	40.5%	$ (5,700)	-25.4%
Increase in life insurance cash surrender value	6,673	0.6%	6,630	-3.6%	6,881	-4.5%
Other miscellaneous income	9,380	18.3%	7,932	6.1%	7,478	-27.1%
Total other, net	$ 9,842	50.2%	$ 6,551	-24.3%	$ 8,659	-11.7%

The increase in other income, net when 2022 is compared to 2021 was primarily due to an increase in other miscellaneous income as well as a decline in the amortization of tax credit partnerships. The increase in other miscellaneous income when 2022 is compared with 2021 was principally due to increases in cash management service fees and gains on the sales of three closed branch locations.

Noninterest Expense

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

	Years Ended December 31,					
	2022		2021 (1)		2020	
	Amount	% Change	Amount	% Change	Amount	% Change
Salaries and employee benefits	$ 287,440	1.2%	$ 284,158	4.4%	$ 272,257	9.9%
Services and fees	101,545	13.5%	89,463	6.7%	83,816	14.3%
Net occupancy-premises	29,264	8.2%	27,043	2.1%	26,489	1.3%
Equipment expense	24,448	0.5%	24,337	4.6%	23,277	-1.9%
Litigation settlement expense	100,750	n/m	—	—	—	—
Other expense *(2)*	59,766	-7.0%	64,295	6.3%	60,462	4.1%
Total noninterest expense	$ 603,213	23.3%	$ 489,296	4.9%	$ 466,301	8.7%

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.

(2) During 2022, Trustmark reclassified its other real estate expense, net to other expense. Prior periods have been reclassified accordingly.

Changes in the various components of noninterest expense for the year ended December 31, 2022 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 $8.9 million, or 3.2%, when 2022 is compared to 2021, compared to an increase of $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, 2022 was principally due to increases in salaries expense primarily related to general merit increases and the addition of the Georgia LPO associates, commissions expense primarily related to improvements in insurance business volumes, management performance incentives, severance expense and other salaries expense, partially offset by a decline in commission expense related to mortgage production.

Services and Fees

The increase in services and fees when 2022 is compared to 2021 was primarily due to increases in professional services and fees, business processing outsourcing expenses and software licenses.

Net Occupancy-Premises

The increase in net occupancy-premises when 2022 is compared to 2021 was principally due to increases in landscaping expense, building rental expense primarily due to lease termination expense and depreciation of building improvements. Trustmark has continued efforts to optimize its branch network, reflecting changing customer preferences and the continued migration to mobile and digital channels. During 2022, Trustmark consolidated 12 branch offices, opened a full-service banking center as well as loan production offices in Birmingham, Alabama and Memphis, Tennessee.

Other Expense

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

	Years Ended December 31,					
	2022		2021		2020	
	Amount	% Change	Amount	% Change	Amount	% Change
Loan expense *(1)*	$ 16,173	6.8%	$ 15,148	-0.2%	$ 15,177	18.6%
Amortization of intangibles	1,434	-38.1%	2,316	-24.1%	3,052	-25.9%
FDIC assessment expense	7,385	33.9%	5,515	-9.4%	6,090	-5.5%
Regulatory settlement charge	—	n/m	5,000	n/m	—	—
Other real estate expense, net *(2)*	1,173	-66.8%	3,528	80.4%	1,956	-49.9%
Other miscellaneous expense *(1)*	33,601	2.5%	32,788	-4.1%	34,187	10.9%
Total other expense	$ 59,766	-7.0%	$ 64,295	6.3%	$ 60,462	11.6%

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.
(2) During 2022, Trustmark reclassified its other real estate expense, net to other expense. Prior periods have been reclassified accordingly.

During the third quarter of 2021, Trustmark finalized a settlement with regulatory authorities to resolve fair lending allegations in the Memphis 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 regulatory settlement expense, other expense increased $471 thousand, or 0.8%, when 2022 is compared to 2021, compared to a decrease of $2.7 million, or 4.7%, when 2021 is compared to 2020.

The increase in other expense, excluding the non-routine regulatory settlement expense, when 2022 is compared to 2021 was principally due to increases in FDIC assessment expense, travel and entertainment expenses and loan expenses partially offset by a decline in other real estate expense, net.

For additional analysis of other real estate and foreclosure expenses, please see the section captioned "Nonperforming Assets, Excluding PPP and Acquired Loans."

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 20 – Segment Information located in Part II. Item 8. – Financial Statements and Supplementary Data of this report.

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

	Years Ended December 31,		
	2022	2021	2020
General Banking	$ 55,121	$ 131,247	$ 145,939
Wealth Management	5,671	6,650	5,556
Insurance	11,095	9,468	8,530
Consolidated Net Income	$ 71,887	$ 147,365	$ 160,025

General Banking

Net interest income for the General Banking Segment for 2022 increased $76.2 million, or 18.4%, when compared with 2021, principally due to increases in interest and fees on LHFS and LHFI and interest on securities, partially offset by a decline in interest and fees on PPP loans and an increase in total interest expense. 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. 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 2022 totaled $22.9 million compared to a negative PCL of $24.4 million during 2021 and a PCL of $45.1 million during 2020. 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 $21.5 million, or 15.6%, during 2022 compared to a decrease of $59.8 million, or 30.3%, during 2021. The decrease in noninterest income for the General Banking Segment during 2022 was primarily due to the decrease in mortgage banking, net, partially offset by increases in service charges on deposit accounts and other income, net. The decrease in noninterest income for the General Banking Segment during 2021 was primarily due to decrease in mortgage banking, net and other income, net, partially offset by an increase in bank card and other fees. Noninterest income for the General Banking Segment represented 19.2% of total revenue for 2022, 25.0% for 2021 and 32.0% for 2020. 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 $109.8 million, or 26.1%, during 2022 compared to an increase of $19.8 million, or 4.9%, during 2021. The increase in noninterest expense for the General Banking Segment for 2022 was principally due to increases in litigation settlement expense, services and fees, net occupancy-premises and salaries and employee benefits, partially offset by non-routine transaction expenses incurred during 2021. During the fourth quarter of 2022, Trustmark recognized litigation settlement expense of $100.0 million as well as an additional $750 thousand in legal fees as a result of the settlement relating to the litigation involving the Stanford Financial Group. 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 Memphis 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. For more information on these noninterest expense items, please see the analysis included in the section captioned “Noninterest Expense.”

Wealth Management

During 2022, net income for the Wealth Management Segment decreased $979 thousand, or 14.7%, compared to an increase of $1.1 million, or 19.7%, during 2021. The decrease in net income for the Wealth Management Segment during 2022 was principally due to an increase in noninterest expense. 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.

Net interest income for the Wealth Management Segment increased $160 thousand, or 3.1%, during 2022 compared to a decrease of $921 thousand, or 15.1%, during 2021. The increase in net interest income for the Wealth Management Segment during 2022 was principally due to an increase in interest and fees on loans partially offset by an increase in interest on deposits generated by the Private Banking Group. 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 2022 totaled a negative $21 thousand compared to a negative PCL of $9 thousand during 2021 and a negative PCL of $11 thousand during 2020.

Noninterest income for the Wealth Management Segment, which includes income related to investment management, trust and brokerage services, decreased $348 thousand, or 1.0%, during 2022, principally due to declines in income from brokerage services and trust management services partially offset by an increase in income from annuity services. Noninterest income for the Wealth Management Segment increased $3.8 million, or 12.0%, during 2021, principally due to an increase in income from brokerage services and trust management services. Noninterest expense increased $1.2 million, or 3.6%, during 2022 compared to an increase of $1.4 million, or 4.6%, during 2021. The increase in noninterest expense for the Wealth Management Segment for 2022 was principally due to an increase in salary and employee benefit expense, primarily due to increases in commissions expense and annual performance incentives, and data processing charges related to software, partially offset by a decline in other miscellaneous expenses. 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.

At December 31, 2022 and 2021, Trustmark held assets under management and administration of $16.913 billion and $15.703 billion and brokerage assets of $2.327 billion and $2.417 billion, respectively.

Insurance

Net income for the Insurance Segment during 2022 increased $1.6 million, or 17.2%, compared to an increase of $938 thousand, or 11.0%, during 2021. Noninterest income for the Insurance Segment, which predominately consists of insurance commissions, increased $5.1 million, or 10.5%, during 2022, compared to an increase of $3.3 million, or 7.4%, during 2021. The increase in noninterest income for the Insurance Segment during 2022 was principally due to increases in property and casualty commissions, other commission income and group health commissions. 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.

Noninterest expense for the Insurance Segment increased $2.9 million, or 8.1%, during 2022 and $1.8 million, or 5.4%, during 2021. The increase in noninterest expense for the Insurance Segment for 2022 was principally due to higher salaries expense resulting from modest general merit increases and higher commission expense due to improvements in business volumes, partially offset by a decrease in outside services and fees. 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.

Trustmark performed an annual impairment test of the book value of goodwill held in the Insurance Segment as of October 1, 2022, 2021, and 2020. Based on this analysis, Trustmark concluded that no impairment charge was required. An extended 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, 2022, Trustmark's combined effective tax rate was 2.5% compared to 16.0% in 2021 and 15.7% in 2020. The decline in the effective tax rate for 2022 was principally due to the net loss recorded for the fourth quarter of 2022 as a result of the $100.8 million of litigation settlement expense. 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 $16.014 billion, or 91.6% of total average assets, at December 31, 2022, compared with $15.569 billion, or 91.3% of total average assets, at December 31, 2021, an increase of $445.1 million, or 2.9%.

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, 2022 and 2021 was 4.9 and 4.3 years, respectively.

When compared with December 31, 2021, total investment securities decreased by $62.8 million, or 1.8%, during 2022. This decrease resulted primarily from 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 partially offset by purchases of securities. Trustmark sold no securities during 2022 or 2021.

During 2013, Trustmark reclassified approximately $1.099 billion of securities available for sale as securities held to maturity. At the date of this transfer, the net unrealized holding loss on the available for sale securities totaled approximately $46.6 million ($28.8 million net of tax). During 2022, Trustmark reclassified approximately $766.0 million of securities available for sale to 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. At the date of these transfers, the net unrealized holding loss on the available for sale securities totaled approximately $91.9 million ($68.9 million net of tax). The resulting net unrealized holding losses are 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, 2022, the net unamortized, unrealized loss on all transferred securities included in accumulated other comprehensive income (loss), net of tax, (AOCI) in the accompanying consolidated balance sheets totaled $92.3 million ($69.2 million net of tax) compared to $6.3 million ($4.7 million net of tax) at December 31, 2021.

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, 2022, available for sale securities totaled $2.024 billion, which represented 57.5% of the securities portfolio, compared to $3.239 billion, or 90.4%, at December 31, 2021. At December 31, 2022, unrealized losses, net on available for sale securities totaled $246.6 million compared to unrealized losses, net of $17.4 million at December 31, 2021. At December 31, 2022, 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, 2022, held to maturity securities totaled $1.495 billion and represented 42.5% of the total securities portfolio, compared with $342.5 million, or 9.6%, at December 31, 2021.

The following table details 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, 2022 (tax equivalent basis):

	Maturing				
	Within One Year	After One, But Within Five Years	After Five, But Within Ten Years	After Ten Years	Total
Securities available for sale					
U.S. Treasury securities	2.87 %	1.17 %	1.22 %	—	1.29 %
U.S. Government agency obligations	6.83 %	4.85 %	2.26 %	5.18 %	4.17 %
Obligations of states and political subdivisions	—	2.77 %	4.52 %	—	4.15 %
Mortgage-backed securities					
Residential mortgage pass-through securities					
Guaranteed by GNMA	0.94 %	1.78 %	3.54 %	2.47 %	2.47 %
Issued by FNMA and FHLMC	—	2.08 %	1.97 %	1.38 %	1.45 %
Other residential mortgage-backed securities					
Issued or guaranteed by FNMA, FHLMC, or GNMA	—	2.36 %	2.38 %	2.16 %	2.26 %
Commercial mortgage-backed securities					
Issued or guaranteed by FNMA, FHLMC, or GNMA	4.17 %	4.88 %	3.36 %	3.55 %	3.44 %
Total securities available for sale	3.24 %	1.27 %	2.61 %	1.46 %	1.61 %
Securities held to maturity					
U.S. Treasury securities	—	—	1.04 %	—	1.04 %
Obligations of states and political subdivisions	4.15 %	5.17 %	—	—	4.22 %
Mortgage-backed securities					
Residential mortgage pass-through securities					
Guaranteed by GNMA	—	—	—	3.05 %	3.05 %
Issued by FNMA and FHLMC	—	—	1.89 %	1.58 %	1.58 %
Other residential mortgage-backed securities					
Issued or guaranteed by FNMA, FHLMC, or GNMA	—	—	1.93 %	1.95 %	1.94 %
Commercial mortgage-backed securities					
Issued or guaranteed by FNMA, FHLMC, or GNMA	—	3.04 %	2.09 %	2.96 %	2.33 %
Total securities held to maturity	4.15 %	3.04 %	2.03 %	1.69 %	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 99.8% 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 FRBA, Trustmark does not hold any other equity investment in a GSE.

At December 31, 2022, 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, 2022 ($ in thousands):

	Amortized Cost		Estimated Fair Value	
	Amount	%	Amount	%
Securities Available for Sale				
Aaa	$ 2,265,889	99.8%	$ 2,018,912	99.7%
A1 to A3	1,028	—	1,017	0.1%
Not Rated *(1)*	3,792	0.2%	4,153	0.2%
Total securities available for sale	$ 2,270,709	100.0%	$ 2,024,082	100.0%
Securities Held to Maturity				
Aaa	$ 1,490,004	99.7%	$ 1,402,079	99.7%
Aa1 to Aa3	3,001	0.2%	2,999	0.2%
Not Rated *(1)*	1,509	0.1%	1,511	0.1%
Total securities held to maturity	$ 1,494,514	100.0%	$ 1,406,589	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, 2022, approximately 99.7% of the available for sale securities, measured at the estimated fair value, and 99.7% of the held to maturity securities, measured at amortized cost, were rated Aaa.

LHFS

At December 31, 2022, LHFS totaled $135.2 million, consisting of $64.4 million of residential real estate mortgage loans in the process of being sold to third parties and $70.8 million of Government National Mortgage Association (GNMA) optional repurchase loans. 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 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 2022 or 2021.

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 table below provides the carrying value of the LHFI portfolio by loan class for the years ended December 31, 2022 and 2021 ($ in thousands):

	December 31,			
	2022		2021	
	Amount	%	Amount	%
Loans secured by real estate:				
Construction, land development and other land	$ 690,616	5.7%	$ 596,968	5.8%
Other secured by 1-4 family residential properties	590,790	4.8%	517,683	5.1%
Secured by nonfarm, nonresidential properties	3,278,830	26.9%	2,977,084	29.1%
Other real estate secured	742,538	6.1%	726,043	7.1%
Other loans secured by real estate:				
Other construction	1,028,926	8.4%	711,813	6.9%
Secured by 1-4 family residential properties	2,185,057	17.9%	1,460,310	14.2%
Commercial and industrial loans	1,821,259	14.9%	1,414,279	13.8%
Consumer loans	170,230	1.4%	162,555	1.6%
State and other political subdivision loans	1,223,863	10.0%	1,146,251	11.2%
Other commercial loans	471,930	3.9%	534,843	5.2%
LHFI	$ 12,204,039	100.0%	$ 10,247,829	100.0%

LHFI at December 31, 2022 increased $1.956 billion, or 19.1%, compared to December 31, 2021. The increase in LHFI during 2022 was reflecting net growth in all classes of LHFI with the exception of other commercial LHFI.

LHFI secured by real estate (loans secured by real estate and other loans secured by real estate) increased $1.527 billion, or 21.8%, during 2022 representing net growth in Trustmark's Mississippi, Alabama and Texas market regions partially offset by net declines in the Tennessee and Florida market regions. LHFI secured by 1-4 family residential properties increased $724.7 million, or 49.6%, during 2022, primarily in the Mississippi market region as a result of Trustmark's decision to retain certain mortgage loans in its portfolio. Other construction loans increased $317.1 million, or 44.6%, during 2022 primarily due to new construction loans across all five market regions partially offset by other construction loans moved to other loan categories upon the completion of the related construction project. During 2022, $619.2 million loans were moved from other construction to other loan categories, including $257.2 million to multi-family residential loans, $238.0 million to nonowner-occupied loans and $121.4 million to owner-occupied loans. Excluding all reclassifications between loan categories, growth in other construction loans across all five market regions totaled $919.1 million during 2022. LHFI secured by nonfarm, nonresidential properties (NFNR LHFI) increased $301.7 million, or 10.1%, during 2022, principally due to movement from the other construction loans category. Excluding other construction loan reclassifications, the NFNR LHFI portfolio decreased $57.6 million, or 1.9%, during 2022 primarily due to declines in owner-occupied loans in the Alabama, Mississippi and Florida market regions as well as declines in nonowner-occupied loans in the Alabama, Florida and Texas market regions, which were partially offset by growth in nonowner-occupied loans in the Mississippi market region and owner-occupied loans in the Texas market region. LHFI secured by construction, land development and other land increased $93.6 million, or 15.7%, during 2022 principally due to growth in 1-4 family construction loans in Trustmark's Alabama and Mississippi market regions. LHFI secured by other 1-4 family residential properties, which primarily consists of revolving home equity lines of credit, increased $73.1 million, or 14.1%, during 2022 reflecting growth across all five market regions. LHFI secured by other real estate increased $16.5 million, or 2.3%, during 2022, primarily due to other construction loans that moved to LHFI secured by multi-family residential properties in the Texas, Alabama and Mississippi market regions partially offset by pay-offs of LHFI secured by multi-family residential properties. Excluding other construction loan reclassifications, LHFI secured by other real estate declined by $240.7 million, or 33.2%.

Commercial and industrial LHFI increased $407.0 million, or 28.8%, during 2022, primarily due to growth in Trustmark's Mississippi and Alabama market regions partially offset by declines in the Tennessee and Texas market regions. State and other political subdivision LHFI increased $77.6 million, or 6.8%, during 2022 principally due to growth in the Mississippi market region partially offset by declines in the Alabama, Texas, Florida and Tennessee market regions. Other commercial LHFI decreased $62.9 million, or 11.8%, during 2022, principally due to a decline in the Mississippi market region partially offset by growth in the Tennessee and Texas market regions.

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, 2022 and 2021 ($ in thousands):

	December 31,	
	2022	2021
Home equity loans	$ 45,532	$ 36,223
Home equity lines of credit	412,013	351,128
Percentage of loans and lines for which Trustmark holds first lien	51.7%	58.2%
Percentage of loans and lines for which Trustmark does not hold first lien	48.3%	41.8%

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, 2022 and reflects a diversified mix of loans by region ($ in thousands):

	December 31, 2022					
LHFI Composition by Region	Total	Alabama	Florida	Mississippi	Tennessee	Texas
Loans secured by real estate:						
Construction, land development and other land	$ 690,616	$ 314,106	$ 50,445	$ 196,141	$ 31,196	$ 98,728
Other secured by 1-4 family residential properties	590,790	133,596	50,672	303,551	74,268	28,703
Secured by nonfarm, nonresidential properties	3,278,830	895,306	212,185	1,394,562	172,432	604,345
Other real estate secured	742,538	202,453	2,013	339,592	6,822	191,658
Other loans secured by real estate:						
Other construction	1,028,926	527,192	15,475	225,069	2,009	259,181
Secured by 1-4 family residential properties	2,185,057	—	—	2,179,543	5,514	—
Commercial and industrial loans	1,821,259	502,492	26,496	773,135	285,706	233,430
Consumer loans	170,230	24,101	8,520	107,109	18,323	12,177
State and other political subdivision loans	1,223,863	77,017	62,962	859,117	27,881	196,886
Other commercial loans	471,930	74,549	9,253	264,901	58,171	65,056
LHFI	$ 12,204,039	$ 2,750,812	$ 438,021	$ 6,642,720	$ 682,322	$ 1,690,164
Construction, Land Development and Other Land Loans by Region						
Lots	$ 71,964	$ 37,553	$ 9,802	$ 16,654	$ 1,923	$ 6,032
Development	140,114	56,653	1,392	46,940	6,798	28,331
Unimproved land	108,972	22,548	14,348	35,177	5,039	31,860
1-4 family construction	369,566	197,352	24,903	97,370	17,436	32,505
Construction, land development and other land loans	$ 690,616	$ 314,106	$ 50,445	$ 196,141	$ 31,196	$ 98,728
Loans Secured by Nonfarm, Nonresidential (NFNR) Properties by Region						
Nonowner-occupied:						
Retail	$ 343,073	$ 133,173	$ 33,675	$ 91,921	$ 21,695	$ 62,609
Office	271,112	122,818	17,394	70,836	10,435	49,629
Hotel/motel	298,159	170,048	40,031	60,191	27,889	—
Mini-storage	155,037	28,072	2,104	105,229	482	19,150
Industrial	333,650	68,863	17,523	121,055	2,799	123,410
Health care	49,363	17,633	989	26,836	343	3,562
Convenience stores	33,721	7,416	641	14,959	593	10,112
Nursing homes/senior living	390,739	136,986	—	184,730	5,595	63,428
Other	136,120	35,040	9,793	61,086	16,397	13,804
Total nonowner-occupied loans	2,010,974	720,049	122,150	736,843	86,228	345,704
Owner-occupied:						
Office	165,403	43,628	36,375	48,325	8,827	28,248
Churches	72,472	16,167	5,255	41,036	7,165	2,849
Industrial warehouses	175,272	19,344	4,996	47,413	16,872	86,647
Health care	130,604	12,216	6,384	95,437	2,341	14,226
Convenience stores	136,785	12,558	21,581	65,069	376	37,201
Retail	101,087	11,360	8,118	44,578	19,187	17,844
Restaurants	55,944	3,999	4,169	32,275	12,229	3,272
Auto dealerships	49,304	6,794	228	24,282	18,000	—
Nursing homes/senior living	237,082	36,132	—	174,750	—	26,200
Other	143,903	13,059	2,929	84,554	1,207	42,154
Total owner-occupied loans	1,267,856	175,257	90,035	657,719	86,204	258,641
Loans secured by NFNR properties	$ 3,278,830	$ 895,306	$ 212,185	$ 1,394,562	$ 172,432	$ 604,345

Trustmark's variable rate LHFI are based primarily on various prime and LIBOR interest rate bases. Trustmark 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, 2022 ($ 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	$ 399,433	$ 233,465	$ 22,374	$ 35,344	$ 690,616
Other secured by 1-4 family residential properties	61,284	239,654	274,914	14,938	590,790
Secured by nonfarm, nonresidential properties	635,757	2,011,915	619,686	11,472	3,278,830
Other real estate secured	235,879	428,512	78,046	101	742,538
Other loans secured by real estate:					
Other construction	102,514	888,701	37,464	247	1,028,926
Secured by 1-4 family residential properties	37,192	151,821	1,142,823	853,221	2,185,057
Commercial and industrial loans	337,984	1,368,488	113,467	1,320	1,821,259
Consumer loans	47,755	116,736	5,739	—	170,230
State and other political subdivision loans	200,890	493,484	500,371	29,118	1,223,863
Other loans	104,617	337,076	29,806	431	471,930
LHFI	2,163,305	6,269,852	2,824,690	946,192	12,204,039
Loans with fixed interest rates:					
Loans secured by real estate:					
Construction, land development and other land	$ 94,445	$ 58,030	$ 16,372	$ 35,344	$ 204,191
Other secured by 1-4 family residential properties	32,781	98,516	30,523	390	162,210
Secured by nonfarm, nonresidential properties	194,027	1,043,561	244,611	—	1,482,199
Other real estate secured	31,761	109,172	9,344	101	150,378
Other loans secured by real estate:					
Other construction	4,433	22,109	7,128	247	33,917
Secured by 1-4 family residential properties	3,926	37,881	420,153	848,954	1,310,914
Commercial and industrial loans	70,377	467,143	74,544	—	612,064
Consumer loans	23,607	113,495	5,739	—	142,841
State and other political subdivision loans	197,421	470,359	481,185	14,118	1,163,083
Other loans	21,880	104,481	18,942	75	145,378
LHFI	674,658	2,524,747	1,308,541	899,229	5,407,175
Loans with variable interest rates:					
Loans secured by real estate:					
Construction, land development and other land	$ 304,988	$ 175,435	$ 6,002	$ —	$ 486,425
Other secured by 1-4 family residential properties	28,503	141,138	244,391	14,548	428,580
Secured by nonfarm, nonresidential properties	441,730	968,354	375,075	11,472	1,796,631
Other real estate secured	204,118	319,340	68,702	—	592,160
Other loans secured by real estate:					
Other construction	98,081	866,592	30,336	—	995,009
Secured by 1-4 family residential properties	33,266	113,940	722,670	4,267	874,143
Commercial and industrial loans	267,607	901,345	38,923	1,320	1,209,195
Consumer loans	24,148	3,241	—	—	27,389
State and other political subdivision loans	3,469	23,125	19,186	15,000	60,780
Other loans	82,737	232,595	10,864	356	326,552
LHFI	1,488,647	3,745,105	1,516,149	46,963	6,796,864

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 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 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. Due to multiple periods having a PD or loss given default (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). Trustmark's External Factor – Pandemic ensures 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.

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. During the fourth quarter of 2022, Management noted that all pass rate loans (risk rate 5 and 6) related to the External Factor - Pandemic qualitative factor either did not experience significant stress related to the pandemic or have since recovered and does not expect future stresses attributed to the pandemic that may affect these loans. As a result, Management decided to accelerate the release of the additional pandemic reserves on all pass rate loans as a result of pandemic conditions resolving.

During the first quarter of 2022, in order to account for the potential uncertainty related to higher prices and low economic growth, Trustmark chose to enact a portion of the qualitative framework, External Factor - Stagflation. Management calculated the reserve using a third-party stagflation forecast and compared it to the third-party baseline forecast used in the quantitative modeling. The weighted differential was added as qualitative reserves to account for potential uncertainty. During the fourth quarter of 2022, Management determined that the likelihood of a stagflation scenario had sufficiently diminished. Management identified that the potential had already been reduced and effectively captured within a nominally more negative baseline economic forecast. As a result, Management elected to resolve the External Factor - Stagflation and fully release the reserves.

Determining the appropriateness of the allowance is complex and requires judgment 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, 2022, the ACL on LHFI was $120.2 million, an increase of $20.8 million, or 20.9%, when compared with December 31, 2021. The increase in the ACL on LHFI during 2022 was principally due to loan growth, specific reserves on individually analyzed loans, weakening of the macroeconomic forecasts and the nature and volume of the portfolio, partially offset by reserves released as a result of updates and adjustments to the qualitative factors. Allocation of Trustmark's ACL on LHFI represented 0.85% of commercial LHFI and 1.41% of consumer and home mortgage LHFI, resulting in an ACL to total LHFI of 0.99% at December 31, 2022. This compares with an ACL to total LHFI of 0.97% at December 31, 2021, which was allocated to commercial LHFI at 1.00% and to consumer and home mortgage LHFI at 0.87%.

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,		
	2022	2021	2020
Balance at beginning of period	$ 99,457	$ 117,306	$ 84,277
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	(11,332)	(10,275)	(11,475)
Recoveries	10,412	13,925	9,608
Net (charge-offs) recoveries	(920)	3,650	(1,867)
PCL, LHFI	21,677	(21,499)	36,113
Balance at end of period	$ 120,214	$ 99,457	$ 117,306

Charge-offs exceeded recoveries for 2022 resulting in net charge-offs of $920 thousand, or 0.01% of average loans (LHFS and LHFI), compared to net recoveries of $3.7 million, or -0.04% of average loans (LHFS and LHFI), in 2021, and net charge-offs of $1.9 million, or 0.02% of average loans (LHFS and LHFI), in 2020. The increase in net charge-offs during 2022 was principally due to declines in recoveries in the Mississippi, Tennessee and Texas market regions as well as an increase in charge-offs in the Tennessee market region, partially offset by an increase in recoveries in the Alabama 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,		
	2022	2021	2020
Alabama	$ 2,019	$ 1,299	$ (1,448)
Florida	652	521	390
Mississippi	(2,713)	(111)	814
Tennessee	(790)	940	(1,775)
Texas	(88)	1,001	152
Total net (charge-offs) recoveries	$ (920)	$ 3,650	$ (1,867)

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

	Years Ended December 31,		
	2022	2021	2020
ACL, LHFI to total LHFI	0.99 %	0.97 %	1.19 %
ACL, LHFI	$ 120,214	$ 99,457	$ 117,306
LHFI	12,204,039	10,247,829	9,824,524
Nonaccrual LHFI to total LHFI	0.53 %	0.61 %	0.64 %
Nonaccrual LHFI	$ 65,972	$ 62,698	$ 63,128
LHFI	12,204,039	10,247,829	9,824,524
ACL, LHFI to nonaccrual LHFI	182.22 %	158.63 %	185.82 %
ACL, LHFI	$ 120,214	$ 99,457	$ 117,306
Nonaccrual LHFI	65,972	62,698	63,128
Net (charge-offs) recoveries to average LHFI:			
Construction, land development and other land loans	0.16 %	0.28 %	0.14 %
Net (charge-offs) recoveries	$ 1,054	$ 1,525	$ 704
Average LHFI	655,680	551,266	490,036
Other loans secured by 1-4 family residential properties	0.07 %	0.08 %	0.05 %
Net (charge-offs) recoveries	$ 372	$ 396	$ 261
Average LHFI	541,383	505,063	550,423
Loans secured by nonfarm, nonresidential properties	0.05 %	0.04 %	-0.12 %
Net (charge-offs) recoveries	$ 1,418	$ 1,076	$ (3,231)
Average LHFI	3,094,532	2,846,103	2,628,240
Other loans secured by real estate	-0.02 %	—	0.01 %
Net (charge-offs) recoveries	$ (117)	$ 20	$ 60
Average LHFI	636,658	971,881	910,672
Other construction loans	0.01 %	0.01 %	0.03 %
Net (charge-offs) recoveries	$ 69	$ 47	$ 208
Average LHFI	831,435	757,716	776,546
Loans secured by 1-4 family residential properties	—	—	0.01 %
Net (charge-offs) recoveries	$ 13	$ (49)	$ 160
Average LHFI	1,881,006	1,328,220	1,230,319
Commercial and industrial loans	0.02 %	0.03 %	0.01 %
Net (charge-offs) recoveries	$ 284	$ 336	$ 179
Average LHFI	1,603,499	1,331,537	1,388,180
Consumer loans	-0.35 %	0.02 %	-0.13 %
Net (charge-offs) recoveries	$ (562)	$ 25	$ (215)
Average LHFI	161,145	156,826	165,249
State and other political subdivision loans	—	—	—
Net (charge-offs) recoveries	$ —	$ —	$ —
Average LHFI	1,159,939	1,098,190	943,281
Other commercial loans	-0.72 %	0.06 %	—
Net (charge-offs) recoveries	$ (3,451)	$ 274	$ 7
Average LHFI	477,296	474,291	560,360
Total LHFI	-0.01 %	0.04 %	-0.02 %
Net (charge-offs) recoveries	$ (920)	$ 3,650	$ (1,867)
Average LHFI	11,042,573	10,021,093	9,643,306

The PCL, LHFI for 2022 totaled 0.19% of average loans (LHFS and LHFI), compared to -0.21% of average loans (LHFS and LHFI) in 2021 and 0.36% of average loans (LHFS and LHFI) in 2020. The PCL, LHFI for 2022 primarily reflected loan growth, specific reserves on individually analyzed loans, weakening of the macroeconomic forecasts and the nature and volume of the portfolio, partially offset by reserves released as a result of updates and adjustments to the qualitative factors.

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 16 – 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, 2022, the ACL on off-balance sheet credit exposures totaled $36.8 million compared to $35.6 million at December 31, 2021, an increase of $1.2 million, or 3.4%. The PCL, off-balance sheet credit exposures totaled $1.2 million for 2022, compared to a negative PCL, off-balance sheet credit exposures of $2.9 million for 2021 and a PCL, off-balance sheet credit exposures of $8.9 million for 2020. The PCL, off-balance sheet credit exposures for 2022 primarily reflected an increase in unfunded balances.

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, 2022 and 2021 ($ in thousands):

	December 31,	
	2022	2021
Nonaccrual LHFI		
Alabama	$ 12,300	$ 8,182
Florida	227	313
Mississippi	24,683	21,636
Tennessee	5,566	10,501
Texas	23,196	22,066
Total nonaccrual LHFI	65,972	62,698
Other real estate		
Alabama	194	—
Mississippi	1,769	4,557
Tennessee	23	—
Total other real estate	1,986	4,557
Total nonperforming assets	$ 67,958	$ 67,255
Nonperforming assets/total loans (LHFS and LHFI) and other real estate	0.55 %	0.64 %
Loans Past Due 90 days or more		
LHFI	$ 3,929	$ 2,114
LHFS - Guaranteed GNMA services loans *(1)*	$ 49,320	$ 69,894

(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, 2022, nonaccrual LHFI totaled $66.0 million, or 0.53% of total LHFS and LHFI, reflecting an increase of $3.3 million, or 5.2%, relative to December 31, 2021. The increase in nonaccrual LHFI was primarily due to LHFI placed on nonaccrual status partially offset by reductions, pay-offs and charge-offs of nonaccrual LHFI in the Mississippi, Alabama, Texas and Tennessee market regions.

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, 2022 decreased $2.6 million, or 56.4%, when compared with December 31, 2021, principally due to properties sold in Trustmark's Mississippi market region partially offset by properties foreclosed in the Mississippi market region.

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

	Year Ended December 31, 2022				
	Total	Alabama	Florida	Mississippi	Tennessee
Balance at beginning of period	$ 4,557	$ —	$ —	$ 4,557	$ —
Additions	1,533	151	—	1,359	23
Disposals	(4,142)	(48)	—	(4,094)	—
Write-downs	38	91	—	(53)	—
Balance at end of period	$ 1,986	$ 194	$ —	$ 1,769	$ 23

	Year Ended December 31, 2021				
	Total	Alabama	Florida	Mississippi	Tennessee
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
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

Write-downs of other real estate decreased $970 thousand during 2022 compared to a decrease of $854 thousand, or 47.8%, during 2021. The decrease in write-downs of other real estate during 2022 compared to 2021 was primarily due to reserves released as a result of properties sold in the Mississippi and Alabama market regions.

The following table illustrates other real estate by type of property at December 31, 2022 and 2021 ($ in thousands):

	December 31,	
	2022	2021
1-4 family residential properties	$ 1,128	$ 94
Nonfarm, nonresidential properties	561	4,463
Other real estate properties	297	—
Total other real estate	$ 1,986	$ 4,557

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 $14.438 billion at December 31, 2022 compared to $15.087 billion at December 31, 2021, a decrease of $649.5 million, or 4.3%, primarily reflecting a decrease in noninterest-bearing deposit accounts. During 2022, noninterest-bearing deposits decreased $677.3 million, or 14.2%, reflecting declines in all categories of noninterest-bearing deposit accounts. Interest-bearing deposits increased $27.8 million, or 0.3%, during 2022, primarily due to growth in consumer and commercial interest checking accounts, consumer savings accounts and all categories of certificates of deposits, partially offset by declines in all categories of MMDA as well as public interest checking accounts.

The maturities of time deposits that exceed the FDIC insurance limit of $250 thousand at December 31, 2022 are as follows ($ in thousands):

Three months or less	$	40,351
Over three months through six months		45,031
Over six months through twelve months		103,370
Over twelve months		58,479
Total time deposits in excess of FDIC insurance limit	$	247,231

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 $449.3 million at December 31, 2022 compared to $238.6 million at December 31, 2021, an increase of $210.8 million, or 88.3%. At December 31, 2022 and 2021, $66.3 million and $238.6 million, respectively, represented customer related transactions, such as commercial sweep repurchase balances. Trustmark had $383.0 million of upstream federal funds purchased at December 31, 2022, compared to none at December 31, 2021. The increase in the upstream federal funds purchased during 2022 was the result of changes in funding needs to support the strong loan growth.

Other borrowings totaled $1.051 billion at December 31, 2022, an increase of $959.9 million when compared with $91.0 million at December 31, 2021, primarily due to an increase in outstanding short-term FHLB advances with the FHLB of Dallas as a funding source for loan growth during 2022.

Benefit Plans

Defined Benefit Plans

As disclosed in Note 14 – 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, 2022, the fair value of the Continuing Plan's assets totaled $2.9 million and was exceeded by the projected benefit obligation of $6.9 million by $4.0 million. Net periodic benefit cost equaled $410 thousand in 2022, compared to $1.1 million in 2021 and $786 thousand in 2020.

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 2022, 2021 and 2020, the process used to select the discount rate assumption under FASB ASC Topic 715, *"Compensation-Retirement Benefits,"* 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, 2022, Trustmark's minimum required contribution to the Continuing Plan was $170 thousand; however, Trustmark contributed $332 thousand, $162 thousand in excess of the minimum required. For the plan year ending December 31, 2023, Trustmark's minimum required contribution to the Continuing Plan is expected to be $195 thousand; however, Management and the Board of Directors of Trustmark will monitor the Continuing Plan throughout 2023 to determine any additional funding requirements by the plan's measurement date.

Supplemental Retirement Plans

As disclosed in Note 14 – 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, 2022, the accrued benefit obligation for the supplemental retirement plans equaled $43.2 million, while the net periodic benefit cost equaled $2.4 million in 2022, $2.5 million in 2021 and $2.8 million in 2020. 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, 2022, 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 16 – 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 16 – Commitments and Contingencies in Part II. Item 8. – Financial Statements and Supplementary Data of this report.

Capital Resources and Liquidity

At December 31, 2022, Trustmark's total shareholders' equity was $1.492 billion, a decrease of $249.0 million, or 14.3%, when compared to December 31, 2021. The decrease in shareholders' equity during 2022 was primarily as a result of a decrease in the fair market value of available for sale securities, net of tax, of $172.1 million, common stock dividends of $56.7 million, unrealized net holding losses on securities transferred from available for sale to held to maturity, net of tax, of $64.5 million and common stock repurchases of $24.6 million, partially offset by net income of $71.9 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, 2022 and 2021. 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, 2022, 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, 2022. 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, 2022, 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, 2022 and 2021, the carrying amount of the subordinated notes was $123.3 million and

$123.0 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, 2022 and 2021. 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, 2022 and 2021. 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 17 – 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, 2022 and 2021.

Dividends on Common Stock

Dividends per common share for each of the years ended December 31, 2022, 2021 and 2020 were $0.92. Trustmark's dividend payout ratio for 2022, 2021 and 2020 was 78.63%, 39.15%, and 36.51%, respectively. The increase in the dividend payout ratio for 2022 was principally due to the $100.8 million of litigation settlement expense recorded during the fourth quarter of 2022. 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 2023, TNB will have available approximately $96.9 million plus its net income for that year to pay as dividends to Trustmark. The actual amount of any dividends declared in 2023 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, 2023, to shareholders of record on March 1, 2023.

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. Under the stock repurchase plan effective January 1, 2022 through December 31, 2022, Trustmark repurchased approximately 789 thousand shares of its common stock valued at $24.6 million. On December 6, 2022, the Board of Directors of Trustmark authorized a new stock repurchase program, effective January 1, 2023, under which $50.0 million of Trustmark's outstanding common stock may be acquired through December 31, 2023. The repurchase program, which is subject to market conditions and management discretion, will be implemented through open market repurchases or privately negotiated transactions. No shares have been repurchased under this stock repurchase program.

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 $14.772 billion for 2022 and represented approximately 84.5% of average liabilities and shareholders' equity, compared to average deposits of $14.538 billion, which represented 85.2% of average liabilities and shareholders' equity for 2021.

Trustmark had $434.0 million held in an interest-bearing account at the FRBA at December 31, 2022, compared to $2.064 billion at December 31, 2021. The decrease in Trustmark's balance held at the FRBA was principally due to Trustmark's deployment of its excess cash to purchase investment securities and fund loan growth.

Trustmark utilizes a limited amount of brokered deposits to supplement other wholesale funding sources. At December 31, 2022, brokered sweep MMDA deposits totaled $15.1 million compared to $29.6 million at December 31, 2021.

At December 31, 2022, Trustmark had $383.0 million of upstream federal funds purchased compared to no upstream federal funds purchased at December 31, 2021. Trustmark maintains adequate federal funds lines to provide sufficient short-term liquidity.

Trustmark maintains a relationship with the FHLB of Dallas, which provided $975.0 million of outstanding short-term advances and no long-term advances at December 31, 2022, compared to no short-term or long-term FHLB advances outstanding at December 31, 2021. Trustmark had no letters of credit outstanding with the FHLB of Dallas at December 31, 2022, and 2021. Under the existing borrowing agreement, Trustmark had sufficient qualifying collateral to increase FHLB advances with the FHLB of Dallas by $3.034 billion at December 31, 2022.

In addition, at December 31, 2022, Trustmark had no short-term and $78 thousand in long-term FHLB advances outstanding with the FHLB of Atlanta, which were acquired in the BancTrust merger, compared to no short-term and $97 thousand in long-term FHLB advances outstanding at December 31, 2021. 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, 2022, Trustmark had approximately $797.0 million available in unencumbered Treasury and agency securities compared to $751.0 million at December 31, 2021.

Another borrowing source is the Discount Window. At December 31, 2022, Trustmark had approximately $1.345 billion available in collateral capacity at the Discount Window primarily from pledges of commercial and industrial LHFI, compared with $876.8 million at December 31, 2021.

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, 2022 and 2021, the carrying amount of the subordinated notes was $123.3 million and $123.0 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, 2022, 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, 2022, Management is not aware of any events that are reasonably 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, 2022. These include payments related to (i) short-term and long-term borrowings (Note 11 – Borrowings), (ii) operating and finance leases (Note 9 – Leases), (iii) time deposits with stated maturity dates (Note 10 – Deposits) and (iv) commitments to extend credit and standby letters of credit (Note 16 – 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). Additionally, on March 15, 2022. the Adjustable Interest Rate (LIBOR) Act was signed into law as part of the Consolidated Appropriations Act, 2022. The Adjustable Interest Rate (LIBOR) Act establishes a nationwide process for replacing LIBOR in financial contracts that mature after the cessation of the overnight, one-, three-, six- and 12-month U.S. LIBOR tenors on June 30, 2023 and that do not provide for an effective means to replace LIBOR upon its cessation. For contracts in which a party has the discretion to identify a replacement rate, the Adjustable Interest Rate (LIBOR) Act also provides a safe harbor to parties if they choose the SOFR-based benchmark replacement rate to be identified by the FRB. 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 Designated as Hedging Instruments

During the third quarter of 2022, Trustmark initiated a cash flow hedging program. Trustmark's objectives in initiating this hedging program are to add stability to interest income and to manage its exposure to interest rate movements. Interest rate swaps designated as cash flow hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for Trustmark making variable-rate payments over the life of the agreements without exchange of the underlying notional amount. Trustmark uses such derivatives to hedge the variable cash flows associated with existing and anticipated variable-rate loan assets. At December 31, 2022, the aggregate notional value of Trustmark's interest rate swaps designated as cash flow hedges totaled $825.0 million.

Trustmark records any gains or losses on these cash flow hedges in AOCI. As interest payments are received on Trustmark's variable-rate assets, amounts reported in AOCI are reclassified into interest and fees on LHFS and LHFI in the accompanying consolidated statements of income during the same period. For the year ended December 31, 2022, Trustmark reclassified a loss, net of tax, of $345 thousand into interest and fees on LHFS and LHFI. During the next twelve months, Trustmark estimates that $13.7 million will be reclassified as a reduction to interest and fees on LHFS and LHFI. This amount could differ due to changes in interest rates, hedge de-designations or the addition of other hedges.

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 $165.4 million at December 31, 2022, with a positive valuation adjustment of $325 thousand, compared to $378.6 million, with a positive valuation adjustment of $1.8 million at December 31, 2021.

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 $277.0 million at December 31, 2022 compared to $409.5 million at December 31, 2021. 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 negative ineffectiveness of $4.1 million for the year ended December 31, 2022, compared to a net positive ineffectiveness of $2.5 million for the year ended December 31, 2021 and a net positive ineffectiveness of $7.8 million for the year ended December 31, 2020.

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, 2022, Trustmark had interest rate swaps with an aggregate notional amount of $1.391 billion related to this program, compared to $1.225 billion at December 31, 2021.

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, 2022, there was no 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 compared to $655 thousand at December 31, 2021. At December 31, 2022 and 2021, Trustmark had posted collateral of $740 thousand and $850 thousand, respectively, 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, 2022, 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, 2022, Trustmark had entered into five risk participation agreements as a beneficiary with and aggregate notional amount of $50.2 million compared to six risk participation agreements as a beneficiary with an aggregate notional amount of $52.0 million at December 31, 2021. At December 31, 2022, Trustmark had entered into twenty-nine risk participation agreements as a guarantor with an aggregate notional amount of $235.8 million, compared to twenty-four risk participation agreements as a guarantor with an aggregate notional amount of $173.5 million at December 31, 2021. The aggregate fair values of these risk participation agreements were immaterial at December 31, 2022 and 2021.

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, 2022 and 2021.

	Estimated % Change in Net Interest Income	
Change in Interest Rates	2022	2021
+200 basis points	3.3 %	20.1 %
+100 basis points	1.7 %	9.7 %
-100 basis points	-1.8 %	-6.7 %

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, 2022 and 2021.

	Estimated % Change in Net Portfolio Value	
Change in Interest Rates	2022	2021
+200 basis points	-1.6%	10.1%
+100 basis points	-0.6%	5.9%

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, 2022, the MSR fair value was $129.7 million, compared to $87.7 million at December 31, 2021. 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, 2022 would be a decline in fair value of approximately $4.5 million and $5.4 million, respectively, compared to a decline in fair value of approximately $4.4 million and $3.2 million, respectively, at December 31, 2021. 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, 2022 and 2021, 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, 2022, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022 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, 2022, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

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 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 Corporation'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 16, 2023

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

	December 31, 2022	December 31, 2021
Assets		
Cash and due from banks	$ 734,787	$ 2,266,829
Federal funds sold and securities purchased under reverse repurchase agreements	4,000	—
Securities available for sale, at fair value (amortized cost: $2,270,709-2022; $3,256,289-2021; allowance for credit losses (ACL): $0)	2,024,082	3,238,877
Securities held to maturity, net of ACL of $0 (fair value: $1,406,589-2022; $353,511-2021)	1,494,514	342,537
Paycheck Protection Program (PPP) loans	—	33,336
Loans held for sale (LHFS)	135,226	275,706
Loans held for investment (LHFI)	12,204,039	10,247,829
Less ACL, LHFI	120,214	99,457
Net LHFI	12,083,825	10,148,372
Premises and equipment, net	212,365	205,644
Mortgage servicing rights (MSR)	129,677	87,687
Goodwill	384,237	384,237
Identifiable intangible assets, net	3,640	5,074
Other real estate, net	1,986	4,557
Operating lease right-of-use assets	36,301	34,603
Other assets	770,838	568,177
Total Assets	$ 18,015,478	$ 17,595,636
Liabilities		
Deposits:		
Noninterest-bearing	$ 4,093,771	$ 4,771,065
Interest-bearing	10,343,877	10,316,095
Total deposits	14,437,648	15,087,160
Federal funds purchased and securities sold under repurchase agreements	449,331	238,577
Other borrowings	1,050,938	91,025
Subordinated notes	123,262	123,042
Junior subordinated debt securities	61,856	61,856
ACL on off-balance sheet credit exposures	36,838	35,623
Operating lease liabilities	38,932	36,468
Other liabilities	324,405	180,574
Total Liabilities	16,523,210	15,854,325
Shareholders' Equity		
Common stock, no par value:		
Authorized: 250,000,000 shares		
Issued and outstanding: 60,977,686 shares - 2022; 61,648,679 shares - 2021	12,705	12,845
Capital surplus	154,645	175,913
Retained earnings	1,600,321	1,585,113
Accumulated other comprehensive income (loss), net of tax	(275,403)	(32,560)
Total Shareholders' Equity	1,492,268	1,741,311
Total Liabilities and Shareholders' Equity	$ 18,015,478	$ 17,595,636

See notes to consolidated financial statements.

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

	Years Ended December 31, 2022	2021	2020
Interest Income			
Interest and fees on LHFS & LHFI	$ 472,990	$ 363,772	$ 390,803
Interest and fees on PPP loans	639	36,726	26,643
Interest on securities:			
Taxable	59,717	38,698	48,250
Tax exempt	333	548	1,079
Interest on federal funds sold and securities purchased under reverse repurchase agreements	74	—	1
Other interest income	8,080	2,767	1,559
Total Interest Income	541,833	442,511	468,335
Interest Expense			
Interest on deposits	29,069	16,945	37,487
Interest on federal funds purchased and securities sold under repurchase agreements	6,127	232	755
Other interest expense	11,929	6,983	3,556
Total Interest Expense	47,125	24,160	41,798
Net Interest Income	494,708	418,351	426,537
Provision for credit losses (PCL), LHFI	21,677	(21,499)	36,113
PCL, off-balance sheet credit exposures *(1)*	1,215	(2,949)	8,934
Net Interest Income After PCL	471,816	442,799	381,490
Noninterest Income			
Service charges on deposit accounts	42,157	33,246	32,289
Bank card and other fees	36,105	34,662	31,022
Mortgage banking, net	28,306	63,750	125,822
Insurance commissions	53,721	48,511	45,176
Wealth management	35,013	35,190	31,625
Other, net	9,842	6,551	8,659
Total Noninterest Income	205,144	221,910	274,593
Noninterest Expense *(1)*			
Salaries and employee benefits	287,440	284,158	272,257
Services and fees	101,545	89,463	83,816
Net occupancy - premises	29,264	27,043	26,489
Equipment expense	24,448	24,337	23,277
Litigation settlement expense	100,750	—	—
Other expense *(2)*	59,766	64,295	60,462
Total Noninterest Expense	603,213	489,296	466,301
Income Before Income Taxes	73,747	175,413	189,782
Income taxes	1,860	28,048	29,757
Net Income	$ 71,887	$ 147,365	$ 160,025
Earnings Per Share			
Basic	$ 1.17	$ 2.35	$ 2.52
Diluted	$ 1.17	$ 2.34	$ 2.51

(1) *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.*

(2) *During the first quarter of 2022, Trustmark reclassified its other real estate expense, net to other expense. The 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,		
	2022	2021	2020
Net income per consolidated statements of income	$ 71,887	$ 147,365	$ 160,025
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	(172,143)	(37,090)	22,965
Change in net unrealized holding loss on securities transferred to held to maturity	(64,525)	1,985	2,383
Pension and other postretirement benefit plans:			
Change in the actuarial loss of pension and other postretirement benefit plans	8,094	2,134	(3,846)
Reclassification adjustments for changes realized in net income:			
Net change in prior service costs	83	84	112
Recognized net loss due to lump sum settlements	—	137	89
Change in net actuarial loss	817	1,241	846
Derivatives:			
Change in the accumulated gain (loss) on effective cash flow hedge derivatives	(15,514)	—	—
Reclassification adjustment for (gain) loss realized in net income	345	—	—
Other comprehensive income (loss), net of tax	(242,843)	(31,509)	22,549
Comprehensive income	$ (170,956)	$ 115,856	$ 182,574

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				Accumulated Other Comprehensive Income	
	Shares Outstanding	Amount	Capital Surplus	Retained Earnings	(Loss)	Total
Balance, January 1, 2020	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
Net income per consolidated statements of income	—	—	—	71,887	—	71,887
Other comprehensive income (loss), net of tax	—	—	—	—	(242,843)	(242,843)
Cash dividends paid on common stock ($0.92 per share)	—	—	—	(56,679)	—	(56,679)
Shares withheld to pay taxes, long-term incentive plan	118,398	24	(1,711)	—	—	(1,687)
Repurchase and retirement of common stock	(789,391)	(164)	(24,440)	—	—	(24,604)
Compensation expense, long-term incentive plan	—	—	4,883	—	—	4,883
Balance, December 31, 2022	60,977,686	$ 12,705	$ 154,645	$ 1,600,321	$ (275,403)	$ 1,492,268

See notes to consolidated financial statements.

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

	Years Ended December 31, 2022	2021	2020
Operating Activities			
Net income per consolidated statements of income	$ 71,887	$ 147,365	$ 160,025
Adjustments to reconcile net income to net cash provided by operating activities:			
PCL	22,892	(24,448)	45,047
Depreciation and amortization	39,882	45,813	41,325
Net amortization of securities	11,206	20,310	13,247
Gains on sales of loans, net	(24,914)	(70,954)	(94,986)
Compensation expense, long-term incentive plan	4,883	5,601	5,197
Deferred income tax provision	(16,800)	20,115	(19,800)
Proceeds from sales of LHFS	1,267,967	2,357,108	2,627,122
Purchases and originations of LHFS	(1,116,232)	(2,171,605)	(2,668,642)
Originations of MSR	(17,843)	(28,125)	(29,805)
Earnings on bank-owned life insurance	(4,875)	(4,853)	(5,099)
Net change in other assets	(51,921)	42,400	(49,653)
Net change in other liabilities	167,743	19,645	13,669
Other operating activities, net	(57,359)	(9,601)	27,699
Net cash from operating activities	296,516	348,771	65,346
Investing Activities			
Proceeds from maturities, prepayments and calls of securities held to maturity	136,135	197,091	201,888
Proceeds from maturities, prepayments and calls of securities available for sale	435,386	835,200	680,294
Purchases of securities held to maturity	(604,938)	—	—
Purchases of securities available for sale	(230,527)	(2,150,935)	(1,051,014)
Net proceeds from bank-owned life insurance	288	1,772	3,280
Net change in federal funds sold and securities purchased under reverse repurchase agreements	(4,000)	50	(50)
Net change in member bank stock	(39,329)	(1,220)	269
Net change in LHFI and PPP loans	(1,925,327)	(197,800)	(1,027,924)
Proceeds from sales of PPP loans	—	353,287	—
Purchases of premises and equipment	(26,624)	(27,360)	(22,577)
Proceeds from sales of premises and equipment	5,107	961	2,803
Proceeds from sales of other real estate	3,136	5,064	17,343
Purchases of software	(7,388)	(3,836)	(8,252)
Investments in tax credit and other partnerships	(22,321)	(17,288)	(5,844)
Purchase of insurance book of business	—	—	(3,097)
Net cash used in business acquisition	—	—	(4,834)
Net cash from investing activities	(2,280,402)	(1,005,014)	(1,217,715)
Financing Activities			
Net change in deposits	(649,512)	1,038,396	2,803,207
Net change in federal funds purchased and securities sold under repurchase agreements	210,754	74,058	(91,501)
Net change in other borrowings	974,981	(19,189)	473
Payments under finance lease obligations	(1,409)	(1,434)	(1,715)
Proceeds from subordinated notes	—	—	122,900
Common stock dividends	(56,679)	(58,085)	(58,769)
Repurchase and retirement of common stock	(24,604)	(61,799)	(27,538)
Shares withheld to pay taxes, long-term incentive plan	(1,687)	(1,379)	(1,100)
Net cash from financing activities	451,844	970,568	2,745,957
Net change in cash and cash equivalents	(1,532,042)	314,325	1,593,588
Cash and cash equivalents at beginning of year	2,266,829	1,952,504	358,916
Cash and cash equivalents at end of year	$ 734,787	$ 2,266,829	$ 1,952,504

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 offices in Alabama (includes the Georgia Loan Production Office), 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 2023 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"

- Ability and authority to 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)

Trustmark's LHFS portfolio consists of mortgage loans purchased from wholesale customers or originated in Trustmark's General Banking Segment. 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 collectability 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 collectability 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 collectability 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 applicable regulatory guidance. 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 on 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, 2022 and 2021, Trustmark's investment in member bank stock totaled $72.2 million and $32.9 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, 2022, 2021 and 2020.

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, 2022 resulted in a net loss of $1.0 million compared to a net loss of $1.9 million for the year ended December 31, 2021 and a net gain of $897 thousand for the year ended December 31, 2020.

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

<u>Trust Management</u>

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.

<u>Investment Services</u>

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. FBBI utilizes 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 Designated as Hedging Instruments

FASB ASC Topic 815, *Derivatives and Hedging* (ASC 815), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

When entering into a hedge transaction, Trustmark formally documents the relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for undertaking the hedge transaction, which includes designating the derivative instrument as a fair value or cash flow hedge to a specific asset or liability on the balance sheet or to specific forecasted transactions and the risk being hedged, along with a formal assessment at the inception of the hedge as to the effectiveness of the derivative instrument in offsetting changes in fair values or cash flows of the hedged item. Trustmark continues to assess hedge effectiveness on an ongoing basis using either a qualitative or a quantitative assessment (regression analysis).

As required by ASC 815, Trustmark records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether Trustmark has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. For cash flow hedges, changes in the fair value of the derivative instrument are recorded in accumulated other comprehensive income (loss) and subsequently reclassified to net income in the same period that the hedged transaction impacts net income. Upon discontinuation of hedge accounting for cash flow hedges, any amounts in accumulated other comprehensive income (loss) related to that relationship affects earnings at the same time and in the same manner in which the hedged transaction affects earnings. If it becomes probable that the forecasted transaction will not occur, any related amounts in accumulated other comprehensive income (loss) are reclassified to earnings immediately.

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,		
	2022	2021	2020
Income taxes paid	$ 2,701	$ 15,259	$ 46,648
Interest paid on deposits and borrowings	45,275	24,429	42,968
Noncash transfers from loans to other real estate	1,533	770	635
Securities transferred from available for sale to held to maturity	674,092	—	—
Investment in tax credit partnership not funded	18,891	10,647	5,893
Finance right-of-use assets resulting from lease liabilities	—	92	—
Operating right-of-use assets resulting from lease liabilities	6,912	9,666	3,774
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,		
	2022	2021	2020
Basic shares	61,242	62,788	63,505
Dilutive shares	190	185	141
Diluted shares	61,432	62,973	63,646

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,		
	2022	2021	2020
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 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. 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. On December 21, 2022, the FASB issued *ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848,"* which defers the sunset date from December 31, 2022, to December 31, 2024. The purpose of the guidance in FASB ASC Topic 848 is to provide relief during the temporary transition period, so the FASB included a sunset provision within Topic 848 based on expectations of when the LIBOR would cease being published. At the time that ASU 2020-04 was issued, the United Kingdom Financial Conduct Authority (FCA) had established its intent that it would no longer be necessary to persuade or compel banks to submit to LIBOR after December 31, 2021. As a result, the sunset provision was set for December 31, 2022, 12 months after the expected cessation date of all currencies and tenors of LIBOR. However, in March 2021, the FCA announced that the intended cessation date of the overnight 1-, 3-, 6-, and 12-month tenors of US$ LIBOR would be June 30, 2023, which was beyond the then-current sunset date of FASB ASC Topic 848. Thus, the amendments of ASU 2022-06 defer the sunset date to December 31, 2024, after which entities will no longer be permitted to apply the relief in FASB ASC Topic 848; moreover, it applies to all entities, subject to meeting certain criteria, that have contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments of ASU 2022-06 were effective immediately when issued. 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 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, ASU 2021-01 and ASU 2022-06 or the reference rate reform will have on its consolidated financial statements.

ASU 2022-02, "Financial Instruments-Credit Losses (Topic 326): Trouble Debt Restructurings and Vintage Disclosures." Issued in March 2022, ASU 2022-02 seeks to improve the decision usefulness of information provided to investors concerning certain loan refinancings, restructurings and write-offs. In regard to troubled debt restructurings (TDRs) by creditors, investors and preparers observed that the additional designation of a loan modification as a TDR and the related accounting are unnecessarily complex and no longer provide decision-useful information. The amendments of ASU 2022-02 eliminate the accounting guidance for TDRs by creditors in FASB ASC Subtopic 310-40, “Receivables-Troubled Debt Restructurings by Creditors,” as it is no longer meaningful due to the implementation of FASB ASC Topic 326, which requires an entity to consider lifetime expected credit losses on loans when establishing an allowance for credit losses. Therefore, most losses that would have been realized for a TDR under FASB ASC Subtopic 310-40 are now captured by the accounting required under FASB ASC Topic 326. The amendments of ASU 2022-02 also enhanced disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Stakeholders also noted inconsistency in the requirement for a public business entity (PBE) to disclose gross write-offs and gross recoveries by class of financing receivable and major security type in certain vintage disclosures. Financial statement users expressed that, in addition to the existing vintage disclosures in FASB ASC Topic 326, information about gross write-offs by year of origination would be helpful in understanding credit quality changes in an entity’s loan portfolio and underwriting performance. For PBEs, the amendments of ASU 2022-02 require that an entity disclose current period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of FASB ASC Subtopic 326-20, “Financial Instruments-Credit Losses-Measured at Amortized Cost.” For write-offs associated with origination dates that are more than five annual periods before the reporting period, an entity may present aggregate amounts in the current period for financing receivables and net investment in leases. The amendments of ASU 2022-02 are effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2022 for entities that have already adopted the amendments of ASU 2016-13. Early adoption is permitted, provided that an entity has adopted ASU 2016-13. If an entity elects to early adopt the amendments of this ASU during an interim period, the guidance should be applied as of the beginning of the fiscal year that includes the interim period. In addition, an entity may elect to early adopt the amendments about TDRs and related disclosure enhancements separately from the amendments related to vintage disclosures. Trustmark adopted the amendments of ASU 2022-02 effective January 1, 2023. The amendments of ASU 2022-02 include only changes to certain financial statement disclosures; and, therefore, adoption of ASU 2022-02 is not expected to have a material impact on Trustmark’s consolidated financial statements or results of operations. The enhanced disclosures required by ASU 2022-02 will be presented in the notes to the financial statements beginning with Trustmark’s Quarterly Report on Form 10-Q for the period ending March 31, 2023.

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.

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, 2022 and 2021 ($ in thousands):

	Securities Available for Sale				Securities Held to Maturity			
December 31, 2022	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	$ 425,719	$ 308	$ (34,514)	$ 391,513	$ 28,295	$ —	$ (115)	$ 28,180
U.S. Government agency obligations	8,297	—	(531)	7,766	—	—	—	—
Obligations of states and political subdivisions	4,820	53	(11)	4,862	4,510	3	(3)	4,510
Mortgage-backed securities								
Residential mortgage pass-through securities								
Guaranteed by GNMA	30,534	7	(3,444)	27,097	4,442	—	(395)	4,047
Issued by FNMA and FHLMC	1,541,570	12	(196,119)	1,345,463	509,311	—	(19,586)	489,725
Other residential mortgage-backed securities								
Issued or guaranteed by FNMA, FHLMC or GNMA	123,755	—	(8,615)	115,140	188,201	—	(13,826)	174,375
Commercial mortgage-backed securities								
Issued or guaranteed by FNMA, FHLMC or GNMA	136,014	—	(3,773)	132,241	759,755	34	(54,037)	705,752
Total	$ 2,270,709	$ 380	$ (247,007)	$ 2,024,082	$ 1,494,514	$ 37	$ (87,962)	$ 1,406,589
December 31, 2021								
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

During 2013, Trustmark reclassified approximately $1.099 billion of securities available for sale to 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). During 2022, Trustmark reclassified a total of $766.0 million of securities available for sale to securities held to maturity. On the date of these transfers, the net unrealized holding loss on the available for sale securities totaled approximately $91.9 million ($68.9 million, net of tax).

The securities were transferred at fair value, which became the cost basis for the securities held to maturity. The net unrealized holding loss will be 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 these transfers. At December 31, 2022, the net unamortized, unrealized loss on transferred securities included in accumulated other comprehensive income (loss) in the accompanying balance sheet totaled approximately $92.3 million ($69.2 million, net of tax) compared to approximately $6.3 million ($4.7 million, net of tax) at December 31, 2021.

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, 2022 and 2021, the results of the loss analysis performed did not identify any securities that warranted DCF analysis 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, 2022 and 2021, accrued interest receivable totaled \$4.0 million and \$5.1 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, 2022 and 2021, the potential credit loss exposure for Trustmark's securities held to maturity was \$4.5 million and \$7.3 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, 2022 and 2021.

Accrued interest receivable is excluded from the estimate of credit losses for securities held to maturity. At December 31, 2022 and 2021, accrued interest receivable totaled \$2.7 million and \$670 thousand for securities held to maturity and was reported in other assets on the accompanying consolidated balance sheet.

At both December 31, 2022 and 2021, 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, 2022 and 2021.

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, 2022 and 2021 (\$ in thousands):

	December 31, 2022	December 31, 2021
Aaa	\$ 1,490,004	\$ 335,208
Aa1 to Aa3	3,001	5,007
Not Rated *(1)*	1,509	2,322
Total	\$ 1,494,514	\$ 342,537

(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, 2022 and 2021 ($ in thousands):

	Less than 12 Months		12 Months or More		Total	
December 31, 2022	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Treasury securities	$ 161,298	$ (5,655)	$ 258,087	$ (28,974)	$ 419,385	$ (34,629)
U.S. Government agency obligations	1,828	(184)	5,938	(347)	7,766	(531)
Obligations of states and political subdivisions	1,017	(11)	3,664	(3)	4,681	(14)
Mortgage-backed securities						
Residential mortgage pass-through securities						
Guaranteed by GNMA	27,223	(3,270)	3,577	(569)	30,800	(3,839)
Issued by FNMA and FHLMC	770,865	(41,807)	1,062,041	(173,898)	1,832,906	(215,705)
Other residential mortgage-backed securities						
Issued or guaranteed by FNMA, FHLMC or GNMA	281,964	(21,452)	7,235	(989)	289,199	(22,441)
Commercial mortgage-backed securities						
Issued or guaranteed by FNMA, FHLMC or GNMA	833,970	(57,742)	1,644	(68)	835,614	(57,810)
Total	$ 2,078,165	$ (130,121)	$ 1,342,186	$ (204,848)	$ 3,420,351	$ (334,969)
December 31, 2021						
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)

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. 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 at maturity.

Securities Gains and Losses

For the years ended December 31, 2022, 2021 and 2020, 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 securities gains (losses), net.

Securities Pledged

Securities with a carrying value of $2.693 billion and $2.831 billion at December 31, 2022 and 2021, 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, 2022 and 2021, 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, 2022, 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	$ 30,089	$ 30,208	$ 4,169	$ 4,170
Due after one year through five years	389,528	356,175	341	340
Due after five years through ten years	14,218	12,999	28,295	28,180
Due after ten years	5,001	4,759	—	—
	438,836	404,141	32,805	32,690
Mortgage-backed securities	1,831,873	1,619,941	1,461,709	1,373,899
Total	$ 2,270,709	$ 2,024,082	$ 1,494,514	$ 1,406,589

Note 4 – LHFI and ACL, LHFI

At December 31, 2022 and 2021, LHFI consisted of the following ($ in thousands):

	December 31, 2022	December 31, 2021
Loans secured by real estate:		
Construction, land development and other land	$ 690,616	$ 596,968
Other secured by 1-4 family residential properties	590,790	517,683
Secured by nonfarm, nonresidential properties	3,278,830	2,977,084
Other real estate secured	742,538	726,043
Other loans secured by real estate:		
Other construction	1,028,926	711,813
Secured by 1-4 family residential properties	2,185,057	1,460,310
Commercial and industrial loans	1,821,259	1,414,279
Consumer loans	170,230	162,555
State and other political subdivision loans	1,223,863	1,146,251
Other commercial loans	471,930	534,843
LHFI	12,204,039	10,247,829
Less ACL	120,214	99,457
Net LHFI	$ 12,083,825	$ 10,148,372

Accrued interest receivable is not included in the amortized cost basis of Trustmark's LHFI. At December 31, 2022 and 2021, accrued interest receivable for LHFI totaled $50.7 million and $26.7 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, 2022, 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, 2022 and 2021, loans to certain executive officers and directors, including their immediate families and companies in which they are principal owners, totaled $47.0 million and $26.3 million, respectively. During 2022, $298.9 million of new loan advances were made, while repayments were $278.0 million. In addition, decreases in loans due to changes in executive officers and directors totaled $139 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, 2022.

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, 2022 and 2021 ($ in thousands):

	December 31, 2022		
	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	$ 137	$ 1,902	$ —
Other secured by 1-4 family residential properties	482	3,957	534
Secured by nonfarm, nonresidential properties	4,841	6,957	—
Other real estate secured	—	231	—
Other loans secured by real estate:			
Other construction	—	7,620	—
Secured by 1-4 family residential properties	1,193	19,775	3,118
Commercial and industrial loans	14,441	25,102	—
Consumer loans	—	181	277
Other commercial loans	—	247	—
Total	$ 21,094	$ 65,972	$ 3,929

	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

The following tables provide an aging analysis of the amortized cost basis of past due LHFI (including nonaccrual loans) at December 31, 2022 and 2021 ($ in thousands):

	December 31, 2022					
	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	$ 1,972	$ 199	$ 34	$ 2,205	$ 688,411	$ 690,616
Other secured by 1-4 family residential properties	3,682	1,206	1,281	6,169	584,621	590,790
Secured by nonfarm, nonresidential properties	825	18	794	1,637	3,277,193	3,278,830
Other real estate secured	131	30	—	161	742,377	742,538
Other loans secured by real estate:						
Other construction	—	—	7,620	7,620	1,021,306	1,028,926
Secured by 1-4 family residential properties	10,709	4,236	9,999	24,944	2,160,113	2,185,057
Commercial and industrial loans	1,966	508	8,974	11,448	1,809,811	1,821,259
Consumer loans	2,199	645	279	3,123	167,107	170,230
State and other political subdivision loans	431	—	—	431	1,223,432	1,223,863
Other commercial loans	785	45	24	854	471,076	471,930
Total	$ 22,700	$ 6,887	$ 29,005	$ 58,592	$ 12,145,447	$ 12,204,039

	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

TDRs

At December 31, 2022, 2021 and 2020, LHFI classified as TDRs totaled $10.2 million, $21.6 million and $25.8 million, respectively, At December 31, 2022, LHFI classified as TDRs were primarily comprised of payment concessions and bankruptcies which totaled $9.7 million. 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. Trustmark had $9 thousand of unused commitments on TDRs at December 31, 2022, compared to $1.0 million of unused commitments on TDRs at December 31, 2021 and $4.5 million of unused commitments on TDRs at December 31, 2020.

At December 31, 2022, TDRs had a related ACL, LHFI of $203 thousand, compared to a related ACL, LHFI of $1.5 million and $2.4 million at December 31, 2021 and 2020, respectively. Specific charge-offs related to TDRs totaled $511 thousand, $3.7 million and $2.3 million for the years ended December 31, 2022, 2021 and 2020, respectively.

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

	Year Ended December 31, 2022		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Loans secured by real estate:			
Construction, land development and other land	1	$ 146	$ 146
Other secured by 1-4 family residential properties	4	321	314
Secured by nonfarm, nonresidential properties	5	6,603	6,601
Other real estate secured	1	85	85
Other loans secured by real estate:			
Secured by 1-4 family residential properties	12	1,231	1,263
Commercial and industrial loans	1	500	500
Total	24	$ 8,886	$ 8,909

	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

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,					
	2022		2021		2020	
	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	42	1	16	2	78
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
Total	1	$ 42	7	$ 5,676	4	$ 299

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, 2022, 2021 and 2020 ($ in thousands):

	December 31, 2022		
	Accruing	Nonaccrual	Total
Loans secured by real estate:			
Construction, land development and other land	$ —	$ 1,564	$ 1,564
Other secured by 1-4 family residential properties	193	823	1,016
Secured by nonfarm, nonresidential properties	98	4,015	4,113
Other real estate secured	—	68	68
Other loans secured by real estate:			
Secured by 1-4 family residential properties	66	3,289	3,355
Commercial and industrial loans	—	45	45
Total TDRs	$ 357	$ 9,804	$ 10,161

	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

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, 2022 and 2021 ($ in thousands):

	December 31, 2022				
	Real Estate	Inventory and Receivables	Vehicles	Miscellaneous	Total
Loans secured by real estate:					
Construction, land development and other land	$ 1,558	$ —	$ —	$ —	$ 1,558
Other secured by 1-4 family residential properties	482	—	—	—	482
Secured by nonfarm, nonresidential properties	4,841	—	—	—	4,841
Other loans secured by real estate:					
Other construction	7,620	—	—	—	7,620
Secured by 1-4 family residential properties	1,193	—	—	—	1,193
Commercial and industrial loans	40	233	395	23,926	24,594
Total	$ 15,734	$ 233	$ 395	$ 23,926	$ 40,288

	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

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 ensure 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, 2022 and 2021 ($ in thousands):

	Term Loans by Origination Year							
	2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
As of December 31, 2022	Commercial LHFI							
Loans secured by real estate:								
Construction, land development and other land:								
Pass - RR 1 through RR 6	$ 363,824	$ 119,727	$ 29,632	$ 3,405	$ 1,016	$ 2,364	$ 64,953	$ 584,921
Special Mention - RR 7	—	—	—	—	—	—	—	—
Substandard - RR 8	146	199	—	1,415	—	—	44	1,804
Doubtful - RR 9	—	—	—	—	—	42	—	42
Total	363,970	119,926	29,632	4,820	1,016	2,406	64,997	586,767
Other secured by 1-4 family residential properties:								
Pass - RR 1 through RR 6	$ 41,996	$ 33,346	$ 17,215	$ 9,341	$ 6,798	$ 2,870	$ 12,209	$ 123,775
Special Mention - RR 7	29	64	17	—	—	—	—	110
Substandard - RR 8	686	31	75	88	220	285	—	1,385
Doubtful - RR 9	15	—	—	—	—	—	—	15
Total	42,726	33,441	17,307	9,429	7,018	3,155	12,209	125,285
Secured by nonfarm, nonresidential properties:								
Pass - RR 1 through RR 6	$ 889,556	$ 657,242	$ 603,515	$ 457,163	$ 205,425	$ 281,828	$ 130,052	$ 3,224,781
Special Mention - RR 7	10,284	—	—	271	—	—	—	10,555
Substandard - RR 8	12,034	1,066	9,457	905	706	18,488	693	43,349
Doubtful - RR 9	34	—	—	77	—	18	—	129
Total	911,908	658,308	612,972	458,416	206,131	300,334	130,745	3,278,814
Other real estate secured:								
Pass - RR 1 through RR 6	$ 293,051	$ 156,386	$ 143,114	$ 107,827	$ 11,297	$ 17,626	$ 12,516	$ 741,817
Special Mention - RR 7	—	—	—	—	—	—	—	—
Substandard - RR 8	30	—	309	—	5	68	126	538
Doubtful - RR 9	—	—	—	—	—	—	—	—
Total	293,081	156,386	143,423	107,827	11,302	17,694	12,642	742,355

As of December 31, 2022	2022	2021	2020	2019	2018	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	$ 372,981	$ 306,904	$ 340,388	$ 833	$ —	$ —	$ 200	$ 1,021,306
Special Mention - RR 7	—	—	—	—	—	—	—	—
Substandard - RR 8	—	7,620	—	—	—	—	—	7,620
Doubtful - RR 9	—	—	—	—	—	—	—	—
Total	372,981	314,524	340,388	833	—	—	200	1,028,926
Commercial and industrial loans:								
Pass - RR 1 through RR 6	$ 673,848	$ 261,962	$ 120,123	$ 44,994	$ 14,265	$ 69,078	$ 577,749	$ 1,762,019
Special Mention - RR 7	—	—	12,421	—	—	—	6,454	18,875
Substandard - RR 8	6,973	9,845	2,170	312	74	—	20,625	39,999
Doubtful - RR 9	240	53	10	4	35	—	24	366
Total	681,061	271,860	134,724	45,310	14,374	69,078	604,852	1,821,259
State and other political subdivision loans:								
Pass - RR 1 through RR 6	$ 393,345	$ 223,302	$ 123,350	$ 39,031	$ 18,876	$ 421,588	$ 1,671	$ 1,221,163
Special Mention - RR 7	—	—	—	—	—	2,700	—	2,700
Substandard - RR 8	—	—	—	—	—	—	—	—
Doubtful - RR 9	—	—	—	—	—	—	—	—
Total	393,345	223,302	123,350	39,031	18,876	424,288	1,671	1,223,863
Other commercial loans:								
Pass - RR 1 through RR 6	$ 88,763	$ 40,006	$ 28,239	$ 37,607	$ 6,424	$ 10,829	$ 244,882	$ 456,750
Special Mention - RR 7	879	—	—	—	—	—	—	879
Substandard - RR 8	3,728	98	—	—	16	1,134	9,301	14,277
Doubtful - RR 9	24	—	—	—	—	—	—	24
Total	93,394	40,104	28,239	37,607	6,440	11,963	254,183	471,930
Total commercial LHFI	$ 3,152,466	$ 1,817,851	$ 1,430,035	$ 703,273	$ 265,157	$ 828,918	$ 1,081,499	$ 9,279,199

As of December 31, 2022	Term Loans by Origination Year 2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
	Consumer LHFI							
Loans secured by real estate:								
Construction, land development and other land:								
Current	$ 62,049	$ 32,867	$ 3,304	$ 1,759	$ 1,679	$ 1,915	$ —	$ 103,573
Past due 30-89 days	—	150	—	36	15	9	—	210
Past due 90 days or more	—	—	—	—	—	—	—	—
Nonaccrual	—	58	—	—	—	8	—	66
Total	62,049	33,075	3,304	1,795	1,694	1,932	—	103,849
Other secured by 1-4 family residential properties:								
Current	$ 25,402	$ 7,983	$ 5,389	$ 4,894	$ 3,701	$ 7,252	$ 403,123	$ 457,744
Past due 30-89 days	19	35	15	134	5	286	3,197	3,691
Past due 90 days or more	—	—	—	1	—	—	452	453
Nonaccrual	88	24	4	20	7	454	3,020	3,617
Total	25,509	8,042	5,408	5,049	3,713	7,992	409,792	465,505
Secured by nonfarm, nonresidential properties:								
Current	$ —	$ 16	$ —	$ —	$ —	$ —	$ —	$ 16
Past due 30-89 days	—	—	—	—	—	—	—	—
Past due 90 days or more	—	—	—	—	—	—	—	—
Nonaccrual	—	—	—	—	—	—	—	—
Total	—	16	—	—	—	—	—	16
Other real estate secured:								
Current	$ —	$ —	$ 89	$ —	$ 5	$ 89	$ —	$ 183
Past due 30-89 days	—	—	—	—	—	—	—	—
Past due 90 days or more	—	—	—	—	—	—	—	—
Nonaccrual	—	—	—	—	—	—	—	—
Total	—	—	89	—	5	89	—	183

As of December 31, 2022	Term Loans by Origination Year 2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
	Consumer LHFI							
Other loans secured by real estate:								
Secured by 1-4 family residential properties								
Current	$ 939,511	$ 559,804	$ 198,769	$ 109,466	$ 80,249	$ 262,196	$ —	$ 2,149,995
Past due 30-89 days	3,967	3,752	2,119	425	—	1,906	—	12,169
Past due 90 days or more	835	777	272	—	134	1,100	—	3,118
Nonaccrual	2,363	4,180	3,275	1,896	2,028	6,033	—	19,775
Total	946,676	568,513	204,435	111,787	82,411	271,235	—	2,185,057
Consumer loans:								
Current	$ 70,858	$ 25,771	$ 9,514	$ 2,509	$ 1,513	$ 295	$ 56,508	$ 166,968
Past due 30-89 days	1,431	238	159	8	23	10	946	2,815
Past due 90 days or more	28	12	7	1	2	—	216	266
Nonaccrual	79	41	19	17	4	—	21	181
Total	72,396	26,062	9,699	2,535	1,542	305	57,691	170,230
Total consumer LHFI	$ 1,106,630	$ 635,708	$ 222,935	$ 121,166	$ 89,365	$ 281,553	$ 467,483	$ 2,924,840
Total LHFI	$ 4,259,096	$ 2,453,559	$ 1,652,970	$ 824,439	$ 354,522	$ 1,110,471	$ 1,548,982	$ 12,204,039

	Term Loans by Origination Year							
As of December 31, 2021	2021	2020	2019	2018	2017	Prior	Revolving Loans	Total
	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

	Term Loans by Origination Year							
	2021	2020	2019	2018	2017	Prior	Revolving Loans	Total
As of December 31, 2021	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

As of December 31, 2021	Term Loans by Origination Year 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

As of December 31, 2021	Term Loans by Origination Year 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

Past Due LHFS

LHFS past due 90 days or more totaled $49.3 million and $69.9 million at December 31, 2022 and 2021, respectively.

Trustmark did not exercise its buy-back option on any delinquent loans serviced for GNMA during 2022 or 2021.

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 that are centrally underwritten based on a credit scoring system as well as an evaluation of the borrower's repayment capacity, credit, and collateral. 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	DCF	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 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 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.

During the first quarter of 2022, Management elected to incorporate a methodology change related to the other construction pool. Components of this change include management utilizing an alternative LDA to support the PD and LGD assumptions necessary to apply a DCF methodology to the other construction pool. Fundamentally, this approach utilizes publicly reported default balances and leverages a generalized linear model (GLM) framework to estimate PD. Taken together, these differences allow for results to be scaled to be specific and directly applicable to the other construction segment. LGD is assumed to be a through-the-cycle constant based on the actual performance of Trustmark's other construction segment. These assumptions are then input into the DCF model and used in conjunction with prepayment data to calculate the cash flows at the individual loan level. Previously, the other construction pool used the weighted average remaining maturity (WARM) method. Management believes this change is commensurate with the level of risk in the pool.

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 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 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 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. Due to multiple periods 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.

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 four are currently considered active: (i) economic conditions and concentrations of credit, (ii) nature and volume of the portfolio, (iii) performance trends and (iv) 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 nature and volume of the portfolio qualitative factor utilizes peer and industry assumptions for pools of loans where Trustmark's historical experience might not capture the risk associated within a specific pool due to it being a different type of lending, different sources of repayment or a new line of business.

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). Trustmark's External Factor – Pandemic ensures 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.

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 were 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. During the fourth quarter of 2022, Management noted that all pass rated loans (RR 5 & RR 6) related to the External Factor-Pandemic qualitative factor either did not experience significant stress related to the pandemic or have since recovered and does not expect future stresses attributed to the pandemic that may affect these loans. As a result, Management decided to accelerate the release of the additional pandemic reserves on all pass rated loans.

During the first quarter of 2022, in order to account for the potential uncertainty related to higher prices and low economic growth, Trustmark chose to enact a portion of the qualitative framework, External Factor - Stagflation. Management calculated the reserve using a third-party stagflation forecast and compared it to the third-party baseline forecast used in the quantitative modeling. The weighted differential is added as qualitative reserves to account for potential uncertainty. During the fourth quarter of 2022, Management determined that the likelihood of a stagflation scenario had sufficiently diminished. Management identified that the potential had already been reduced and effectively captured within a nominally more negative baseline economic forecast. As a result, Management elected to resolve the External Factor - Stagflation and fully release the reserves.

The following tables disaggregate the ACL, LHFI and the amortized cost basis of the loans by the measurement methodology used at December 31, 2022 and 2021 ($ in thousands):

	Year Ended December 31, 2022					
	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	$ 121	$ 12,707	$ 12,828	$ 1,558	689,058	$ 690,616
Other secured by 1-4 family residential properties	—	12,374	12,374	482	590,308	590,790
Secured by nonfarm, nonresidential properties	—	19,488	19,488	4,841	3,273,989	3,278,830
Other real estate secured	—	4,743	4,743	—	742,538	742,538
Other loans secured by real estate:						
Other construction	7,620	7,512	15,132	7,620	1,021,306	1,028,926
Secured by 1-4 family residential properties	—	21,185	21,185	1,193	2,183,864	2,185,057
Commercial and industrial loans	9,946	13,194	23,140	24,594	1,796,665	1,821,259
Consumer loans	—	5,792	5,792	—	170,230	170,230
State and other political subdivision loans	—	885	885	—	1,223,863	1,223,863
Other commercial loans	—	4,647	4,647	—	471,930	471,930
Total	$ 17,687	$ 102,527	$ 120,214	$ 40,288	$ 12,163,751	$ 12,204,039

	December 31, 2021					
	ACL			LHFI		
	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	$ 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

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

	Years Ended December 31,		
	2022	2021	2020
Balance at beginning of period	$ 99,457	$ 117,306	$ 84,277
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	(11,332)	(10,275)	(11,475)
Recoveries	10,412	13,925	9,608
Net (charge-offs) recoveries	(920)	3,650	(1,867)
PCL, LHFI	21,677	(21,499)	36,113
Balance at end of period	$ 120,214	$ 99,457	$ 117,306

The following tables detail changes in the ACL, LHFI by loan class for the years ended December 31, 2022 and 2021 ($ in thousands):

	2022				
	Balance January 1,	Charge-offs	Recoveries	PCL	Balance December 31,
Loans secured by real estate:					
Construction, land development and other land	$ 6,079	$ (226)	$ 1,280	$ 5,695	$ 12,828
Other secured by 1-4 family residential properties	10,310	(225)	597	1,692	12,374
Secured by nonfarm, nonresidential properties	37,912	(306)	1,724	(19,842)	19,488
Other real estate secured	4,713	(131)	14	147	4,743
Other loans secured by real estate:					
Other construction	5,968	(153)	222	9,095	15,132
Secured by 1-4 family residential properties	2,706	(154)	167	18,466	21,185
Commercial and industrial loans	18,939	(671)	955	3,917	23,140
Consumer loans	4,774	(2,125)	1,563	1,580	5,792
State and other political subdivision loans	2,708	—	—	(1,823)	885
Other commercial loans	5,348	(7,341)	3,890	2,750	4,647
Total	$ 99,457	$ (11,332)	$ 10,412	$ 21,677	$ 120,214

The increases in the PCL, LHFI for the year ended December 31, 2022 were primarily due to loan growth, the weakening of the macroeconomic forecast and the nature and volume of the portfolio.

The decrease in the PCL, LHFI for the secured by nonfarm, nonresidential properties portfolio for the year ended December 31, 2022 was primarily due to adjustments to the External Factor - Pandemic qualitative factor. The decrease in the PCL, LHFI for the state and other political subdivision loans portfolio was due to the release of specific reserves on individually analyzed credits coupled with the adjustments to the External Factor - Pandemic qualitative factor and routine modeling assumption updates.

	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, LHFI 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, LHFI 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.

Note 5 – Premises and Equipment, Net

At December 31, 2022 and 2021, premises and equipment, net consisted of the following ($ in thousands):

	December 31,	
	2022	2021
Land	$ 54,300	$ 54,342
Buildings and leasehold improvements	237,215	221,986
Furniture and equipment	198,698	190,907
Total cost of premises and equipment	490,213	467,235
Less accumulated depreciation and amortization	282,385	271,334
Premises and equipment, net	207,828	195,901
Finance lease right-of-use assets	4,537	6,017
Assets held for sale	—	3,726
Total premises and equipment, net	$ 212,365	$ 205,644

There were no properties included in assets held for sale at December 31, 2022 compared to two properties at December 31, 2021. 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 subsequent twelve months as a result of its strategic initiatives. Property valuation adjustments of $400 thousand were recognized and included in other expense for 2022 compared to $140 thousand for 2021 and $1.7 million for 2020.

Depreciation and amortization of premises and equipment totaled $16.2 million in 2022, $15.6 million in 2021 and $14.8 million in 2020.

Note 6 – Mortgage Banking

MSR

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

	Years Ended December 31,	
	2022	2021
Balance at beginning of period	$ 87,687	$ 66,464
Origination of servicing assets	17,843	28,125
Change in fair value:		
Due to market changes	38,181	13,258
Due to runoff	(14,034)	(20,160)
Balance at end of period	$ 129,677	$ 87,687

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, the float rate, which is the interest rate earned on escrow balances, and the discount rate as some of the primary assumptions used 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. An increase in the float rate will result in an increase in the fair value of the MSR, while a decrease in the float rate will result in a decrease in the fair value of the MSR. At December 31, 2022, the fair value of the MSR included an assumed average prepayment speed of 8 CPR and an average discount rate of 10.08% compared to an assumed average prepayment speed of 12 CPR and an average discount rate of 9.56% at December 31, 2021.

Mortgage Loans Sold/Serviced

During 2022, 2021 and 2020, Trustmark sold $1.243 billion, $2.286 billion and $2.532 billion, respectively, of residential mortgage loans. Gain on sales of loans, net totaled $20.2 million in 2022, $56.0 million in 2021 and $110.9 million in 2020. Trustmark receives annual servicing fee income approximating 0.32% of the outstanding balance of the underlying loans, which totaled $26.0 million in 2022, $25.1 million in 2021 and $23.3 million in 2020. 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, 2022 and 2021 ($ in thousands):

	December 31, 2022	December 31, 2021
Federal National Mortgage Association	$ 4,684,815	$ 4,709,584
Government National Mortgage Association	3,350,222	3,194,373
Federal Home Loan Mortgage Corporation	52,023	35,971
Other	28,764	13,272
Total mortgage loans sold and serviced for others	$ 8,115,824	$ 7,953,200

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, 2022 and 2021, 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 7 – Goodwill and Identifiable Intangible Assets

Goodwill

The table below illustrates goodwill by segment for the years ended December 31, 2022 and 2021 ($ in thousands):

	General Banking	Insurance	Total
Balance as of January 1, 2021	$ 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
Adjustment during 2022	—	—	—
Balance as of December 31, 2022	$ 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 2022, 2021 and 2020. 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, 2022 and 2021, identifiable intangible assets consisted of the following ($ in thousands):

	December 31, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Core deposit intangibles	$ 87,674	$ 87,199	$ 475	$ 87,674	$ 86,280	$ 1,394
Insurance intangibles	17,272	14,157	3,115	17,272	13,709	3,563
Banking charters	1,325	1,275	50	1,325	1,208	117
Total	$ 106,271	$ 102,631	$ 3,640	$ 106,271	$ 101,197	$ 5,074

Trustmark recorded $1.4 million of amortization of identifiable intangible assets in 2022, $2.3 million in 2021 and $3.1 million in 2020. Trustmark estimates that amortization expense for identifiable intangible assets will be $674 thousand in 2023, $472 thousand in 2024, $403 thousand in 2025, $341 thousand in 2026 and $283 thousand in 2027. 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 2022, 2021 or 2020.

The following table illustrates the carrying amounts and remaining weighted-average amortization periods of identifiable intangible assets at December 31, 2022 ($ in thousands):

	Net Carrying Amount	Remaining Weighted-Average Amortization Period in Years
Core deposit intangibles	$ 475	3.4
Insurance intangibles	3,115	15.8
Banking charters	50	0.8
Total	$ 3,640	14.0

Note 8 – Other Real Estate

At December 31, 2022, Trustmark's geographic other real estate distribution was primarily 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 this area.

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

	Years Ended December 31,		
	2022	2021	2020
Balance at beginning of period	$ 4,557	$ 11,651	$ 29,248
Additions	1,533	770	635
Disposals	(4,142)	(6,932)	(16,446)
(Write-downs) recoveries	38	(932)	(1,786)
Balance at end of period	$ 1,986	$ 4,557	$ 11,651
Gains (losses), net on the sale of other real estate included in other real estate expense	$ (1,006)	$ (1,869)	$ 897

At December 31, 2022 and 2021, other real estate by type of property consisted of the following ($ in thousands):

	December 31,	
	2022	2021
1-4 family residential properties	$ 1,128	$ 94
Nonfarm, nonresidential properties	561	4,463
Other real estate properties	297	—
Total other real estate	$ 1,986	$ 4,557

At December 31, 2022 and 2021, other real estate by geographic location consisted of the following ($ in thousands):

	December 31, 2022	December 31, 2021
Alabama	$ 194	$ —
Mississippi *(1)*	1,769	4,557
Tennessee *(2)*	23	—
Total other real estate	$ 1,986	$ 4,557

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

At December 31, 2022 and 2021, the balance of other real estate included $1.1 million and $94 thousand, respectively, of foreclosed residential real estate properties recorded as a result of obtaining physical possession of the property. At December 31, 2022 and 2021, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process was $2.9 million and $1.2 million, respectively.

Note 9 – Leases

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

	Years Ended December 31, 2022	2021	2020
Finance leases			
Amortization of right-of-use assets	$ 1,479	$ 1,546	$ 1,856
Interest on lease liabilities	188	219	254
Operating lease cost	5,172	5,275	5,188
Short-term lease cost	389	463	423
Variable lease cost	1,150	1,234	1,286
Sublease income	(168)	(350)	(335)
Net lease cost	$ 8,210	$ 8,387	$ 8,672

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

	Years Ended December 31, 2022	2021	2020
Finance leases			
Operating cash flows included in operating activities	$ 188	$ 219	$ 254
Financing cash flows included in payments under finance lease obligations	1,409	1,434	1,715
Operating leases			
Operating cash flows (fixed payments) included in other operating activities, net	4,829	4,781	4,988
Operating cash flows (liability reduction) included in other operating activities, net	4,009	3,948	3,856

The table below details balance sheet information, as well as weighted-average lease terms and discount rates, at December 31, 2022 and 2021 ($ in thousands):

	December 31,	
	2022	2021
Finance lease right-of-use assets, net of accumulated depreciation	$ 4,537	$ 6,017
Finance lease liabilities	5,055	6,464
Operating lease right-of-use assets	36,301	34,603
Operating lease liabilities	38,932	36,468
Weighted-average lease term		
Finance leases	8.72 years	8.37 years
Operating leases	9.64 years	9.25 years
Weighted-average discount rate		
Finance leases	3.49 %	3.24 %
Operating leases	3.22 %	2.84 %

At December 31, 2022, future minimum rental commitments under finance and operating leases were as follows ($ in thousands):

	Finance Leases	Operating Leases
2023	$ 885	$ 5,014
2024	572	5,031
2025	584	4,998
2026	589	4,690
2027	594	4,457
Thereafter	2,685	20,954
Total minimum lease payments	5,909	45,144
Less imputed interest	(854)	(6,212)
Lease liabilities	$ 5,055	$ 38,932

Note 10 – Deposits

At December 31, 2022 and 2021, deposits consisted of the following ($ in thousands):

	December 31,	
	2022	2021
Noninterest-bearing demand	$ 4,093,771	$ 4,771,065
Interest-bearing demand	4,773,219	4,372,500
Savings	4,282,435	4,745,137
Time	1,288,223	1,198,458
Total	$ 14,437,648	$ 15,087,160

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

	Years Ended December 31,		
	2022	2021	2020
Interest-bearing demand	$ 16,409	$ 4,906	$ 9,985
Savings	9,654	7,912	13,481
Time	3,006	4,127	14,021
Total	$ 29,069	$ 16,945	$ 37,487

Time deposits that exceed the FDIC insurance limit of $250 thousand totaled $247.2 million and $164.0 million at December 31, 2022 and 2021, respectively.

The maturities of interest-bearing deposits at December 31, 2022, are as follows ($ in thousands):

2023	$	996,457
2024		245,655
2025		24,804
2026		9,526
2027		9,139
Thereafter		2,642
Total time deposits		1,288,223
Interest-bearing deposits with no stated maturity		9,055,654
Total interest-bearing deposits	$	10,343,877

Note 11 - 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 $102.4 million and $252.4 million at December 31, 2022 and 2021, respectively. At both December 31, 2022 and 2021, all repurchase agreements were short-term and consisted primarily of sweep repurchase arrangements, under which excess deposits are "swept" into overnight repurchase agreements with Trustmark. The following table presents the securities sold under repurchase agreements by collateral pledged at December 31, 2022 and 2021 ($ in thousands):

	December 31,			
	2022		2021	
Mortgage-backed securities				
Residential mortgage pass-through securities				
Issued by FNMA and FHLMC	$	41,732	$	167,310
Other residential mortgage-backed securities				
Issued or guaranteed by FNMA, FHLMC or GNMA		1,111		1,475
Commercial mortgage-backed securities				
Issued or guaranteed by FNMA, FHLMC or GNMA		21,277		24,528
Total securities sold under repurchase agreements	$	64,120	$	193,313

Other Borrowings

At December 31, 2022 and 2021, other borrowings consisted of the following ($ in thousands):

	December 31,			
	2022		2021	
FHLB advances	$	975,078	$	97
Serviced GNMA loans eligible for repurchase		70,805		84,464
Finance lease liabilities		5,055		6,464
Total other borrowings	$	1,050,938	$	91,025

FHLB Advances

At both December 31, 2022 and 2021, Trustmark had no outstanding short-term FHLB advances with the FHLB of Atlanta.

At both December 31, 2022 and 2021, Trustmark had one outstanding long-term FHLB advance with the FHLB of Atlanta totaling $78 thousand and $97 thousand, respectively. This advance was assumed through the BancTrust merger and had a fixed interest rate of 0.08%. At December 31, 2022 and 2021, this advance had a remaining maturity of 3.71 years and 4.71 years, respectively. There was no fair market value adjustment associated with the BancTrust merger included in the FHLB advances at December 31, 2022 and 2021. Trustmark's FHLB advances are collateralized by securities held in safekeeping with the FHLB of Atlanta.

At December 31, 2022, Trustmark had four outstanding short-term FHLB advances totaling $975.0 million and no long-term FHLB advances with the FHLB of Dallas, compared to no outstanding short-term or long-term FHLB advances with the FHLB of Dallas at December 31, 2021. Two of the outstanding short-term advances with the FHLB of Dallas had fixed rates of 4.56% and 4.59% with balances of $125.0 million and $375.0 million, respectively. The remaining two outstanding short-term advances had a fixed rate of 4.57% each with balances of $300.0 million and $175.0 million, respectively. These four outstanding short-term FHLB advances had a weighted-average remaining maturity of 10 days with a weighted-average cost of 4.58%.

Trustmark incurred $4.8 million of interest expense on short-term FHLB advances in 2022, compared to $2 thousand of interest expense in 2021 and $9 thousand of interest expense in 2020. Trustmark incurred no interest expense on long-term FHLB advances in 2022 and 2021 compared to $8 thousand of interest expense in 2020.

At December 31, 2022 and 2021, Trustmark had $3.034 billion and $3.449 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, 2022 and 2021, the carrying amount of the Notes was $123.3 million and $123.0 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, 2022 and 2021, 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, 2022 and 2021, 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 2022, net income for the Trust equaled $66 thousand resulting from interest income from the junior subordinated debt securities issued by Trustmark to the Trust, compared with net income of $36 thousand during 2021 and $51 thousand during 2020. Dividends issued to Trustmark by the Trust during 2022 totaled $66 thousand, compared to $36 thousand during 2021 and $51 thousand during 2020.

Note 12 – 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, 2022			Year Ended December 31, 2021			Year Ended December 31, 2020		
	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	$ 42,073	$ —	$ 42,073	$ 33,169	$ —	$ 33,169	$ 32,213	$ —	$ 32,213
Bank card and other fees	31,474	4,584	36,058	30,897	3,727	34,624	27,398	3,594	30,992
Mortgage banking, net	—	28,306	28,306	—	63,750	63,750	—	125,822	125,822
Wealth management	639	—	639	48	—	48	254	—	254
Other, net	8,469	805	9,274	6,621	(338)	6,283	7,432	978	8,410
Total noninterest income	$ 82,655	$ 33,695	$ 116,350	$ 70,735	$ 67,139	$ 137,874	$ 67,297	$ 130,394	$ 197,691
Wealth Management Segment									
Service charges on deposit accounts	$ 84	$ —	$ 84	$ 77	$ —	$ 77	$ 76	$ —	$ 76
Bank card and other fees	47	—	47	38	—	38	30	—	30
Wealth management	34,374	—	34,374	35,142	—	35,142	31,371	—	31,371
Other, net	528	39	567	130	33	163	107	50	157
Total noninterest income	$ 35,033	$ 39	$ 35,072	$ 35,387	$ 33	$ 35,420	$ 31,584	$ 50	$ 31,634
Insurance Segment									
Insurance commissions	$ 53,721	$ —	$ 53,721	$ 48,511	$ —	$ 48,511	$ 45,176	$ —	$ 45,176
Other, net	1	—	1	105	—	105	92	—	92
Total noninterest income	$ 53,722	$ —	$ 53,722	$ 48,616	$ —	$ 48,616	$ 45,268	$ —	$ 45,268
Consolidated									
Service charges on deposit accounts	$ 42,157	$ —	$ 42,157	$ 33,246	$ —	$ 33,246	$ 32,289	$ —	$ 32,289
Bank card and other fees	31,521	4,584	36,105	30,935	3,727	34,662	27,428	3,594	31,022
Mortgage banking, net	—	28,306	28,306	—	63,750	63,750	—	125,822	125,822
Insurance commissions	53,721	—	53,721	48,511	—	48,511	45,176	—	45,176
Wealth management	35,013	—	35,013	35,190	—	35,190	31,625	—	31,625
Other, net	8,998	844	9,842	6,856	(305)	6,551	7,631	1,028	8,659
Total noninterest income	$ 171,410	$ 33,734	$ 205,144	$ 154,738	$ 67,172	$ 221,910	$ 144,149	$ 130,444	$ 274,593

(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 13 – 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, 2022	2021	2020
Current			
Federal	$ 15,377	$ 5,815	$ 40,118
State	3,283	2,118	9,439
Deferred			
Federal	(13,440)	16,092	(15,840)
State	(3,360)	4,023	(3,960)
Income tax provision	$ 1,860	$ 28,048	$ 29,757

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, 2022	2021	2020
Income tax computed at statutory tax rate	$ 15,487	$ 36,837	$ 39,854
Tax exempt interest	(4,419)	(3,935)	(4,284)
Nondeductible interest expense	271	106	247
State income taxes, net	2,596	1,673	7,457
Income tax credits, net	(10,071)	(10,479)	(9,375)
Death benefit gains	(287)	(175)	(91)
Other	(1,717)	4,021	(4,051)
Income tax provision	$ 1,860	$ 28,048	$ 29,757

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, 2022 and 2021, which are included in other assets on the accompanying consolidated balance sheets ($ in thousands):

	December 31, 2022	2021
Deferred tax assets:		
Litigation losses	$ 25,187	$ —
Other real estate	70	1,182
Accumulated credit losses	39,370	33,895
Deferred compensation	17,695	18,804
Finance and operating lease liabilities	10,997	10,733
Realized built-in losses	9,180	9,930
Securities	84,813	5,924
Pension and other postretirement benefit plans	1,931	4,929
Interest on nonaccrual loans	1,159	1,235
LHFS	205	591
Stock-based compensation	2,647	2,771
Loan fees	—	125
Derivatives	5,056	—
Other	10,038	9,705
Gross deferred tax asset	208,348	99,824
Deferred tax liabilities:		
Goodwill and other identifiable intangibles	14,378	14,667
Premises and equipment	15,978	16,470
Finance and operating lease right-of-use assets	10,209	10,155
MSR	24,452	13,007
Securities	2,069	1,686
Other	2,876	3,081
Gross deferred tax liability	69,962	59,066
Net deferred tax asset	$ 138,386	$ 40,758

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

	December 31,		
	2022	2021	2020
Balance at beginning of period	$ 2,129	$ 1,781	$ 1,524
Change due to tax positions taken during the current year	653	412	353
Change due to tax positions taken during a prior year	(266)	107	79
Change due to the lapse of applicable statute of limitations during the current year	(200)	(171)	(175)
Balance at end of period	$ 2,316	$ 2,129	$ 1,781
Accrued interest, net of federal benefit	$ 489	$ 419	$ 330
Unrecognized tax benefits that would impact the effective tax rate, if recognized	$ 1,948	$ 1,766	$ 1,420

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 2016 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 14 – 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, 2022	December 31, 2021
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 8,647	$ 9,547
Service cost	115	252
Interest cost	192	173
Actuarial (gain) loss	(1,882)	(198)
Benefits paid	(165)	(1,127)
Benefit obligation, end of year	$ 6,907	$ 8,647
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 2,900	$ 2,873
Actual return on plan assets	(285)	291
Employer contributions	457	863
Benefit payments	(165)	(1,127)
Fair value of plan assets, end of year	$ 2,907	$ 2,900
Funded status at end of year - net liability	$ (4,000)	$ (5,747)
Amounts recognized in accumulated other comprehensive loss:		
Net (gain) loss - amount recognized	$ (271)	$ 1,428
Actuarial (gain) loss included in benefit obligation:		
Change in discount rate	$ (2,174)	$ (491)
Change in mortality table	—	15
Other	292	278
Actuarial (gain) loss	$ (1,882)	$ (198)

	Years Ended December 31, 2022	2021	2020
Net periodic benefit cost:			
Service cost	$ 115	$ 252	$ 254
Interest cost	192	173	241
Expected return on plan assets	(121)	(130)	(154)
Recognized net loss due to lump sum settlements	—	183	119
Recognized net actuarial loss	224	594	326
Net periodic benefit cost	$ 410	$ 1,072	$ 786
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)	$ (1,699)	$ (1,136)	$ 671
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (1,289)	$ (64)	$ 1,457
Weighted-average assumptions as of end of year:			
Discount rate for benefit obligation	4.88 %	2.41 %	1.95 %
Discount rate for net periodic benefit cost	2.41 %	1.95 %	2.84 %
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, 2022 and 2021.

	December 31, 2022	December 31, 2021
Money market fund	7.0 %	4.0 %
Exchange traded funds:		
Equity securities	47.0 %	50.0 %
Fixed income	39.0 %	35.0 %
International	7.0 %	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, 2022 and 2021 ($ in thousands):

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Money market fund	$ 203	$ 203	$ —	$ —
Exchange traded funds:				
Equity securities	1,379	1,379	—	—
Fixed income	1,135	1,135	—	—
International	190	190	—	—
Total assets at fair value	$ 2,907	$ 2,907	$ —	$ —

	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	$ —	$ —

There have been no changes in the methodologies used in estimating the fair value of plan assets at December 31, 2022. 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, 2022, Trustmark's minimum required contribution to the Continuing Plan was $170 thousand and Trustmark contributed $332 thousand. For the plan year ending December 31, 2023, Trustmark's minimum required contribution to the Continuing Plan is expected to be $195 thousand. Management and the Board of Directors of Trustmark will monitor the Continuing Plan throughout 2023 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
2023	$ 1,864
2024	1,068
2025	556
2026	583
2027	639
2028 - 2032	1,565

No net gain or loss is expected to be recognized as components of net periodic benefit cost during 2023 in accumulated other comprehensive income (loss).

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,	
	2022	2021
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 55,035	$ 59,646
Service cost	71	75
Interest cost	1,278	1,125
Actuarial (gain) loss	(9,195)	(2,357)
Benefits paid	(3,988)	(3,454)
Benefit obligation, end of year	$ 43,201	$ 55,035
Change in plan assets:		
Fair value of plan assets, beginning of year	$ —	$ —
Employer contributions	3,988	3,454
Benefit payments	(3,988)	(3,454)
Fair value of plan assets, end of year	$ —	$ —
Funded status at end of year - net liability	$ (43,201)	$ (55,035)
Amounts recognized in accumulated other comprehensive loss:		
Net loss	$ 7,756	$ 17,937
Prior service cost	237	348
Amounts recognized	$ 7,993	$ 18,285
Actuarial (gain) loss included in benefit obligation:		
Change in discount rate	$ (9,803)	$ (2,431)
Change in mortality table	—	134
Other	608	(60)
Actuarial (gain) loss	$ (9,195)	$ (2,357)

	Years Ended December 31,		
	2022	2021	2020
Net periodic benefit cost:			
Service cost	$ 71	$ 75	$ 77
Interest cost	1,278	1,125	1,576
Amortization of prior service cost	111	111	150
Recognized net actuarial loss	986	1,192	957
Net periodic benefit cost	$ 2,446	$ 2,503	$ 2,760
Other changes in plan assets and benefit obligation recognized in other comprehensive income (loss), before taxes:			
Net (gain) loss	$ (10,181)	$ (3,549)	$ 3,211
Amortization of prior service cost	(111)	(111)	(150)
Total recognized in other comprehensive income (loss)	$ (10,292)	$ (3,660)	$ 3,061
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (7,846)	$ (1,157)	$ 5,821
Weighted-average assumptions as of end of year:			
Discount rate for benefit obligation	4.88%	2.41%	1.95%
Discount rate for net periodic benefit cost	2.41%	1.95%	2.84%

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
2023	$	3,963
2024		3,977
2025		3,838
2026		3,785
2027		3,596
2028 - 2032		16,536

Amounts in accumulated other comprehensive income (loss) expected to be recognized as components of net periodic benefit cost during 2023 include a loss of $284 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 eligible compensation, 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, subject to the IRS maximum eligible compensation. Associates are automatically enrolled in the plan at 3% of eligible compensation unless they opt out within 60 days of employment. Associates may become eligible to make elective deferral contributions the first of the month following one month of employment. Eligible associates that elect to participate vest immediately in Trustmark's matching contributions. Trustmark's contributions to this plan were $10.2 million in 2022, $9.9 million in 2021 and $9.2 million in 2020.

Note 15 – 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, 2022, the maximum number of shares of Trustmark's common stock available for issuance under the Stock Plan was 1,004,664 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,					
	2022		2021		2020	
	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	140,821	$ 31.80	145,042	$ 32.43	149,914	$ 32.88
Granted	60,773	32.64	53,273	30.02	53,450	31.98
Released from restriction	(19,723)	33.40	(44,536)	31.88	(36,357)	33.31
Forfeited	(33,455)	33.11	(12,958)	31.28	(21,965)	32.97
Nonvested shares, end of year	148,416	$ 31.63	140,821	$ 31.80	145,042	$ 32.43

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,					
	2022		2021		2020	
	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	337,466	$ 31.18	301,619	$ 32.24	300,006	$ 33.04
Granted	133,307	31.85	180,847	29.85	123,810	31.52
Released from restriction	(148,905)	32.16	(135,120)	31.77	(110,537)	33.58
Forfeited	(8,890)	31.62	(9,880)	31.19	(11,660)	32.47
Nonvested shares, end of year	312,978	$ 30.99	337,466	$ 31.18	301,619	$ 32.24

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, 2022	
	2022	2021	2020	Unrecognized Compensation Expense	Weighted Average Life of Unrecognized Compensation Expense
Performance awards	$ 1,258	$ 828	$ 815	$ 1,755	1.74
Time-based awards	3,625	4,773	4,382	3,524	1.59
Total	$ 4,883	$ 5,601	$ 5,197	$ 5,279	

Note 16 – 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, 2022 and 2021, Trustmark had unused commitments to extend credit of $5.472 billion and $5.238 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, 2022 and 2021, Trustmark's maximum exposure to credit loss in the event of nonperformance by the other party for letters of credit was $144.1 million and $222.5 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, 2022 and 2021, the fair value of collateral held was $15.4 million and $124.6 million, respectively.

ACL on 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.

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

	Years Ended December 31,		
	2022	2021	2020
Balance at beginning of period	$ 35,623	$ 38,572	$ —
FASB ASU 2016-13 adoption adjustment	—	—	29,638
PCL, off-balance sheet credit exposures *(1)*	1,215	(2,949)	8,934
Balance at end of period	$ 36,838	$ 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 increase in the ACL on off-balance sheet credit exposures for the year ended December 31, 2022 was primarily due to the overall increase in the total reserve rates applied to off-balance sheet credit exposures as a result of the weakening in the macroeconomic forecasts and an increase in unfunded balances. 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.

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 Rotstain Action). 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 District Court for the Northern District of Texas rescinded its previously-issued trial scheduling orders so that the Southern District of Texas could set scheduling for this case once the case had in fact been remanded. On January 19, 2022, the judge of the District Court for the Northern District of Texas to whom the case was then 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, and on January 28, 2022 the remand of the case became effective. On June 9, 2022, the court entered an order scheduling trial beginning February 27, 2023, which will be held as a jury trial in front of Judge Kenneth M. Hoyt of the District Court for the Southern District of Texas.

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 Jackson Action). The complaint seeks to recover the money lost by these individual plaintiffs as a result of the collapse of the Stanford Financial Group (in addition to other damages) under various theories and causes of action, including negligence, breach of contract, breach of fiduciary duty, negligent misrepresentation, detrimental reliance, conspiracy, and violation of Louisiana's uniform fiduciary, securities, and racketeering laws. The complaint does not quantify the amount of money the plaintiffs seek to recover. In January 2010, the lawsuit was removed to federal court by certain defendants and then transferred by the United States Panel on Multidistrict Litigation to federal court in the Northern District of Texas (Dallas) where multiple Stanford related matters are being consolidated for pre-trial proceedings. On

March 29, 2010, the court stayed the case. TNB filed a motion to lift the stay, which was denied on February 28, 2012. In September 2012, the district court referred the case to a magistrate judge for hearing and determination of certain pretrial issues.

On April 11, 2016, Trustmark learned that a 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. The plaintiffs in the Joint Liquidators' Action appealed this decision. On November 17, 2022, the intermediate appellate court in Canada dismissed the appeal. On January 16, 2023, the plaintiffs in the Joint Liquidators' Action asked the Supreme Court of Canada for leave to appeal. TNB was never served in connection with the TD Bank Declaratory Action (including any of the recent appeals), 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 Action and, collectively with the Rotstain Action and the Jackson Action, the Actions). The Smith Action 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 Action relates to the collapse of the Stanford Financial Group, as does the other pending litigation relating to Stanford summarized above. Plaintiffs in the Smith Action 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.

On December 31, 2022, TNB agreed to a settlement in principle (the Settlement) relating to litigation involving the Stanford Financial Group. On January 13, 2023, TNB entered into a Settlement Agreement (the Settlement Agreement) reflecting the terms of the Settlement. The parties to the Settlement Agreement are, on the one hand, (i) Ralph S. Janvey, solely in his capacity as the court-appointed receiver (the Receiver) for the Stanford Receivership Estate; (ii) the Official Stanford Investors Committee; (iii) each of the plaintiffs in the Rotstain and Smith Actions; and, on the other hand, (iv) Trustmark. Under the terms of the Settlement Agreement, the parties have agreed to settle and dismiss the Rotstain Action, and the Smith Action, and all current or future claims by plaintiffs in either such Action arising from or related to Stanford. In addition, the Settlement Agreement provides that the parties will request dismissal of the Jackson Action pursuant to the terms of the bar orders described below. If the Settlement Agreement, including the bar orders described below, is approved by the Court and is not subject to further appeal, Trustmark will make a one-time cash payment of $100.0 million to the Receiver.

The Settlement Agreement includes the parties' agreement to seek the Northern District of Texas District Court's entry of bar orders prohibiting any continued or future claims by the plaintiffs in the Actions or by any other person or entity against Trustmark and its related parties relating to Stanford, whether asserted to date or not. The bar orders therefore would prohibit all litigation relating to Stanford described herein, including not only the Actions and any pending matters but also any actions that may be brought in the future. Final Court approval of these bar orders is a condition of the Settlement.

The Settlement Agreement is also subject to notice to Stanford's investor claimants and final, non-appealable approval by the U.S. District Court for the Northern District of Texas. The timing of any final decision by the Court is subject to the discretion of the Court and any appeal thereof. While Trustmark believes that the Settlement Agreement is consistent with the terms of prior Stanford-related settlements that have been approved by the Court and were not successfully appealed, it is possible that the Court may decide not to approve the Settlement Agreement or that the Court's approval of the settlement and its entry of the bar orders may not be upheld on appeal.

The Settlement Agreement provides that Trustmark denies and makes no admission of liability or wrongdoing in connection with any Stanford matter. As has been the case throughout the pendency of the Actions, Trustmark expressly denies any liability or wrongdoing with respect to any matter alleged in regard of the multi-billion-dollar Ponzi scheme operated by Stanford for almost 20 years. Trustmark's relationship with Stanford began as a result of Trustmark's acquisition of a Houston-based bank in August 2006, and consisted of ordinary banking services provided to business deposit customers.

The foregoing description of the Settlement Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Settlement Agreement, a copy of which is filed as Exhibit 10.ai hereto and is incorporated herein by reference.

On January 20, 2023, the U.S. District Court for the Northern District of Texas entered an order preliminarily finding that the Settlement is fair, reasonable, and equitable; has no obvious deficiencies; and is the product of serious, informed, good faith, and arm's-length negotiations. The Court reserved a final ruling with respect to the terms of the Settlement until after a Final Approval Hearing is held. That Final Approval Hearing is scheduled for May 3, 2023, and will be held before Judge David C. Godbey of the District Court for the Northern District of Texas. On February 14, 2023, Judge Hoyt entered an order staying the pre-trial deadlines and the February 27, 2023 trial date with respect to Trustmark in the Rotstain Action pending final Court approval of the Settlement Agreement and pending entry of the bar orders. The Smith and Jackson Actions are currently stayed.

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 Adams 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 Adams 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. As a result of the entry into the Settlement as described above, Trustmark recognized a $100.0 million litigation settlement expense included in noninterest expense related to the Stanford litigation during the fourth quarter of 2022, plus an additional $750 thousand in related legal fees. Trustmark expects that the Settlement will be tax deductible. Trustmark will remain substantially above levels considered to be well-capitalized under all relevant standards. 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 other than the settled Stanford litigation is not probable and a reasonable estimate cannot reasonably be made.

Note 17 – 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, 2022 and 2021. 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, 2022, 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, 2022. 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, 2022, 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, 2022 and 2021 ($ in thousands):

	Actual Regulatory Capital		Minimum	To Be Well
	Amount	Ratio	Requirement	Capitalized
At December 31, 2022:				
Common Equity Tier 1 Capital (to Risk Weighted Assets)				
Trustmark Corporation	$ 1,413,672	9.74 %	7.000 %	n/a
Trustmark National Bank	1,501,889	10.34 %	7.000 %	6.50 %
Tier 1 Capital (to Risk Weighted Assets)				
Trustmark Corporation	$ 1,473,672	10.15 %	8.500 %	n/a
Trustmark National Bank	1,501,889	10.34 %	8.500 %	8.00 %
Total Capital (to Risk Weighted Assets)				
Trustmark Corporation	$ 1,729,499	11.91 %	10.500 %	n/a
Trustmark National Bank	1,634,454	11.26 %	10.500 %	10.00 %
Tier 1 Leverage (to Average Assets)				
Trustmark Corporation	$ 1,473,672	8.47 %	4.00 %	n/a
Trustmark National Bank	1,501,889	8.65 %	4.00 %	5.00 %
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 %

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 2023, TNB will have available approximately $96.9 million plus its net income for that year to pay as dividends.

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 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 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 could be acquired through December 31, 2022. Under this authority, Trustmark repurchased approximately 789 thousand shares of its common stock valued at $24.6 million during the twelve months ended December 31, 2022.

On December 6, 2022, Trustmark's Board of Directors authorized a stock repurchase program effective January 1, 2023, under which $50.0 million of Trustmark's outstanding shares may be acquired through December 31, 2023. The repurchase program, which is subject to market conditions and management discretion, will be implemented through open market repurchases or privately negotiated transactions. No shares have been repurchased under this stock repurchase program.

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, 2022, 2021 and 2020 ($ 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 14 – 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 derivatives are included in interest and fees on LHFS and LHFI in the accompanying consolidated statements of income.

	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Year Ended December 31, 2022			
Securities available for sale and transferred securities:			
Net unrealized holding gains (losses) arising during the period	$ (229,524)	$ 57,381	$ (172,143)
Change in net unrealized holding loss on securities transferred to held to maturity	(86,033)	21,508	(64,525)
Total securities available for sale and transferred securities	(315,557)	78,889	(236,668)
Pension and other postretirement benefit plans:			
Change in the actuarial loss of pension and other postretirement benefit plans	10,792	(2,698)	8,094
Reclassification adjustments for changes realized in net income:			
Net change in prior service costs	111	(28)	83
Recognized net loss due to lump sum settlements	—	—	—
Change in net actuarial loss	1,089	(272)	817
Total pension and other postretirement benefit plans	11,992	(2,998)	8,994
Cash flow hedge derivatives:			
Change in accumulated gain (loss) on effective cash flow hedge derivatives	(20,685)	5,171	(15,514)
Reclassification adjustment for (gain) loss realized in net income	460	(115)	345
Total cash flow hedge derivatives	(20,225)	5,056	(15,169)
Total other comprehensive income (loss)	$ (323,790)	$ 80,947	$ (242,843)
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

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, 2020	$ (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)
Other comprehensive income (loss) before reclassification	(236,668)	8,094	(15,514)	(244,088)
Amounts reclassified from accumulated other comprehensive income (loss)	—	900	345	1,245
Net other comprehensive income (loss)	(236,668)	8,994	(15,169)	(242,843)
Balance, December 31, 2022	$ (254,442)	$ (5,792)	$ (15,169)	$ (275,403)

Note 18 – 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, 2022 and 2021, 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, 2022 and 2021.

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
U.S. Treasury securities	$ 391,513	$ 391,513	$ —	$ —
U.S. Government agency obligations	7,766	—	7,766	—
Obligations of states and political subdivisions	4,862	—	4,862	—
Mortgage-backed securities	1,619,941	—	1,619,941	—
Securities available for sale	2,024,082	391,513	1,632,569	—
LHFS	135,226	—	135,226	—
MSR	129,677	—	—	129,677
Other assets - derivatives	8,871	54	8,660	157
Other liabilities - derivatives	45,379	474	44,905	—

	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	—

The changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2022 and 2021 are summarized as follows ($ in thousands):

	MSR	Other Assets - Derivatives
Balance, January 1, 2022	$ 87,687	$ 1,859
Total net (loss) gain included in Mortgage banking, net *(1)*	24,147	(131)
Additions	17,843	—
Sales	—	(1,571)
Balance, December 31, 2022	$ 129,677	$ 157
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, 2022	$ 38,181	$ (1,214)
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

(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, 2022, 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, 2022, Trustmark had outstanding balances of $40.3 million with a related ACL of $17.7 million in collateral-dependent LHFI, compared to outstanding balances of $44.4 million with a related ACL of $7.6 million in collateral-dependent LHFI at December 31, 2021. 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 $3.0 million were re-measured during 2022, requiring write-downs of $1.0 million to reach their current fair values compared to $7.3 million of foreclosed assets that were re-measured during 2021, requiring write-downs of $437 thousand.

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, 2022 and 2021 were as follows ($ in thousands):

	December 31, 2022		December 31, 2021	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:				
Level 2 Inputs:				
Cash and short-term investments	$ 738,787	$ 738,787	$ 2,266,829	$ 2,266,829
Securities held to maturity	1,494,514	1,406,589	342,537	353,511
Level 3 Inputs:				
Net LHFI and PPP loans	12,083,825	11,850,318	10,181,708	10,123,379
Financial Liabilities:				
Level 2 Inputs:				
Deposits	14,437,648	14,404,661	15,087,160	15,084,440
Federal funds purchased and securities sold under repurchase agreements	449,331	449,331	238,577	238,577
Other borrowings	1,050,938	1,050,932	91,025	91,022
Subordinated notes	123,262	113,125	123,042	128,438
Junior subordinated debt securities	61,856	46,392	61,856	49,485

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 years ended December 31, 2022 and 2021, net losses of $3.3 million and $10.3 million, respectively, were 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 a net gain of $10.5 million for the year ended December 31, 2020. Interest and fees on LHFS and LHFI for the year ended December 31, 2022 included $6.8 million of interest earned on the LHFS accounted for under the fair value option compared to $7.0 million and $6.9 million for the years ended December 31, 2021 and 2020, 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 $70.8 million and $84.5 million at December 31, 2022 and 2021, 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, 2022 and 2021 ($ in thousands):

	December 31,	
	2022	2021
Fair value of LHFS	$ 64,421	$ 191,242
LHFS contractual principal outstanding	63,427	186,535
Fair value less unpaid principal	$ 994	$ 4,707

Note 19 – Derivative Financial Instruments

Derivatives Designated as Hedging Instruments

During the third quarter of 2022, Trustmark initiated a cash flow hedging program. Trustmark's objectives in initiating this hedging program are to add stability to interest income and to manage its exposure to interest rate movements. Interest rate swaps designated as cash flow hedges involve the receipt of fixed-rate amounts from a counterparty in exchange for Trustmark making variable-rate payments over the life of the agreements without exchange of the underlying notional amount. Trustmark uses such derivatives to hedge the variable cash flows associated with existing and anticipated variable-rate loan assets. At December 31, 2022, the aggregate notional value of Trustmark's interest rate swaps designated as cash flow hedges totaled $825.0 million.

Trustmark records any gains or losses on these cash flow hedges in accumulated other comprehensive income (loss). As interest payments are received on Trustmark's variable-rate assets, amounts reported in accumulated other comprehensive income (loss) are reclassified into interest and fees on LHFS and LHFI in the accompanying consolidated statements of income during the same period. During the next twelve months, Trustmark estimates that $13.7 million will be reclassified as a reduction to interest and fees on LHFS and LHFI. This amount could differ due to changes in interest rates, hedge de-designations or the addition of other hedges.

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 $277.0 million at December 31, 2022 compared to $409.5 million at December 31, 2021. 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 negative ineffectiveness of $4.1 million for the year ended December 31, 2022, compared to a net positive ineffectiveness of $2.5 million for the year ended December 31, 2021 and a net positive ineffectiveness of $7.8 million for the year ended December 31, 2020.

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 $97.0 million at December 31, 2022, with a positive valuation adjustment of $168 thousand, compared to $236.0 million at December 31, 2021, with a negative valuation adjustment of $81 thousand.

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 $68.4 million at December 31, 2022, with a positive valuation adjustment of $157 thousand, compared to $142.6 million at December 31, 2021, with a positive valuation adjustment of $1.9 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, 2022, Trustmark had interest rate swaps with an aggregate notional amount of $1.391 billion related to this program, compared to $1.225 billion at December 31, 2021.

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, 2022, there was no 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 compared to a termination value of $655 thousand at December 31, 2021. At December 31, 2022 and 2021, Trustmark had posted collateral of $740 thousand and $850 thousand, respectively, 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, 2022, 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, 2022, Trustmark had entered into five risk participation agreements as a beneficiary with an aggregate notional amount of $50.2 million compared to six risk participation agreements as a beneficiary with an aggregate notional amount of $52.0 million at December 31, 2021. At December 31, 2022, Trustmark had entered into twenty-nine risk participation agreements as a guarantor with aggregate notional amounts of $235.8 million compared to twenty-four risk participation agreements as a guarantor with aggregate notional amounts of $173.5 million at December 31, 2021. The aggregate fair values of these risk participation agreements were immaterial at December 31, 2022 and 2021.

Tabular Disclosures

The following tables disclose the fair value of derivative instruments in Trustmark's consolidated balance sheets at December 31, 2022 and 2021 as well as the effect of these derivative instruments on Trustmark's results of operations for the periods presented ($ in thousands):

	December 31, 2022	December 31, 2021
Derivatives in hedging relationships		
Interest rate contracts:		
Interest rate swaps included in other liabilities *(1)*	$ 761	$ —
Derivatives not designated as hedging instruments		
Interest rate contracts:		
Exchange traded purchased options included in other assets	$ 38	$ 438
OTC written options (rate locks) included in other assets	157	1,859
Futures contracts included in other assets	16	2,356
Interest rate swaps included in other assets *(1)*	8,654	20,115
Credit risk participation agreements included in other assets	6	41
Futures contracts included in other liabilities	268	—
Forward contracts included in other liabilities	(168)	81
Exchange traded written options included in other liabilities	206	414
Interest rate swaps included in other liabilities *(1)*	44,304	4,144
Credit risk participation agreements included in other liabilities	8	38

(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, 2022	2021	2020
Derivatives in hedging relationships			
Amount of gain (loss) reclassified from accumulated other comprehensive income (loss) and recognized in interest and fees on LHFS & LHFI	$ (460)	$ —	$ —
Derivatives not designated as hedging instruments			
Amount of gain (loss) recognized in mortgage banking, net	$ (43,764)	$ (15,436)	$ 39,436
Amount of gain (loss) recognized in bank card and other fees	403	1,649	(1,022)

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, 2022	2021	2020
Derivatives in cash flow hedging relationship			
Amount of gain (loss) recognized in other comprehensive income (loss), net of tax	$ (15,514)	$ —	$ —

Information about financial instruments that are eligible for offset in the consolidated balance sheets at December 31, 2022 and 2021 is presented in the following tables ($ in thousands):

Offsetting of Derivative Assets
As of December 31, 2022

	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	$ 9,415	$ —	$ 9,415	$ —	$ (2,230)	$ 7,185

Offsetting of Derivative Liabilities
As of December 31, 2022

	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	$ 44,304	$ —	$ 44,304	$ —	$ (740)	$ 43,564

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)	$ —	$ 20,060

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)	$ 3,239

Note 20 – 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,		
	2022	2021	2020
General Banking			
Net interest income	$ 489,398	$ 413,201	$ 420,225
PCL *(1)*	22,913	(24,439)	45,058
Noninterest income	116,350	137,874	197,691
Noninterest expense *(1)*	531,397	421,561	401,810
Income before income taxes	51,438	153,953	171,048
Income taxes	(3,683)	22,706	25,109
General banking net income	$ 55,121	$ 131,247	$ 145,939
Selected Financial Information			
Total assets	$ 17,710,673	$ 17,275,438	$ 16,226,358
Depreciation and amortization	$ 38,909	$ 44,776	$ 40,351
Wealth Management			
Net interest income	$ 5,321	$ 5,161	$ 6,082
PCL	(21)	(9)	(11)
Noninterest income	35,072	35,420	31,634
Noninterest expense	32,873	31,721	30,318
Income before income taxes	7,541	8,869	7,409
Income taxes	1,870	2,219	1,853
Wealth Management net income	$ 5,671	$ 6,650	$ 5,556
Selected Financial Information			
Total assets	$ 214,313	$ 232,997	$ 242,429
Depreciation and amortization	$ 288	$ 269	$ 274
Insurance			
Net interest income	$ (11)	$ (11)	$ 230
Noninterest income	53,722	48,616	45,268
Noninterest expense	38,943	36,014	34,173
Income before income taxes	14,768	12,591	11,325
Income taxes	3,673	3,123	2,795
Insurance net income	$ 11,095	$ 9,468	$ 8,530
Selected Financial Information			
Total assets	$ 90,492	$ 87,201	$ 83,053
Depreciation and amortization	$ 685	$ 768	$ 700
Consolidated			
Net interest income	$ 494,708	$ 418,351	$ 426,537
PCL *(1)*	22,892	(24,448)	45,047
Noninterest income	205,144	221,910	274,593
Noninterest expense *(1)*	603,213	489,296	466,301
Income before income taxes	73,747	175,413	189,782
Income taxes	1,860	28,048	29,757
Consolidated net income	$ 71,887	$ 147,365	$ 160,025
Selected Financial Information			
Total assets	$ 18,015,478	$ 17,595,636	$ 16,551,840
Depreciation and amortization	$ 39,882	$ 45,813	$ 41,325

(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 21 – Parent Company Only Financial Information
($ in thousands)

Condensed Balance Sheets	December 31, 2022	December 31, 2021
Assets:		
Investment in banks	$ 1,602,169	$ 1,851,398
Other assets	76,325	75,995
Total Assets	$ 1,678,494	$ 1,927,393
Liabilities and Shareholders' Equity:		
Accrued expense	$ 1,108	$ 1,184
Subordinated notes	123,262	123,042
Junior subordinated debt securities	61,856	61,856
Shareholders' equity	1,492,268	1,741,311
Total Liabilities and Shareholders' Equity	$ 1,678,494	$ 1,927,393

Condensed Statements of Income	Years Ended December 31, 2022	2021	2020
Revenue:			
Dividends received from banks	$ 89,733	$ 45,284	$ 109,243
Earnings of subsidiaries over distributions	(11,269)	108,141	53,724
Other income	94	95	66
Total Revenue	78,558	153,520	163,033
Expense:			
Other expense	6,671	6,155	3,008
Total Expense	6,671	6,155	3,008
Net Income	$ 71,887	$ 147,365	$ 160,025

Condensed Statements of Cash Flows	Years Ended December 31, 2022	2021	2020
Operating Activities:			
Net income	$ 71,887	$ 147,365	$ 160,025
Adjustments to reconcile net income to net cash provided by operating activities:			
Net change in investment in subsidiaries	11,269	(108,141)	(53,724)
Other	(1,550)	(2,078)	(326)
Net cash from operating activities	81,606	37,146	105,975
Financing Activities:			
Proceeds from subordinated notes	—	—	122,900
Common stock dividends	(56,679)	(58,085)	(58,769)
Repurchase and retirement of common stock	(24,604)	(61,799)	(27,538)
Net cash from financing activities	(81,283)	(119,884)	36,593
Net change in cash and cash equivalents	323	(82,738)	142,568
Cash and cash equivalents at beginning of year	75,537	158,275	15,707
Cash and cash equivalents at end of year	$ 75,860	$ 75,537	$ 158,275

Trustmark (parent company only) paid income taxes of approximately $2.7 million in 2022, $15.3 million in 2021 and $46.6 million in 2020. Trustmark paid interest of $4.5 million in 2022 compared to $4.6 million of interest paid in 2021 and no interest paid or received in 2020.

ITEM 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, 2022.

ITEM 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, 2022. 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, 2022, 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, 2022 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.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not 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 2023 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 2023 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, 2022 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	148,416	$ —	1,004,664
Equity compensation plans not approved by security holders	—	—	—
Total	148,416	$ —	1,004,664

(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, 2022, 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 2023 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 2023 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 2023 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 2022 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, 2022 and 2021

Consolidated Statements of Income for the Years Ended December 31, 2022, 2021 and 2020

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2022, 2021 and 2020

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2022, 2021 and 2020

Consolidated Statements of Cash Flows for the Years Ended December 31, 2022, 2021 and 2020

Notes to Consolidated Financial Statements (Notes 1 through 21)

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. *
10-ag	Amendment No. 2022-1 to the Trustmark Corporation Deferred Compensation Plan. Filed November 3, 2022, as exhibit 10-ag to Trustmark's Form 10-Q Quarterly Report, incorporated herein by reference.*
10-ah	Exhibit 1 Company Contribution in Respect of the Year Ending December 31, 2022 to the Trustmark Corporation Deferred Compensation Plan.*
10-ai	Form of Fully Executed Settlement Agreement.
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 16, 2023

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 16, 2023	BY:	/s/ Adolphus B. Baker Adolphus B. Baker, Director
DATE:	February 16, 2023	BY:	/s/ William A. Brown William A. Brown, Director
DATE:	February 16, 2023	BY:	/s/ Augustus L. Collins Augustus L. Collins, Director
DATE:	February 16, 2023	BY:	/s/ George T. Chambers, Jr. George T. Chambers, Jr., Principal Accounting Officer
DATE:	February 16, 2023	BY:	/s/ Tracy T. Conerly Tracy T. Conerly, Director
DATE:	February 16, 2023	BY:	/s/ Duane A. Dewey Duane A. Dewey, President, Chief Executive Officer and Director
DATE:	February 16, 2023	BY:	/s/ Marcelo Eduardo Marcelo Eduardo, Director
DATE:	February 16, 2023	BY:	/s/ J. Clay Hays, Jr., M.D. J. Clay Hays, Jr., M.D., Director
DATE:	February 16, 2023	BY:	/s/ Gerard R. Host Gerard R. Host, Chairman and Director
DATE:	February 16, 2023	BY:	/s/ Harris V. Morrissette Harris V. Morrissette, Director
DATE:	February 16, 2023	BY:	/s/ Thomas C. Owens Thomas C. Owens, Treasurer and Principal Financial Officer
DATE:	February 16, 2023	BY:	/s/ Richard H. Puckett Richard H. Puckett, Director
DATE:	February 16, 2023	BY:	/s/ William G. Yates III William G. Yates III, Director

Exhibit 10.ah

TRUSTMARK CORPORATION DEFERRED COMPENSATION PLAN

EXHIBIT 1

COMPANY CONTRIBUTION
IN RESPECT OF
THE YEAR ENDING DECEMBER 31, 2022

WHEREAS, Trustmark Corporation, a Mississippi corporation (the "Company"), maintains the Trustmark Corporation Deferred Compensation Plan, amended and restated as of December 31, 2007 and further amended as of October 4, 2022 (the "Plan");

WHEREAS, all capitalized terms used herein shall have the meanings set forth the Plan, unless otherwise indicated in this Exhibit 1 to the Plan ("Exhibit 1");

WHEREAS, the Company desires to adopt this exhibit to provide for a company contribution under the Plan for certain Participants in respect of the year ending December 31, 2022 (the "2022 Plan Year"); and

WHEREAS, the Company is empowered to adopt this exhibit pursuant to Section 3.9 of the Plan.

1. **Eligibility**. Any member of the Company's Management Committee as of December 31, 2022 shall be eligible to become a Participant in the Plan (to the extent such individual is not then currently a Participant) and to receive a credit to his or her Company Contribution Account, subject to the terms and conditions of this Exhibit 1, so long as such individual has not had a Separation from Service prior to the Contribution Date (as defined below). An individual described in this Paragraph 1 is referred to as an "Eligible Company Contribution Participant". For the avoidance of doubt, an individual is not required to elect to defer an Annual Deferral Amount under the Plan or to make elective deferrals under any other plan sponsored by the Company (including the Trustmark 401(k) Plan (the "401(k) Plan")) in order to be an Eligible Company Contribution Participant.

2. **Company Contribution Amount**.

   a. In respect of the 2022 Plan Year, if the Performance Threshold (as defined below) is met, the Company (or other Employer, if applicable) shall credit the Company Contribution Account of each Eligible Company Contribution Participant in an amount (a "Credit Amount") equal to (i) 6% of such Eligible Company Contribution Participant's Compensation (as defined below), minus (ii) the maximum Matching Contribution (as defined in the 401(k) Plan) such Eligible Company Contribution Participant could have received under the terms of the 401(k) Plan in respect of the 2022 Plan Year had such Eligible Company Contribution Participant made sufficient Elective Deferrals (as defined in the 401(k) Plan) for the 2022 Plan Year; *provided*, however, a Credit Amount shall be no less than $10,000 and no more than $30,000. If the Performance Threshold is not met, no credit shall be made to the Company Contribution Account of any Eligible Company Contribution Participant for the 2022 Plan Year. The Human Resources Committee (the "Human Resources Committee") of the Company's Board of Directors shall, in its discretion, approve the final determination of the Credit Amount before the Contribution Date.

   b. "Performance Threshold" means the Company's earnings per share ("EPS") for the 2022 Plan Year is not less than 95% of the Company's established target EPS for the 2022 Plan Year as approved by the Human Resources Committee. Whether the Performance Threshold is met shall be determined by the Human Resources Committee in its discretion.

   c. "Compensation" means an Eligible Company Contribution Participant's Base Salary, Bonus and Commissions for the 2022 Plan Year.

3. **Contribution Date**. The actual date that the Credit Amount is credited is referred to as the “Contribution Date”. The Credit Amount (if any) shall be credited to the Company Contribution Account of each Eligible Company Contribution Participant on a date in 2023, as determined by the Company, but in no event shall the Credit Amount be credited later than March 15, 2023.

4. **Other**. Each Eligible Company Contribution Participant shall be 100% vested in his or her Credit Amount, plus amounts credit or debited on such amount pursuant to Section 3.5 of the Plan. The Credit Amount shall become part of an Eligible Company Contribution Participant’s Account Balance as of the Contribution Date and, thereafter, shall be subject to all generally applicable terms and conditions of the Plan governing a Participant’s Account Balance, including such provisions relating to crediting or debiting of additional amounts based on the Measurement Funds and distributions of a Participant’s Account Balance.

5. **Incorporation into the Plan.** Pursuant to Section 3.9 of the Plan, this Exhibit 1 shall be deemed to be incorporated into the Plan as of the date this Exhibit 1 is approved by the Company.

IN WITNESS WHEREOF, the Company through its duly authorized representative has signed this amendment as of the date written below to be effective as of the Effective Date.

Trustmark Corporation
a Mississippi corporation

By: /s/ Duane A. Dewey
Name: Duane A. Dewey
Title: President and CEO
Date: November 8, 2022

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (the "Agreement") is made and entered into between and among, on the one hand, (i) Ralph S. Janvey, solely in his capacity as the court-appointed receiver for the Stanford Receivership Estate (the "Receiver"); (ii) the Official Stanford Investors Committee (the "Committee"); (iii) individual plaintiffs Guthrie Abbott, Steven Queyrouze, Salim Estefenn Uribe, Sarah Elson-Rogers, Diana Suarez, and Ruth Alfille de Penhos (collectively, the "Rotstain Investor Plaintiffs"); (iv) each of the plaintiffs in *Smith, et al. v. Independent Bank, et al.*, CA No. 4-20-CV-00675 (S.D. Tex.) (collectively, the "Smith Investor Plaintiffs"); and, on the other hand, (v) Trustmark National Bank ("Trustmark"). The Receiver, the Committee, the Rotstain Investor Plaintiffs, and the Smith Investor Plaintiffs are collectively referred to as the "Plaintiffs." Plaintiffs, on the one hand, and Trustmark, on the other hand, are referred to in this Agreement individually as a "Party" and together as the "Parties."

WHEREAS, on February 16, 2009, the U.S. Securities and Exchange Commission (the "SEC") initiated *SEC v. Stanford International Bank, Ltd.*, Civil Action No. 3:09-cv-00298-N (N.D. Tex.) (the "SEC Action"), alleging that Robert Allen Stanford, James M. Davis, Laura Pendergest-Holt, Stanford International Bank, Ltd. ("SIB"), Stanford Group Company, Stanford Capital Management, LLC, and Stanford Financial Group (the "Defendants") had engaged in a fraudulent scheme affecting tens of thousands of customers from over one hundred countries;

WHEREAS, in an order dated February 16, 2009, in the SEC Action (ECF No. 10), the United States District Court for the Northern District of Texas (the "Court") assumed exclusive jurisdiction and took possession of the assets and other tangible and intangible monies and property, as further set forth in that order, of the Defendants and all entities they own or control (the "Receivership Assets"), and the books and records, client lists, account statements, financial and accounting documents, computers, computer hard drives, computer disks, internet exchange servers, telephones, personal digital devices and other informational resources of or in possession of the Defendants, or issued by Defendants and in possession of any agent or employee of the Defendants (the "Receivership Records");

WHEREAS, in that same order (ECF No. 10), Ralph S. Janvey was appointed Receiver for the Receivership Assets and the Receivership Records (collectively, the "Receivership Estate") with the full power of an equity receiver under common law as well as such powers as are enumerated in that order, as amended by an order in that same matter, dated March 12, 2009 (ECF No. 157), and as further amended by an order entered in that same matter, dated July 19, 2010 (ECF No. 1130);

WHEREAS, Ralph S. Janvey has served as Receiver continuously since his appointment and continues to so serve;

WHEREAS, John J. Little was appointed to serve as examiner (the "Examiner") by an order entered in the SEC Action, dated April 20, 2009 (ECF No. 322), to assist the Court in considering the interests of the worldwide investors in any financial products, accounts, vehicles or ventures sponsored, promoted or sold by any defendants in the SEC Action;

WHEREAS, John J. Little has served as Examiner continuously since his appointment and continues to so serve;

WHEREAS, the Committee was created pursuant to an order entered in the SEC Action, dated August 10, 2010 (ECF No. 1149) (the "Committee Order"), to represent the customers of SIB, who, as of February 16, 2009, had funds on deposit at SIB and/or were holding certificates of deposit ("CDs") issued by SIB (the "Stanford Investors");

WHEREAS, by the Committee Order, the Examiner was named as the initial Chairperson of the Committee;

WHEREAS, the Examiner has served as Chairperson of the Committee continuously since his appointment and continues to so serve;

WHEREAS, on August 23, 2009, Guthrie Abbott, Steven Queyrouze, Peggy Roif Rotstain, Juan Olano, Catherine Burnell, and Jamie Alexis Arroyo Bornstein (the latter four of whom were later replaced by substitute plaintiffs Sarah Elson-Rogers, Salim Estefenn Uribe, Ruth Alfille de Penhos, and Diana Suarez on May 1, 2015 (Rotstain ECF No. 237)) filed their Original Petition in the district court of Harris County, Texas (Rotstain ECF No. 1-4)—a putative class action captioned *Rotstain, et al. v. Trustmark National Bank, et al.* (the "Rotstain Litigation")—naming Trustmark as one of several defendants;

WHEREAS, on November 13, 2009, the Rotstain Litigation was removed to the U.S. District Court for the Southern District of Texas ("Transferor Court") (Rotstain ECF No. 1) where it was assigned Civil Action No. 4:09-cv-03673 and was then transferred to and consolidated with the Stanford Multidistrict Litigation proceeding in the U.S. District Court for the Northern District of Texas ("MDL Court") (Rotstain ECF No. 6) and assigned Civil Action No. 3:09-cv-02384-N;

WHEREAS, on December 14, 2009, Harold Jackson, Paul Blaine Smith, Carolyn Bass Smith, Christine Nichols, Ronald Hebert, and Ramona Hebert (collectively, the "Jackson Investor Plaintiffs") filed a petition in the district court of Ascension Parish, Louisiana against Trustmark and other defendants (Jackson ECF No. 1-5) captioned *Jackson, et al. v. Cox, et al.* (the "Jackson Litigation"); on January 11, 2010, the Jackson Litigation was removed to the U.S. District Court for the Middle District of Louisiana (Jackson ECF No. 1), where it was assigned Civil Action No. 3:10-cv-00029, was then transferred to and consolidated with the Stanford Multidistrict Litigation proceedings in the MDL Court (Jackson ECF No. 14), assigned Civil Action No. 3:10-cv-00328-N, and was then stayed (Jackson ECF No. 23);

WHEREAS, on January 4, 2011, the Receiver assigned to the Committee any and all causes of action the Receivership Estate may have had against Trustmark and other defendants (Rotstain ECF No. 865, Ex. 10);

WHEREAS, on December 6, 2012, the Committee successfully intervened in the Rotstain Litigation (Rotstain ECF No. 129), and filed an Intervenor Complaint against Trustmark and other defendants on February 15, 2013 (Rotstain ECF No. No. 133);

WHEREAS, on November 2, 2015, the Rotstain Investor Plaintiffs filed their Second Amended Class Action Complaint against Trustmark and other defendants seeking actual damages, costs, and attorneys' fees (Rotstain ECF No. 350), which remains the Rotstain Investor Plaintiffs' operative complaint against Trustmark in the Rotstain Litigation;

WHEREAS, on November 7, 2017, the MDL Court denied the Rotstain Investor Plaintiffs' motion for class certification (Rotstain ECF No. 428), and the U.S. Court of Appeals for the Fifth Circuit later declined interlocutory review of the class-certification denial in a matter captioned *Rotstain, et al. v. Trustmark National Bank, et al.*, No. 17-90038 (5th Cir.) (Order; Apr. 20, 2018);

WHEREAS, on May 3, 2019, following the denial of the Rotstain Investor Plaintiffs' motion for class certification, hundreds of Stanford investors unsuccessfully moved to intervene in the Rotstain Litigation (Rotstain ECF No. 562), the denial of which: (A) prompted many of these investors to file a separate suit against Trustmark and others in Harris County, Texas district court —*Smith, et al. v. Independent Bank, et al.* (the "Smith Litigation")—which suit was later removed to the U.S. District Court for the Southern District of Texas (Smith ECF No. 1), was assigned Civil Action No. 4:20-cv-00675 (S.D. Tex.), and was then stayed without the opposition of the Smith Investor Plaintiffs and in accordance with an order issued in the SEC Action (Smith ECF No. 10); and (B) prompted other would-be intervenors to seek immediate review of their denied motions to intervene in the U.S. Court of Appeals for the Fifth Circuit (Rotstain ECF No. 574) which, on February 3, 2021, upheld the MDL Court's intervention denial in an opinion captioned *Rotstain v. Mendez*, No. 19-11131 (5th Cir.) (Op.; Feb. 3, 2021);

WHEREAS, on June 15, 2020, the Committee filed its Second Amended Intervenor Complaint against Trustmark and other defendants seeking actual damages, punitive damages, costs, and attorneys' fees (Rotstain ECF No. 735), which remains the Committee's operative complaint against Trustmark in the Rotstain Litigation;

WHEREAS, on March 19, 2021, the Committee and the Rotstain Investor Plaintiffs filed a notice abandoning all of their respective claims against Trustmark with the exception of (A) their claims for aiding, abetting, or participating in violations of the Texas Securities Act (the "TSA") and (B) their claims for aiding, abetting, or participation in breaches of fiduciary duties (Rotstain ECF No. 976);

WHEREAS, on January 20, 2022, the MDL Court granted in part and denied in part Trustmark and other defendants' motions for summary judgment (Rotstain ECF No. 1150) and recommended that the Rotstain Litigation be remanded to the Transferor Court in the U.S. District Court for the Southern District of Texas for further proceedings (Rotstain ECF No. 1151);

WHEREAS, on March 10, 2022, the Rotstain Litigation was transferred back to the Transferor Court in the U.S. District Court for the Southern District of Texas where it was assigned Civil Action No. 4:22-cv-00800 (Rotstain ECF No. 1157);

WHEREAS, on November 3, 2022, the Transferor Court denied Trustmark and other defendants' Rule 12(b)(1) motion to dismiss for lack of standing (Rotstain ECF No. 1319);

WHEREAS, on November 10, 2022, the Transferor Court entered its Fifth and Final Amended Scheduling Order, setting a trial beginning on February 27, 2023 (Rotstain ECF No. 1326);

WHEREAS, on November 17, 2022, the Transferor Court denied Trustmark and other defendants' Rule 12(b)(1) motion to dismiss for lack of jurisdiction based on the TSA's statute of repose (Rotstain ECF No. 1328);

WHEREAS, Trustmark expressly denies any and all allegations of wrongdoing, fault, liability, or damages whatsoever and is entering into this Agreement solely to avoid the burden, substantial expense, and risks of litigation;

WHEREAS, Plaintiffs have conducted an investigation into the facts and the law relating to the Rotstain Litigation, the Smith Litigation, and the Jackson Litigation (collectively, the "Litigation") and after considering the results of that investigation and the benefits of this Settlement (as defined in Paragraph 17), as well as the burden, expense, and risks of litigation, have concluded that a settlement with Trustmark under the terms set forth below is fair, reasonable, adequate, and in the best interests of the Plaintiffs, the Interested Parties, and all Persons affected by the Stanford Entities, and have agreed to enter into the Settlement and this Agreement, and to use their best efforts to effectuate the Settlement and this Agreement;

WHEREAS, the Parties desire to fully, finally, and forever compromise and effect a global settlement and discharge of all claims, disputes, and issues between and among them;

WHEREAS, the Parties have engaged in extensive, good-faith, and arm's-length negotiations, leading to this Agreement;

WHEREAS, absent approval of this Settlement as required herein, the Litigation will likely take many more years and cost the Parties millions of dollars to litigate to final judgment and through appeals, and the outcome of all such litigation would have been uncertain;

WHEREAS, in *Zacarias v. Stanford Int'l Bank, Ltd.*, 931 F.3d 382, 387 (5th Cir. 2019), the Fifth Circuit confirmed approval of a settlement that was conditioned on bar orders enjoining related Ponzi-scheme suits filed against the defendants in that litigation and entry of the bar orders;

WHEREAS, the Examiner, both in his capacity as Chairperson of the Committee and in his capacity as the Court-appointed Examiner, participated in the negotiation of the Settlement;

WHEREAS, the Committee has approved the terms of this Agreement and the Settlement, as evidenced by the signature hereon of the Examiner in his capacity as Chairperson of the Committee;

WHEREAS, the Examiner, in his capacity as Examiner, has reviewed this Agreement and the terms of the Settlement and, as evidenced by his signature hereon, has approved the terms of this Agreement and the Settlement and will recommend that this Agreement, and the terms of the Settlement be approved by the Court and implemented;[1] and

WHEREAS, the Receiver has reviewed and approved this Agreement and the terms of the Settlement, as evidenced by his signature hereon;

NOW, THEREFORE, in consideration of the agreements, covenants, and releases set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

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[1] The Examiner has also executed this Agreement to confirm his obligation to post Notice on his website, as required herein, but is not otherwise individually a party to the Settlement or the Litigation.

I. Agreement Date

1. This Agreement shall take effect once all Parties have signed the Agreement as of the date of the last signature to the Agreement (the "Agreement Date").

II. Terms Used in this Agreement

The following terms, as used in this Agreement, the Bar Order (defined in Paragraph 19), and the Judgment and Bar Order (defined in Paragraph 19), have the following meanings:

2. "Attorneys' Fees" means those fees awarded by the Court to Plaintiffs' counsel from the Settlement Amount pursuant to the terms of the applicable engagement agreements.

3. "Claim" means a Person's potential or asserted right to receive funds from the Receivership Estate or the funds and assets subject to the authority of the Joint Liquidators (defined below).

4. "Claimant" means any Person who has submitted a Claim to the Receiver or to the Joint Liquidators (defined below). Where a Claim has been transferred to a third party and such transfer has been acknowledged by the Receiver or the Joint Liquidators, the transferee is a Claimant, and the transferor is not a Claimant unless the transferor has retained a Claim that has not been transferred. Where the Receiver or the Joint Liquidators have disallowed a Claim and the disallowance has become Final, then the submission of the disallowed Claim does not make the Person who submitted it a Claimant.

5. "Confidential Information" means the communications and discussions in connection with the negotiations that led to the Settlement and this Agreement. Confidential Information also includes the existence and terms of the Settlement and this Agreement, but only until the filing of this Agreement and related documents with the Court.

6. "Distribution Plan" means the plan hereafter approved by the Court for the distribution of the Settlement Amount (net of any Attorneys' Fees or costs that are awarded by the Court) to Stanford Investors who have had their Claims allowed by the Receiver ("Allowed Claims").

7. "Final" means unmodified after the conclusion of, or expiration of any right of any Person to pursue, any and all possible forms and levels of appeal, reconsideration, or review, judicial or otherwise, including by a court or Forum of last resort, wherever located, whether automatic or discretionary, whether by appeal or otherwise. The Bar Order and Judgment and Bar Order shall include findings under Federal Rule of Civil Procedure 54(b) and will become Final when they each satisfy the first sentence of this paragraph and it will then be considered as if such orders were entered as judgments at the end of a case, and the continuing pendency of the SEC Action and the Jackson Litigation shall not be construed as preventing such Bar Order and Judgment and Bar Order from becoming Final.

8. "Forum" means any court, adjudicative body, tribunal, or jurisdiction, whether its nature is federal, foreign, state, administrative, regulatory, arbitral, local, or otherwise.

9. "Hearing" means a formal proceeding in open court before the United States District Judge having jurisdiction over the SEC Action.

10. "Interested Parties" means the Receiver; the Receivership Estate; the Committee; the members of the Committee; the Plaintiffs; the Stanford Investors; the Claimants; the Examiner; the Joint Liquidators; the Jackson Investor Plaintiffs; or any Person or Persons alleged by the Receiver, the Committee, or other Person or entity on behalf of the Receivership Estate to be liable to the Receivership Estate, whether or not a formal proceeding has been initiated.

11. "Joint Liquidators" means Hugh Dickson and Mark McDonald, in their capacities as the joint liquidators appointed by the Eastern Caribbean Supreme Court in Antigua and Barbuda

to take control of and manage the affairs and assets of SIB or any of their successors or predecessors.

12. "Notice" means a communication, in substantially the form attached hereto as **Exhibit A**, describing (a) the material terms of the Settlement; (b) the material terms of this Agreement; (c) the rights and obligations of the Interested Parties with regard to the Settlement and this Agreement; (d) the deadline for the filing of objections to the Settlement, the Agreement, the Bar Order, and the Judgment and Bar Order; and (e) the date, time, and location of the Hearing to consider final approval of the Settlement, this Agreement, the Bar Order, and the Judgment and Bar Order.

13. "Person" means any individual, entity, governmental authority, agency or quasi-governmental person or entity, worldwide, of any type, including, without limitation, any individual, partnership, corporation, limited liability company, estate, trust, committee, fiduciary, association, proprietorship, organization, or business, regardless of location, residence, or nationality.

14. "Plaintiffs Released Parties" means the Receiver, the Examiner, the Committee, the Rotstain Investor Plaintiffs, the Smith Investor Plaintiffs, and each of their counsel. Plaintiffs Released Parties also includes each of the foregoing Persons' respective past, present, and future directors, officers, legal and equitable owners, shareholders, members, managers, principals, employees, associates, representatives, distributees, agents, attorneys, trustees, general and limited partners, lenders, insurers and reinsurers, direct and indirect parents, subsidiaries, affiliates, related entities, divisions, partnerships, corporations, executors, administrators, heirs, beneficiaries, assigns, predecessors, predecessors in interest, successors, and successors in interest.

15. "Releasor" means any Person granting a release of any Settled Claim.

16. "Settled Claim" means any action, cause of action, suit, liability, claim, right of action, right of levy or attachment, or demand whatsoever, whether or not currently asserted, known, suspected, existing, or discoverable, and whether based on federal law, state law, foreign law, common law, or otherwise, and whether based on contract, tort, statute, law, equity or otherwise, that a Releasor ever had, now has, or hereafter can, shall, or may have, directly, representatively, derivatively, or in any other capacity, for, upon, arising from, relating to, or by reason of any matter, cause, or thing whatsoever, that, in full or in part, concerns, relates to, arises out of, or is in any manner connected with (i) the Stanford Entities; (ii) any CD, depository account, or investment of any type with any one or more of the Stanford Entities; (iii) Trustmark's relationship with any one or more of the Stanford Entities and/or any of their personnel or any Person acting by, through, or in concert with any Stanford Entity; (iv) Trustmark's or any of the Trustmark Released Parties' provision of services to or for the benefit of or on behalf of any one or more of the Stanford Entities; or (v) any matter that was asserted in, could have been asserted in, or relates to the subject matter of the SEC Action, the Litigation, or any proceeding concerning any of the Stanford Entities pending or commenced in any Forum. "Settled Claims" specifically includes, without limitation, all claims each Releasor does not know or suspect to exist in his, her, or its favor at the time of release, which, if known by that Person, might have affected their decisions with respect to this Agreement and the Settlement ("Unknown Claims"). Each Releasor expressly waives, releases, and relinquishes any and all provisions, rights, and benefits conferred by any law or principle, in the United States or elsewhere, which governs or limits the release of unknown or unsuspected claims, including, without limitation, California Civil Code § 1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO

EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

Each Releasor acknowledges that he, she, or it may hereafter discover facts different from, or in addition to, those which such Releasor now knows or believes to be true with respect to the Settled Claims, but nonetheless agrees that this Agreement, including the releases granted herein, will remain binding and effective in all respects notwithstanding such discovery. Unknown Claims include contingent and non-contingent claims, whether or not concealed or hidden, without regard to the subsequent discovery or existence of different or additional facts. These provisions concerning unknown and unsuspected claims and the inclusion of Unknown Claims in the definition of Settled Claims were separately bargained for and are an essential element of this Agreement and the Settlement.

17. "Settlement" means the agreed resolution of the Settled Claims in the manner set forth in this Agreement, including its exhibits.

18. "Settlement Amount" means One Hundred Million Dollars ($100,000,000.00) in United States currency.

19. "Settlement Effective Date" means the date on which the last of all of the following has occurred:

a. entry in the SEC Action of a bar order including findings under Federal Rule of Civil Procedure 54(b) and in substantially the form attached hereto as **Exhibit B** (the "Bar Order");

b. entry in the Jackson Litigation of a judgment and bar order in substantially the form attached hereto as **Exhibit C** (the "Judgment and Bar Order"); and

c. the Bar Order and the Judgment and Bar Order have both become Final.

20. “Stanford Entities” means Robert Allen Stanford; James M. Davis; Laura Pendergest-Holt; Gilbert Lopez; Mark Kuhrt; SIB; Stanford Group Company; Stanford Capital Management, LLC; Stanford Financial Group; the Stanford Financial Bldg Inc.; the entities listed in **Exhibit D** to this Agreement; and any entity of any type that was owned, controlled by, or affiliated with Robert Allen Stanford, James M. Davis, Laura Pendergest-Holt, Gilbert Lopez, Mark Kuhrt, SIB, Stanford Group Company, Stanford Capital Management, LLC, Stanford Financial Group, or the Stanford Financial Bldg Inc., on or before February 16, 2009.

21. “Taxes” means any and all taxes, whether federal, state, local, or other taxes related to the Settlement or the Settlement Amount, and costs incurred in connection with such taxation including, without limitation, the fees and expenses of tax attorneys and accountants.

22. “Trustmark Released Parties” means Trustmark National Bank and all of its predecessor banks, including without limitation Republic National Bank, and, for each of the foregoing, all of their respective past and present subsidiaries, parents, predecessors, affiliates, related entities and divisions, and all of the foregoings’ respective past, present, and future successors, and all of their respective current and former partners, members, counsel, principals, participating principals, associates, managing or other agents, management personnel, officers, directors, shareholders, administrators, servants, employees, staff, consultants, advisors, attorneys, accountants, lenders, insurers and reinsurers, representatives, successors and assigns, known or unknown, in their representative capacity or individual capacity. Notwithstanding the foregoing, “Trustmark Released Parties” shall not include (a) any Person, other than Trustmark, who is, as of the Agreement Date, a party to the Rotstain Litigation or the Smith Litigation; (b) any Person, other than Trustmark, who is a party to one or more of the actions or proceedings listed in **Exhibit G** (i) against whom, on the Agreement Date, the Receiver or the Committee is asserting claims or

causes of action in any such action or proceeding, or (ii) with whom, as of the Agreement Date, the Receiver or the Committee has entered into a settlement agreement relating to any such action or proceeding and such Person's obligations to the Receiver or the Committee remain outstanding in whole or in part; (c) any Person, other than Trustmark, against whom the Receiver or Committee holds a judgment or other court award that remains unsatisfied in whole or in part as of the Agreement Date; or (d) any Person who is, as of the Agreement Date, a party to one or more of the proceedings identified in **Exhibit H**.

III. Delivery of Settlement Amount

23. Stay of Rotstain Litigation as to Trustmark: Within three (3) business days of the Agreement Date, the Rotstain Investor Plaintiffs, the Committee, and Trustmark shall file a joint motion in the Rotstain Litigation to stay the Rotstain Litigation as to Trustmark, including a request to vacate all pretrial deadlines and the trial setting as to Trustmark, pending a final determination concerning approval of the Settlement, the Bar Order, and the Judgment and Bar Order.

24. Dismissal of Jackson Litigation: The Jackson Litigation shall be fully and finally resolved and concluded and considered dismissed as to Trustmark by the Judgment and Bar Order being entered in the Jackson Litigation and becoming Final.

25. Dismissal of Rotstain Litigation: After the Settlement Effective Date, the Committee and the Rotstain Investor Plaintiffs shall fully and finally dismiss their claims against Trustmark in the Rotstain Litigation with prejudice. To effectuate this, within five (5) business days after the Settlement Effective Date, the Committee and the Rotstain Investor Plaintiffs and Trustmark shall file an agreed motion to (i) dismiss with prejudice without costs or attorneys' fees the Rotstain Litigation in its entirety as to Trustmark and (ii) enter a final judgment as to Trustmark and all claims against it in the Rotstain Litigation. It being agreed that there would be no just reason for delay, if claims by the Committee and the Rotstain Investor Plaintiffs against parties

other than Trustmark remain pending in the Rotstain Litigation at the time the agreed motion is to be filed, the judgment that is requested by the agreed motion and required under this paragraph will be a final judgment under Federal Rule of Civil Procedure 54(b).

26. Dismissal of Smith Litigation: After the Settlement Effective Date, the Smith Investor Plaintiffs shall fully and finally dismiss their claims against Trustmark in the Smith Litigation with prejudice. To effectuate this, within five (5) business days after the Settlement Effective Date, the Smith Investor Plaintiffs and Trustmark shall file an agreed motion to (i) dismiss with prejudice without costs or attorneys' fees the Smith Litigation in its entirety as to Trustmark and (ii) enter a final judgment as to Trustmark and all claims against it in the Smith Litigation. It being agreed that there would be no just reason for delay, if claims by the Smith Investor Plaintiffs against parties other than Trustmark remain pending in the Smith Litigation at the time the agreed motion is to be filed, the judgment that is requested by the agreed motion and required by this paragraph will be a final judgment under Federal Rule of Civil Procedure 54(b).

27. Delivery of Settlement Amount: By the latest of (a) thirty (30) days after the Settlement Effective Date, (b) thirty (30) days after the order(s) dismissing with prejudice the Rotstain Litigation in its entirety as to Trustmark and granting a final judgment as to Trustmark and all claims against it are entered and such order(s) become Final, or (c) thirty (30) days after the order(s) dismissing with prejudice the Smith Litigation in its entirety and granting a final judgment as to Trustmark and all claims against it are entered and such order(s) become Final, Trustmark shall deliver or cause to be delivered the Settlement Amount to the Receiver by wire transfer in accordance with wire transfer instructions provided by the Receiver for purposes of receiving the payment.

IV. Use and Management of Settlement Amount

28. Management and Distribution of Settlement Amount: If and when the Settlement Amount is delivered to the Receiver pursuant to the terms of this Agreement, the Receiver shall receive and take custody of the Settlement Amount and shall maintain, manage, and distribute the Settlement Amount in accordance with the Distribution Plan and under the supervision and direction and with the approval of the Court. The Receiver shall be responsible for all Taxes, fees, and expenses that may be due with respect to the Settlement Amount or the management, use, administration, or distribution of the Settlement Amount.

29. No Liability: Trustmark and the Trustmark Released Parties shall have no liability, obligation, or responsibility whatsoever with respect to the investment, management, use, administration, or distribution of the Settlement Amount or any portion thereof, including, but not limited to, the duties set forth in Paragraph 28 as well as the costs and expenses of such investment, management, use, administration, or distribution of the Settlement Amount, and any Taxes arising therefrom or relating thereto. Nothing in this Paragraph 29 shall alter Trustmark's obligations to deliver the Settlement Amount to the Receiver pursuant to the terms of this Agreement.

V. Motion for Scheduling Order, Bar Order, and Judgment and Bar Order and Form and Procedure for Notice

30. Motion: On a date mutually acceptable to the Parties that is not more than twenty (20) days from the Agreement Date, unless otherwise agreed by the Parties in writing, via e-mail or otherwise, the Receiver and the Committee ("Movants") shall submit to the Court a motion requesting entry of an order substantially in the form attached hereto as **Exhibit E** (the "Scheduling Order") (a) preliminarily approving the Settlement; (b) approving the content and plan for publication and dissemination of Notice; (c) setting the date by which any objection to the Settlement or this Agreement must be filed; and (d) scheduling a Hearing to consider final approval

of the Settlement and entry of the orders required by Paragraph 19 of this Agreement. With respect to the content and plan for publication and dissemination of Notice, Movants will propose that Notice in substantially the form attached hereto as **Exhibit A** be sent via electronic mail, first-class mail, or international delivery service to all Interested Parties; sent via electronic service to all counsel of record for any Person who is, at the time of Notice, a party in any case included in *In re Stanford Entities Securities Litigation*, MDL No. 2099 (N.D. Tex.) (the "MDL"), the SEC Action, or the Litigation who are deemed to have consented to electronic service through the CM/ECF System; sent via facsimile transmission and/or first class mail to any other counsel of record for any other Person who is, at the time of service, a party in any case included in the MDL, the SEC Action, or the Litigation; and posted on the websites of the Receiver and the Examiner along with complete copies of this Agreement and all filings with the Court relating to the Settlement, this Agreement, and approval of the Settlement. Movants will further propose that Notice in substantially the form attached hereto as **Exhibit F** be published once in the national edition of *The Wall Street Journal* and once in the international edition of *The New York Times*. In advance of filing the motion papers to accomplish the foregoing, Movants shall provide Trustmark with a reasonable opportunity to review and comment on such motion papers.

31. Notice Preparation and Dissemination: The Receiver shall be solely responsible for the preparation and dissemination of the Notice pursuant to this Agreement and as directed by the Court. In the absence of intentional refusal by the Receiver to prepare and disseminate Notice pursuant to this Agreement or a court order, no Interested Party or any other Person shall have any recourse against the Receiver with respect to any claims that may arise from or relate to the Notice process. In the case of intentional refusal by the Receiver to prepare and disseminate Notice pursuant to this Agreement or a court order, Trustmark shall not have any claim against the

Receiver other than the ability to seek specific performance. The Parties do not intend to give any other Person any right or recourse against the Receiver in connection with the Notice process.

32. No Recourse Against Trustmark: No Interested Party or any other Person shall have any recourse against Trustmark or the Trustmark Released Parties with respect to any claims that may arise from or relate to the Notice process.

33. Motion Contents: In the motion papers referenced in Paragraph 30 above, Movants shall request that the Court, *inter alia*:

a. approve the Settlement and its terms as set out in this Agreement;

b. enter an order finding that this Agreement and the releases set forth herein are final and binding on the Parties;

c. enter the Bar Order in the SEC Action in the form attached hereto as **Exhibit B**; and

d. enter the Judgment and Bar Order in the Jackson Litigation in the form attached hereto as **Exhibit C**.

34. Parties to Advocate: The Parties shall take all reasonable steps to advocate for and encourage the Court to approve the terms of this Agreement.

35. No Challenge: No Party shall challenge the approval of the Settlement, and no Party will encourage or assist any Interested Party in challenging the Settlement.

VI. Rescission If the Settlement Is Not Finally Approved or the Bar Order and Judgment and Bar Order Are Not Entered

36. Right to Withdraw: The Parties represent and acknowledge that the following were necessary to the Committee's, the Receiver's, and Trustmark's agreement to enter into this Settlement, are each an essential term of the Settlement and this Agreement, and that the Settlement would not have been reached in the absence of these terms: (a) court approval in both the SEC

Action and the Jackson Litigation of the Settlement and the terms of this Agreement without amendment or revision; (b) entry by the court in the SEC Action of the Bar Order in substantially the form attached hereto as **Exhibit B**; (c) entry by the Court in the Jackson Litigation of the Judgment and Bar Order in substantially the form attached hereto as **Exhibit C**; (d) entry in the Rotstain Litigation and the Smith Litigation of orders dismissing Trustmark and all claims against it with prejudice and a final judgment as to Trustmark in both cases; and (e) all such approvals, dismissals, and orders becoming Final pursuant to Paragraphs 7, 19, 25, and 26 of this Agreement. If the court in either the SEC Action or the Jackson Litigation refuses to provide the approvals described in Paragraph 36(a) or refuses to enter the bar orders described in Paragraphs 36(b) or (c) without material modification or limitation; or if the court in either the Rotstain Litigation or the Smith Litigation refuses to enter an order dismissing with prejudice all claims in those cases against Trustmark or refuses to enter a final judgment as to Trustmark and all claims against it as described in Paragraph 36(d); or if the final result of any appeal from the approvals, dismissals, orders, and final judgments described in Paragraphs 36(a), (b), (c), or (d) is that any of the approvals, dismissals, orders, or final judgments are not affirmed in their entirety and without material modification or limitation, then the Receiver, the Committee, and Trustmark each have the right to withdraw their agreement to the Settlement and to this Agreement by providing to all other Parties written notice of such withdrawal within fourteen (14) days of the order or judicial determination giving rise to the right to withdraw. The effective date of the withdrawal will be twenty-one (21) days after the notice of same, during which time the Parties agree to work together in good faith to attempt to negotiate an alternative settlement that either does not require court approval or that addresses the circumstances that led to the denial of the approval of this Settlement Agreement or the request for entry of required approvals and bar orders.

37. In the event that any Party withdraws its agreement to the Settlement or this Agreement as allowed in Paragraph 36, this Agreement and any orders or judgments entered pursuant thereto—even if such orders or judgments have become Final—will be null and void and of no further effect whatsoever except as set forth in Paragraph 38, shall not be admissible in any ongoing or future proceedings for any purpose whatsoever other than to effectuate the terms of Paragraph 38, and shall not be the subject or basis for any claims or defenses by any Party against any other Party other than to enforce the surviving terms of this Agreement. If any Party withdraws from this Agreement pursuant to the terms of Paragraph 36, then each Party shall be returned to such Party's respective position immediately prior to such Party's execution of the Agreement except as set forth in the surviving terms of this Agreement listed in Paragraph 38.

38. The Parties do not have the right to withdraw from, or otherwise terminate, the Agreement for any reason other than the reasons identified in Paragraph 36. The following paragraphs of this Agreement shall survive termination of the Agreement: 36, 37, 38, 49 and 50.

VII. Distribution Plan

39. Duties: The Receiver, with the approval and guidance of the Court, shall be solely responsible for preparing, filing a motion seeking approval of, and implementing the Distribution Plan including, without limitation, receiving, managing, and disbursing the Settlement Amount. The Receiver owes no duties to Trustmark or the Trustmark Released Parties in connection with the distribution of the Settlement Amount or the Distribution Plan except for Paragraph 40 of this Agreement (which duties are enforceable only by specific performance), and if the Receiver complies with all orders issued by the Court relating to the Distribution Plan neither Trustmark nor the Trustmark Released Parties may assert any claim or cause of action against the Receiver in connection with the distribution of the Settlement Amount or the Distribution Plan except for specific performance of Paragraph 40. In no event will the Receiver or the Receivership Estate be

liable for damages or the payment or re-payment of funds of any kind as a result of any deficiency associated with the distribution of the Settlement Amount or the Distribution Plan.

40. Distribution by Check: The Receiver must include the following statement, without alteration (except that additional releasees may be included if the Receiver includes in the distribution check funds from settlements with other releasees), on the reverse of all checks sent to Claimants pursuant to the Distribution Plan above where the endorser will sign:

> BY ENDORSING THIS CHECK, I RELEASE ALL CLAIMS, KNOWN OR NOT, AGAINST TRUSTMARK NATIONAL BANK OR REPUBLIC NATIONAL BANK, AND THEIR EMPLOYEES (WHETHER CURRENT OR PAST), ARISING FROM OR RELATING TO STANFORD INTERNATIONAL BANK, LTD. OR ANY OF ITS RELATED ENTITIES AND ACCEPT THIS PAYMENT IN FULL SATISFACTION THEREOF.

41. No Responsibility: Trustmark and the Trustmark Released Parties shall have no responsibility, obligation, duties, or liability whatsoever with respect to the terms, interpretation, or implementation of the Distribution Plan; the administration of the Settlement; the management, investment, or distribution of the Settlement Amount or any other funds paid or received in connection with the Settlement; the payment or withholding of Taxes that may be due or owing by the Receiver or any recipient of funds from the Settlement Amount; the determination, administration, calculation, review, or challenge of claims to the Settlement Amount, any portion of the Settlement Amount, or any other funds paid or received in connection with the Settlement or this Agreement; or any losses, attorneys' fees, expenses, vendor payments, expert payments, or other costs incurred in connection with any of the foregoing matters. As of the Settlement Effective Date, the Plaintiffs, the Plaintiffs Released Parties, the Interested Parties, and all other individuals, Persons, or entities Plaintiffs represent or on whose behalf Plaintiffs have been empowered to act

by any court fully, finally, and forever release, relinquish, and discharge Trustmark and the Trustmark Released Parties from any and all such responsibility, obligation, duties, and liability.

VIII. Releases, Covenant Not to Sue, and Permanent Injunction

42. Release of Trustmark Released Parties: As of the Settlement Effective Date, each of the Plaintiffs, including, without limitation, the Receiver on behalf of the Receivership Estate (including the Stanford Entities but not including the natural persons listed in Paragraph 20 of this Agreement), fully, finally, and forever release, relinquish, and discharge, with prejudice, all Settled Claims against Trustmark and the Trustmark Released Parties.

43. Release of Plaintiffs Released Parties: As of the Settlement Effective Date, Trustmark fully, finally, and forever releases, relinquishes, and discharges, with prejudice, all Settled Claims against Plaintiffs Released Parties.

44. No Release of Obligations Under Agreement: Notwithstanding anything to the contrary in this Agreement, the releases and covenants contained in this Agreement do not release the Parties' rights and obligations under this Agreement or the Settlement, nor do they bar the Parties from enforcing or effectuating this Agreement or the Settlement.

45. Covenant Not to Sue: Effective as of the Agreement Date, Plaintiffs covenant not to, directly or indirectly, or through a third party, institute, reinstitute, initiate, commence, maintain, continue, file, encourage, solicit, support, participate in, collaborate in, or otherwise prosecute against any of the Trustmark Released Parties any action, lawsuit, cause of action, claim, investigation, demand, complaint, or proceeding, whether individually, derivatively, on behalf of a class, as a member of a class, or in any other capacity whatsoever, concerning or relating to the Settled Claims, whether in a court or any other Forum. Effective as of the Agreement Date, Trustmark covenants not to, directly or indirectly, or through a third party, institute, reinstitute, initiate, commence, maintain, continue, file, encourage, solicit, support, participate in, collaborate

in, or otherwise prosecute against any of the Plaintiffs Released Parties any action, lawsuit, cause of action, claim, investigation, demand, complaint, or proceeding, whether individually, derivatively, on behalf of a class, as a member of a class, or in any other capacity whatsoever, concerning or relating to the Settled Claims, whether in a court or any other Forum. Notwithstanding the foregoing, however, the Parties retain the right to sue for alleged breaches of this Agreement.

IX. Representations and Warranties

46. No Assignment, Encumbrance, or Transfer: The Plaintiffs, other than the Receiver, represent and warrant that they are the owners of the Settled Claims that they are releasing under this Agreement and that they have not, in whole or in part, assigned, encumbered, sold, pledged as security, or in any manner transferred or compromised any of the Settled Claims that they are releasing under this Agreement. The Receiver represents and warrants that he is the owner of the Settled Claims that he is releasing under this Agreement and that, other than assigning those Settled Claims against Trustmark that the Receiver transferred to the Committee, he has not, in whole or in part, assigned, encumbered, sold, pledged as security, or in any manner transferred or compromised any of the Settled Claims that he is releasing under this Agreement. Trustmark represents that it is the owner of the Settled Claims that it is releasing under this Agreement and that it has not, in whole or in part, assigned, encumbered, sold, pledged as security, or in any manner transferred or compromised any of the Settled Claims that it is releasing under this Agreement.

47. Bar Order. The Parties represent and warrant to each other that, other than the Rotstain Litigation, the Jackson Litigation, and the Smith Litigation, they are not presently aware of (a) any undismissed or otherwise extant claim or action against any of the Trustmark Released Parties concerning (i) the Settled Claims, (ii) the wrongdoing of the Stanford Entities that was the

subject of the Second Amended Complaint, or (b) any Person or entity intending to file such an action. The Parties further represent and warrant to each other that they are not aware of a current decision of the Fifth Circuit or United States Supreme Court invalidating the Bar Order or the Judgment and Bar Order.

48. Authority: Each Person executing this Agreement or any related documents represents and warrants that he or she has the full authority to execute the documents on behalf of the entity each represents and that each has the authority to take appropriate action required or permitted to be taken pursuant to this Agreement to effectuate its terms. The Committee represents and warrants that the Committee has approved this Agreement in accordance with the by-laws of the Committee.

X. No Admission of Fault or Wrongdoing

49. The Settlement, this Agreement, and the negotiation thereof shall in no way constitute, be construed as, or be evidence of an admission or concession of any violation of any statute or law; of any fault, liability, or wrongdoing; or of any infirmity in the claims or defenses of the Parties with regard to any of the complaints, claims, allegations, or defenses asserted or that could have been asserted in the Litigation, or any other proceeding relating to any Settled Claim, or any other proceeding in any Forum. The Settlement and this Agreement are a resolution of disputed claims in order to avoid the risk and substantial expense of protracted litigation. The Settlement, this Agreement, and evidence thereof shall not be used, directly or indirectly, in any way, in the Litigation, the SEC Action, or in any other proceeding, other than to enforce the terms of the Settlement and this Agreement.

XI. Confidentiality

50. Confidentiality: Except as necessary to obtain Court approval of this Agreement, to provide the Notices as required by this Agreement, or to enforce the terms of the Settlement and

this Agreement, the Parties and their counsel will keep confidential and shall not publish, communicate, or otherwise disclose, directly or indirectly, in any manner whatsoever, Confidential Information to any Person except that (i) a Party may disclose Confidential Information to a Person or entity to whom disclosure is required pursuant to law or regulation, but only after providing prompt notice to the other Parties; (ii) Trustmark shall be permitted to disclose to its own officers, shareholders, employees, affiliates, current and potential insurers, insurance brokers, regulators, rating agencies, lawyers, auditors or accountants, on a confidential or attorney-client basis, the Settlement, the Agreement, its terms, the amount of the Settlement, and information about the Settlement negotiations; and (iii) a Party may disclose Confidential Information to a Person or entity if the Party has obtained prior written consent from all other Parties. Notwithstanding anything else in this Agreement or otherwise, such consent may be transmitted by e-mail. Notwithstanding any provision to the contrary in the foregoing, the Parties agree that the Trustmark Released Parties may make disclosure regarding the Settlement and this Agreement in Forms 8-K, 10-K, and/or 10-Q filed with the SEC as well as conduct ancillary stakeholder communications, and they need not meet and confer with or provide notice to Plaintiffs before making such disclosure(s).

XII. Non-Disparagement

51. In connection with the Settlement and this Agreement, Plaintiffs and their counsel shall not make, disseminate, or publish any statement outside of Court, including a statement in the press, that would denigrate or embarrass the Trustmark Released Parties or that is otherwise negative or derogatory towards the Trustmark Released Parties. Nothing in this paragraph shall prevent the Receiver or his counsel from reporting the Receiver's activities to the Court, the Examiner, or the SEC; from responding as necessary to inquiries from the Court or other governmental authorities; or from carrying out any of the Receiver's duties under any order

addressing the scope of the Receiver's duties, including but not limited to the Second Amended Receivership Order (SEC Action, ECF No. 1130) or other order addressing the scope of the Receiver's duties.

52. In connection with the Settlement and this Agreement, Trustmark and its counsel shall not make, disseminate, or publish any statement outside of Court, including a statement in the press, which would denigrate or embarrass Plaintiffs. Nothing in this paragraph shall prevent Trustmark from reporting its activities to the Court; from responding as necessary to inquiries from the Court or other governmental authorities; from taking any step it believes, in its sole and absolute discretion, is necessary to enforce the Settlement or this Agreement; from responding to any request by Plaintiffs or any other Person for discovery from Trustmark in any other litigation related to the Stanford Entities or any subpoena or request for production; or from discussing the Settled Claims, the Settlement, and this Agreement with its own officers, shareholders, employees, affiliates, current and potential insurers, insurance brokers, regulators, rating agencies, lawyers, auditors or accountants.

XIII. Miscellaneous

53. Final and Complete Resolution: The Parties intend this Agreement and the Settlement to be and constitute a final, complete, and worldwide resolution of all matters and disputes between and among (1) the Plaintiffs Released Parties and the Interested Parties, on the one hand, and (2) the Trustmark Released Parties on the other hand, and this Agreement, including its exhibits, shall be interpreted as one document to effectuate this purpose. For the avoidance of doubt, Trustmark expressly acknowledges that the Release granted by Trustmark to the Plaintiffs Released Parties includes a release of all of Trustmark's claims related to the funds that the Court ordered Trustmark to turn over to the Receiver on or about July 24, 2012, including any and all purported secured claims and the following identified claim numbers in the Receivership claims

process: Stanford 1013301-1, Stanford 1015093-5, Stanford 1015229-6, Stanford 1015268-7, Stanford 1015270-9, Stanford 1015287-3, and Stanford 1015410-8.

54. Binding Agreement: As of the Agreement Date, this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective heirs, executors, administrators, successors, and assigns. No Party may assign any of its rights or obligations under this Agreement without the express written consent of the other Parties.

55. Incorporation of Recitals: The Recitals (i.e. "whereas" clauses) contained in this Agreement are essential terms of this Agreement and are incorporated herein for all purposes.

56. Disclaimer of Reliance: The Parties represent and acknowledge that in negotiating and entering into the Settlement and this Agreement they have not relied on, and have not been induced by, any representation, warranty, statement, estimate, communication, information, or lack thereof, of any nature whatsoever, whether written or oral, by, on behalf of, or concerning any Party, any agent of any Party, or otherwise, except as expressly set forth in this Agreement. To the contrary, each of the Parties affirmatively represents and acknowledges that the Party is relying solely on the express terms contained within this Agreement. The Parties have each consulted with legal counsel and advisors, have considered the advantages and disadvantages of entering into the Settlement and this Agreement, and have relied solely on their own judgment and the advice of their respective legal counsel in negotiating and entering into the Settlement and this Agreement.

57. Third-Party Beneficiaries: This Agreement is not intended to and does not create rights enforceable by any Person other than the Parties (or their respective heirs, executors, administrators, successors, and assigns, as provided in Paragraph 54 of this Agreement), except that the Trustmark Released Parties and the Plaintiff Released Parties are third-party beneficiaries of and may enforce the release or covenant not to sue as it relates to said Person.

58. Negotiation, Drafting, and Construction: The Parties agree and acknowledge that they each have reviewed and cooperated in the preparation of this Agreement, that no Party should or shall be deemed the drafter of this Agreement or any provision hereof, and that any rule, presumption, or burden of proof that would construe this Agreement, any ambiguity, or any other matter, against the drafter shall not apply and is waived. The Parties are entering into this Agreement freely, after good-faith, arm's-length negotiation, with the advice of counsel, and in the absence of coercion, duress, and undue influence. The titles and headings in this Agreement are for convenience only, are not part of this Agreement, and shall not bear on the meaning of this Agreement. The words "include," "includes," or "including" shall be deemed to be followed by the words "without limitation." The words "and" and "or" shall be interpreted broadly to have the most inclusive meaning, regardless of any conjunctive or disjunctive tense. Words in the masculine, feminine, or neuter gender shall include any gender. The singular shall include the plural and vice versa. "Any" shall be understood to include and encompass "all," and "all" shall be understood to include and encompass "any."

59. Cooperation: The Parties agree to execute any additional documents reasonably necessary to finalize and carry out the terms of this Agreement. In the event a third party or any Person other than a Party at any time challenges any term of this Agreement or the Settlement, including the Bar Order and the Judgment and Bar Order, the Parties agree to cooperate with each other, including using reasonable efforts to make documents or personnel available as needed, to defend any such challenge. Further, the Parties shall reasonably cooperate to defend and enforce each of the orders required under Paragraph 19 of this Agreement.

60. Notice: Any notices, documents, or correspondence of any nature required to be sent pursuant to this Agreement shall be transmitted by both e-mail and overnight delivery to the

following recipients, and will be deemed transmitted upon receipt by the overnight delivery service.

If to Trustmark:

Trustmark National Bank
Attn: Michael A. King
Senior Vice President and General Counsel
P.O. Box 291
Jackson, MS 39205-0291
Telephone: (601) 208-5088
Facsimile: (601) 208-6424
Email: MKing@trustmark.com

and

Robin C. Gibbs
Gibbs & Bruns LLP
1100 Louisiana St., Suite 5300
Houston, Texas 77002
Telephone: (713) 650-8805
Facsimile: (713) 750-0903
E-mail: rgibbs@gibbsbruns.com

and

Ashley M. Kleber
Gibbs & Bruns LLP
1100 Louisiana St., Suite 5300
Houston, Texas 77002
Telephone: (713) 650-8805
Facsimile: (713) 750-0903
E-mail: akleber@gibbsbruns.com

<u>If to Plaintiffs</u>:

James R. Swanson
Fishman Haygood, L.L.P.
201 St. Charles Avenue, 46th Floor
New Orleans, Louisiana 70170-4600
T: (504) 586-5252
F: (504) 586-5250
jswanson@fishmanhaygood.com

and

Edward C. Snyder
Castillo Snyder, PC
One Riverwalk Place
700 N. St. Mary's, Suite 405
San Antonio, Texas 78205
Telephone: 210-630-4200
Fax: 210-630-4210
E-mail: esnyder@casnlaw.com

and

John J. Little
John J. Little Law, PLLC
8150 N. Central Expressway, 10th Floor
Dallas, Texas 75206
Telephone: 214.989.4180
Cell: 214.573.2307
Fax: 214.367.6001
E-mail: john@johnlittlelaw.com

and

Ralph S. Janvey
2100 Ross Ave
Suite 2600
Dallas, TX 75201
E-mail: rjanvey@kjllp.com

and

Kevin Sadler
Baker Botts
1001 Page Mill Road
Building One, Suite 200

Palo Alto, California 94304-1007
E-mail: kevin.sadler@bakerbotts.com

Each Party shall provide notice of any change to the service information set forth above to all other Parties by the means set forth in this paragraph.

61. Choice of Law: This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Texas, without regard to the choice-of-law principles of Texas or any other jurisdiction.

62. Mandatory, Exclusive Forum Selection Clause: Any dispute, controversy, or claim arising out of or related to the Settlement or this Agreement, including breach, interpretation, effect, or validity of this Agreement, whether arising in contract, tort, or otherwise, shall be brought exclusively in the United States District Court for the Northern District of Texas. With respect only to any such action, the Parties irrevocably stipulate and consent to personal and subject matter jurisdiction and venue in such court, and waive any argument that such court is inconvenient, improper, or otherwise an inappropriate forum.

63. United States Currency: All dollar amounts in this Agreement are expressed in United States dollars.

64. Timing: If any deadline imposed by this Agreement falls on a non-business day, then the deadline is extended until the next business day.

65. Waiver: The waiver by a Party of any breach of this Agreement by another Party shall not be deemed a waiver of any other prior or subsequent breach of this Agreement.

66. Exhibits: The exhibits annexed to this Agreement are incorporated by reference as though fully set forth in and a part of this Agreement.

67. Integration and Modification: This Agreement sets forth the entire understanding and agreement of the Parties with respect to the subject matter of this Agreement and supersedes

all prior agreements, understandings, negotiations, communications, or lack thereof, whether oral or written, with respect to such subject matter. Neither this Agreement, nor any provision or term of this Agreement, may be amended, modified, revoked, supplemented, waived, or otherwise changed except by a writing signed by all of the Parties.

68. Counterparts and Signatures: This Agreement may be executed in one or more counterparts, each of which for all purposes shall be deemed an original but all of which taken together shall constitute one and the same instrument. A signature delivered by fax or other electronic means shall be deemed to be, and shall have the same binding effect as, a handwritten, original signature.

IN WITNESS HEREOF, the Parties have executed this Agreement signifying their agreement to the foregoing terms.

Ralph S. Janvey, in his capacity as the Receiver for the Stanford Receivership Estate

____

Date: __________

John J. Little, in his capacity as Examiner

____

Date: ___________

Official Stanford Investors Committee

____

By: John J. Little, Chairperson

Date: ___________

____

Guthrie Abbott
by James R. Swanson, attorney-in-fact

Date: __________

____
Steven Queyrouze
by James R. Swanson, attorney-in-fact

Date: __________

____
Salim Estefenn Uribe
by James R. Swanson, attorney-in-fact

Date:____________

____
Sarah Elson-Rogers
by James R. Swanson, attorney-in-fact

Date: __________

____
Diana Suarez
by James R. Swanson, attorney-in-fact

Date: __________

____
Ruth Alfille de Penhos
by James R. Swanson, attorney-in-fact

Date: __________

____
The Smith Investor Plaintiffs
(as defined in the Agreement)
Fishman Haygood, L.L.P.
by James R. Swanson, attorney-in-fact

Date: __________

Trustmark National Bank

Date: __________

____
By: Michael A. King
Title: Senior Vice President and General Counsel

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. STANFORD INTERNATIONAL BANK, LTD., *et al.*, Defendants.	§ § § § § § § § § §	Civil Action No. 3:09-CV-0298-N

NOTICE OF SETTLEMENT AND BAR ORDER PROCEEDINGS

PLEASE TAKE NOTICE that Ralph S. Janvey, in his capacity as the Court-appointed Receiver for the Stanford Receivership Estate (the "Receiver") and the Official Stanford Investors Committee (the "Committee") (the Receiver and the Committee, collectively, the "Movants"), have reached an agreement (the "Settlement Agreement") to settle all claims asserted or that could have been asserted against Trustmark National Bank ("Trustmark") in *Rotstain, et al. v. Trustmark National Bank, et al.*, Civil Action No. 4:22-cv-00800 (S.D. Tex.) (the "Rotstain Litigation"), *Jackson, et al. v. Cox, et al.*, Civil Action No. 3:10-cv-00328-N (N.D. Tex.) (the "Jackson Litigation"), or *Smith, et al. v. Independent Bank, et al.*, Civil Action No. 4:20-cv-00675 (S.D. Tex.) (the "Smith Litigation") (the Rostain Litigation, the Jackson Litigation, and the Smith Litigation are referred to collectively herein as the "Litigation").

PLEASE TAKE FURTHER NOTICE that the Movants have filed an Expedited Request for Entry of Scheduling Order and Motion to Approve Proposed Settlement with Trustmark, to Approve the Proposed Notice of Settlement with Trustmark, to Enter the Bar Order, and to Enter the Rule 54(b) Final Judgment and Bar Order (the "Motion"), filed in *SEC v. Stanford Int'l Bank, Ltd.*, No. 3:09-cv-0298-N (N.D. Tex.) (the "SEC Action"). Copies of the Settlement Agreement, the Motion, and other supporting papers may be obtained from the Court's docket in the SEC Action (ECF No. ____), and are also available on the websites of the Receiver (http://www.stanfordfinancialreceivership.com) and the Examiner (www.lpf-law.com/examiner-stanford-financial-group/). Copies of these documents may also be requested by email, by sending the request to Lara Richards at lrichards@fishmanhaygood.com; or by telephone, by calling (504) 586-5252. All capitalized terms not defined in this Notice of Settlement and Bar Order Proceedings are defined in the Settlement Agreement, attached as Exhibit 1 of the Appendix to the Motion.

PLEASE TAKE FURTHER NOTICE that the Motion requests that the Court approve the Settlement and enter a bar order permanently enjoining, among others, Interested Parties,[1] including Stanford Investors,[2] Plaintiffs,[3] Claimants,[4] and Joint Liquidators[5] from pursuing Settled Claims,[6] including claims you may possess, against Trustmark.

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[1] "Interested Parties" means the Receiver; the Receivership Estate; the Committee; the members of the Committee; the Plaintiffs; the Stanford Investors; the Claimants; the Examiner; the Joint Liquidators; the Jackson Investor Plaintiffs; or any Person or Persons alleged by the Receiver, the Committee, or other Person or entity on behalf of the Receivership Estate to be liable to the Receivership Estate, whether or not a formal proceeding has been initiated.

[2] "Stanford Investors" means customers of Stanford International Bank, Ltd. ("SIB"), who, as of February 16, 2009, had funds on deposit at SIB, and/or were holding certificates of deposit issued by SIB.

[3] "Plaintiffs" means the Receiver, the Committee, the individual plaintiffs in the Rostain Litigation (Guthrie Abbott, Steven Queyrouze, Salim Estefenn Uribe, Sarah Elson-Rogers, Diana Suarez, and Ruth Alfille de Penhos), and each of the plaintiffs in the Smith Litigation.

[4] "Claimants" means any Persons who have submitted a Claim to the Receiver or to the Joint Liquidators.

[5] "Joint Liquidators" means Hugh Dickson and Mark McDonald, in their capacities as the joint liquidators appointed by the Eastern Caribbean Supreme Court in Antigua and Barbuda to take control of and manage the affairs and assets of SIB or any of their successors or predecessors.

[6] "Settled Claim" generally means any action, cause of action, suit, liability, claim, right of action, right of levy or attachment, or demand whatsoever, whether or not currently asserted, known, suspected, existing, or discoverable, and whether based on federal law, state law, foreign law, common law, or otherwise, and whether based on contract, tort, statute, law, equity or otherwise, that a Releasor ever had, now has, or hereafter can, shall, or may

PLEASE TAKE FURTHER NOTICE that the settlement amount is one hundred million U.S. dollars ($100,000,000.00) (the "Settlement Amount"). The Settlement Amount, less any fees and costs awarded by the Court to the attorneys for Plaintiffs and expenses paid by the Receiver (the "Net Settlement Amount"), will be deposited with and distributed by the Receiver pursuant to a Distribution Plan hereafter to be approved by the Court in the SEC Action (*see* subparagraph f below).

This matter may affect your rights and you may wish to consult an attorney.

The material terms of the Settlement Agreement include the following:

a) Trustmark will pay $100 million, which will be deposited with the Receiver as required pursuant to the Settlement Agreement;

b) Plaintiffs will fully release the Trustmark Released Parties[7] from Settled Claims, *e.g.*, claims arising from or relating to Robert Allen Stanford, the

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have, directly, representatively, derivatively, or in any other capacity, for, upon, arising from, relating to, or by reason of any matter, cause, or thing whatsoever, that, in full or in part, concerns, relates to, arises out of, or is in any manner connected with (i) the Stanford Entities; (ii) any CD, depository account, or investment of any type with any one or more of the Stanford Entities; (iii) Trustmark's relationship with any one or more of the Stanford Entities and/or any of their personnel or any Person acting by, through, or in concert with any Stanford Entity; (iv) Trustmark's or any of the Trustmark Released Parties' provision of services to or for the benefit of or on behalf of any one or more of the Stanford Entities; or (v) any matter that was asserted in, could have been asserted in, or relates to the subject matter of the SEC Action, the Litigation, or any proceeding concerning any of the Stanford Entities pending or commenced in any Forum. "Settled Claims" specifically includes, without limitation, all claims each Releasor does not know or suspect to exist in his, her, or its favor at the time of release, which, if known by that Person, might have affected their decisions with respect to this Agreement and the Settlement ("Unknown Claims"). Each Releasor expressly waives, releases, and relinquishes any and all provisions, rights, and benefits conferred by any law or principle, in the United States or elsewhere, which governs or limits the release of unknown or unsuspected claims, including, without limitation, California Civil Code § 1542. *See* Paragraph 16 of the Settlement Agreement for a complete definition of Settled Claim. (ECF No. __.)

[7] "Trustmark Released Parties" generally means Trustmark National Bank and all of its predecessor banks, including without limitation Republic National Bank, and, for each of the foregoing, all of their respective past and present subsidiaries, parents, predecessors, affiliates, related entities and divisions, and all of the foregoings' respective past, present, and future successors, and all of their respective current and former partners, members, counsel, principals, participating principals, associates, managing or other agents, management personnel, officers, directors, shareholders, administrators, servants, employees, staff, consultants, advisors, attorneys, accountants, lenders, insurers and reinsurers, representatives, successors and assigns, known or unknown, in their

Stanford Entities,[8] or any conduct by the Trustmark Released Parties relating to Robert Allen Stanford or the Stanford Entities, with prejudice;

c) The Settlement Agreement seeks entry of a Judgment and Bar Order in the Jackson Litigation, and entry of a Bar Order in the SEC Action, each of which permanently enjoins, among others, Interested Parties, including all Stanford Investors, Investor Plaintiffs, and Claimants, from bringing, encouraging, assisting, continuing, or prosecuting, against Trustmark or any of the Trustmark Released Parties, the Litigation, or any action, lawsuit, cause of action, claim, investigation, demand, complaint, or proceeding of any nature, including, without limitation, contribution or indemnity claims, arising from or relating to a Settled Claim;

d) The Committee and the Rotstain Investor Plaintiffs will fully and finally dismiss their claims against Trustmark in the Rotstain Litigation with prejudice. The Smith Investor Plaintiffs will fully and finally dismiss their claims against Trustmark in the Smith Litigation with prejudice.

e) The Receiver will disseminate notice of the Settlement Agreement (i.e. this Notice) to Interested Parties, through one or more of the following: mail, email, international delivery, CM/ECF notification, facsimile transmission,

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representative capacity or individual capacity. *See* Paragraph 22 of the Settlement Agreement for a complete definition of Trustmark Released Parties. (ECF No. __.)

8 "Stanford Entities" means Robert Allen Stanford; James M. Davis; Laura Pendergest-Holt; Gilbert Lopez; Mark Kuhrt; SIB; Stanford Group Company; Stanford Capital Management, LLC; Stanford Financial Group; the Stanford Financial Bldg Inc.; the entities listed in Exhibit D to the Settlement Agreement (ECF No. __); and any entity of any type that was owned, controlled by, or affiliated with Robert Allen Stanford, James M. Davis, Laura Pendergest-Holt, Gilbert Lopez, Mark Kuhrt, SIB, Stanford Group Company, Stanford Capital Management, LLC, Stanford Financial Group, or the Stanford Financial Bldg Inc., on or before February 16, 2009.

and/or publication on the websites maintained by the Examiner (www.lpf-law.com/examiner-stanford-financial-group/) and the Receiver (http://www.stanfordfinancialreceivership.com);

f) The Receiver will develop and submit to the Court for approval a plan for distributing the Net Settlement Amount (the "Distribution Plan");
g) Under the Distribution Plan, once approved, the Net Settlement Amount will be distributed by the Receiver, under the supervision of the Court, to Stanford Investors who have submitted Claims that have been allowed by the Receiver;
h) Persons who accept funds from the Settlement Amount will, upon accepting the funds, fully release the Trustmark Released Parties from any and all Settled Claims; and
i) The Litigation will be dismissed with prejudice as to Trustmark, with each party bearing its own costs and attorneys' fees.

Attorneys for the Plaintiffs seek a fee award based upon 25% of the Settlement Amount, pursuant to 25% contingency fee agreements with the Plaintiffs. Twenty-Five percent of the net recovery from the Settlement is to be calculated but shall not exceed $25,000,000.00.

The final hearing on the Motion is set for [__________________] (the "Final Approval Hearing"). Any objection to the Settlement Agreement or its terms, the Motion, the Judgment and Bar Order, the Bar Order, or the request for approval of the Plaintiffs' attorneys' fees must be filed, in writing, with the Court in the SEC Action no later than [insert date of 21st day before Final Approval Hearing] with such written objection complying with the requirements of Paragraph 4 of the Scheduling Order (ECF No. __) in the SEC Action. Any objections not filed by this date will be deemed waived and will not be considered by the Court. Those wishing to appear and to orally present their written objections at the Final Approval Hearing must include a request to so appear within their written objections.

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Civil Action No. 3:09-CV-0298-N
	§	
STANFORD INTERNATIONAL BANK, LTD., *et al.*,	§	
	§	
Defendants.	§	

FINAL BAR ORDER

Before the Court is the Expedited Request for Entry of Scheduling Order and Motion to Approve Proposed Settlement with Trustmark, to Approve the Proposed Notice of Settlement with Trustmark, to Enter the Bar Order, and to Enter Rule 54(b) Final Judgment and Bar Order (ECF No. ___, the "Motion") filed by Ralph S. Janvey, in his capacity as the Court-appointed Receiver for the Stanford Receivership Estate (the "Receiver"), and the Court-appointed Official Stanford Investors Committee (the "Committee"), the latter being a plaintiff in *Rotstain, et al. v. Trustmark National Bank, et al.*, Civil Action No. 4:22-cv-00800 (S.D. Tex.) (the "Rotstain Litigation"). The Motion concerns a proposed settlement (the "Settlement") between and among, on the one hand, the Receiver, the Committee, each of the individual plaintiffs in the Rotstain Litigation (the "Rotstain Investor Plaintiffs"), each of the plaintiffs in *Smith, et al. v. Independent Bank, et al.*, Civil Action No. 4-20-CV-00675 (S.D. Tex) (the "Smith Investor Plaintiffs" and the "Smith Litigation"), and on the other hand, Trustmark National Bank ("Trustmark"). The Receiver, the Committee, the Rotstain Investor Plaintiffs, and the Smith Investor Plaintiffs are collectively referred to as the "Plaintiffs." Plaintiffs, on the one hand, and Trustmark, on the other hand, are referred to individually as a "Party" and together as the "Parties." John J. Little signed the Settlement Agreement as chair of the Committee.[1] Mr. Little, the Court-appointed Examiner (the "Examiner"), also signed the Settlement Agreement in his capacity as Examiner solely to evidence his support and approval of the Settlement and to confirm his obligation to post the Notice on his website; but Mr. Little as Examiner is not otherwise individually a party to the Settlement Agreement or any of the above-referenced litigation.

Following notice and a hearing, and having considered the filings and heard the arguments of counsel, the Motion is hereby **GRANTED**.

I. INTRODUCTION

This litigation as well as the Rotstain Litigation, the Smith Litigation, and *Jackson, et al. v. Cox et al.*, Civil Action No. 3:10-cv-0328 (N.D. Tex.) (the "Jackson Litigation" brought by individual plaintiffs herein referred to collectively as the "Jackson Investor Plaintiffs") arise from a series of events leading to the collapse of Stanford International Bank, Ltd. ("SIBL") and other companies owned or controlled by Robert Allen Stanford (with SIBL, the "Stanford Entities").[2] On February 16, 2009, this Court appointed Ralph S. Janvey to be the Receiver for the Stanford Entities. (ECF No. 10). After years of investigation, the Plaintiffs believe that they have identified claims against a number of third parties, including Trustmark, which Plaintiffs allege enabled the Stanford Ponzi scheme. In the Rotstain Litigation, the plaintiffs assert claims against Trustmark and other defendants for (1) aiding, abetting, or participation in violations of the Texas Securities Act ("TSA") and (2) aiding, abetting, or participation in breach of fiduciary

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[1] The Settlement Agreement is attached as Exhibit 1 of the Appendix to the Motion (ECF No. ___).

[2] All references in this Order to the Rotstain Litigation, the Smith Litigation, and the Jackson Litigation shall also apply to any actions severed from either of those cases.

duty.[3] In the Smith Litigation, the plaintiffs assert claims against Trustmark and other defendants for (1) aiding, abetting, or participation in a fraudulent scheme; (2) aiding, abetting, or participation in violations of the TSA; (3) aiding, abetting, or participation in breach of fiduciary duty; (4) aiding, abetting, or participation in conversion; and (5) civil conspiracy. In the Jackson Litigation, the plaintiffs assert claims against Trustmark and other defendants for (1) negligence, (2) breach of contract, (3) violations of Uniform Fiduciaries Law, (4) negligent misrepresentation, (5) detrimental reliance, (6) violations and/or aiding and abetting violations of the Louisiana Securities Act, (7) violations of the Louisiana Racketeering Act, and (8) conspiracy. Trustmark denies that it is liable under any of those claims and asserts numerous defenses to each of those claims.

Settlement negotiations occurred in 2022 and 2023. In these negotiations, potential victims of the Stanford Ponzi scheme were well-represented. The Committee—which the Court appointed to "represent[] in this case and related matters" the "customers of SIBL who, as of February 16, 2009, had funds on deposit at SIBL and/or were holding certificates of deposit issued by SIBL (the 'Stanford Investors')" (ECF No. 1149)—the Receiver, and the Examiner—who the Court appointed to advocate on behalf of "investors in any financial products, accounts, vehicles or ventures sponsored, promoted or sold by any Defendant in this action" (ECF No. 322)—all participated in these extensive, arm's-length negotiations. On December 31, 2022, the

[3] Originally, claims were also brought against Trustmark for (1) avoidance and recovery of fraudulent transfers under the Texas Uniform Fraudulent Transfer Act; (2) aiding, abetting, or participation in fraudulent transfers; (3) aiding, abetting, or participation in a fraudulent scheme; (4) aiding, abetting, or participation in conversion; and (5) civil conspiracy. Those claims were either dismissed by the MDL Court or abandoned by the plaintiffs over the course of the litigation. In addition, the plaintiffs in the Rotstain Litigation continue to bring a claim for avoidance and recovery of fraudulent transfers against certain defendants but not Trustmark.

Parties reached an agreement in principle resulting in the Settlement. For a short time thereafter, the Parties continued negotiating in order to document the exact terms of the Settlement in the written Settlement Agreement.

Under the terms of the Settlement Agreement, Trustmark will pay $100 million (the "Settlement Amount") to the Receivership Estate, which (less attorneys' fees and expenses) will be distributed to Stanford Investors. In return, Trustmark is to obtain total peace with respect to all claims that have been, or could have been, asserted against Trustmark or any of the Trustmark Released Parties arising in any respect out of the events leading to these proceedings. Accordingly, the Settlement is conditioned on the Court's approval and entry of this Final Bar Order enjoining Interested Parties and other Persons holding any potential claim against Trustmark relating to these proceedings from asserting or prosecuting claims against Trustmark or any of the Trustmark Released Parties.

On ____ __, 2023, the Receiver and the Committee (the "Movants") filed the Motion. (ECF No. ____). The Court thereafter entered a Scheduling Order on ____ __, 2023. (ECF No. ____), which, *inter alia*, authorized the Receiver to provide notice of the Settlement, established a briefing schedule on the Motion, and set the date for a hearing. On ____ __, 2023, the Court held the scheduled hearing. For the reasons set forth herein, the Court finds that the terms of the Settlement Agreement are adequate, fair, reasonable, and equitable, and that the Settlement should be and is hereby **APPROVED**. The Court further finds that entry of this Final Bar Order is appropriate and necessary.

II. ORDER

It is hereby **ORDERED, ADJUDGED, AND DECREED** as follows:

1. Terms used in this Final Bar Order that are defined in the Settlement Agreement, unless expressly otherwise defined herein, have the same meaning as in the Settlement Agreement (which is deemed incorporated herein by reference).

2. The Court has "broad powers and wide discretion to determine the appropriate relief in [this] equity receivership," including the authority to enter the Final Bar Order. *SEC v. Kaleta*, 530 F. App'x 360, 362 (5th Cir. 2013) (internal quotations omitted); *see also Zacarias v. Stanford Int'l Bank, Ltd.*, 945 F.3d 883, 897 (5th Cir. 2019) (receivership court authority includes entering "bar orders foreclosing suit against third-party defendants with whom the receiver is also engaged in litigation"). Moreover, the Court has jurisdiction over the subject matter of this action, and the Receiver and the Committee are proper parties to seek entry of this Final Bar Order.

3. The Court finds that the methodology, form, content, and dissemination of the Notice (i) were implemented in accordance with the requirements of the Scheduling Order; (ii) constituted the best practicable notice; (iii) were reasonably calculated, under the circumstances, to apprise all Interested Parties of the Settlement, the releases and dismissals therein, and the injunctions provided for in this Final Bar Order as well as in the Rule 54(b) Final Judgment and Bar Order to be entered in the Jackson Litigation; (iv) were reasonably calculated, under the circumstances, to apprise all Interested Parties of the right to object to the Settlement, this Final Bar Order, and the Rule 54(b) Final Judgment and Bar Order to be entered in the Jackson Litigation as well as to appear at the final approval Hearing; (v) were reasonable and constituted due, adequate, and sufficient notice; (vi) met all applicable requirements of law, including, without limitation, the Federal Rules of Civil Procedure, the United States Constitution (including Due Process), and the Rules of the Court; and (vii) provided to all Persons a full and fair opportunity to be heard on these matters.

4. The Court finds that the Settlement, including without limitation, the Settlement Amount, was reached following an extensive investigation of the facts and resulted from vigorous, good faith, arm's-length negotiations involving experienced and competent counsel. The Court further finds that (i) significant issues exist as to the merits and value of the claims asserted against Trustmark by Plaintiffs and by others whose potential claims are foreclosed by this Final Bar Order; (ii) such claims contain complex and novel issues of law and fact that would require a substantial amount of time and expense to litigate, with uncertainty regarding whether such claims would be successful; (iii) a significant risk exists that future litigation costs would dissipate Receivership Assets and that Plaintiffs and other persons who have submitted claims to the Receiver may not ultimately prevail on their claims; (iv) Plaintiffs and Claimants who have filed Claims with the Receiver will receive partial satisfaction of their claims from the Settlement Amount being paid pursuant to the Settlement; and (v) Trustmark would not have agreed to the terms of the Settlement in the absence of this Final Bar Order and the assurance of "total peace" with respect to all claims that have been, or could be, asserted by any Persons arising from any aspect of Trustmark's relationship with the Stanford Entities. *See SEC v. Kaleta*, No. 4:09-3674, 2012 WL 401069, at *4 (S.D. Tex. Feb. 7, 2012), *aff'd*, 530 F. App'x 360 (5th Cir. 2013) (approving these factors for consideration in evaluating whether a settlement and bar order are sufficient, fair, and necessary). The injunction against such claims as set forth herein is, therefore, a necessary and appropriate order ancillary to the relief obtained for victims of the Stanford Ponzi scheme pursuant to the Settlement. *See Kaleta*, 530 F. App'x at 362 (affirming a bar order and injunction against investor claims as "ancillary relief" to a settlement in an SEC receivership proceeding). After careful consideration of the record and applicable law, the Court concludes

that the Settlement is the best option for maximizing the net amount recoverable from Trustmark for the Receivership Estate, Plaintiffs, and the Claimants.

5. Pursuant to the Settlement Agreement and upon motion by the Receiver, this Court will approve a Distribution Plan that will fairly and reasonably distribute the net proceeds of the Settlement to Stanford Investors who have Claims approved by the Receiver. The Court finds that the Receiver's claims process and the Distribution Plan contemplated in the Settlement Agreement have been designed to ensure that all Stanford Investors have received an opportunity to pursue their Claims through the Receiver's claims process previously approved by the Court. (ECF No. 1584).

6. The Court further finds that the Parties and their counsel have at all times complied with the requirements of Rule 11 of the Federal Rules of Civil Procedure.

7. Accordingly, the Court finds that the Settlement is, in all respects, fair, reasonable, and adequate, and in the best interests of all Persons claiming an interest in, having authority over, or asserting a claim against Trustmark, the Stanford Entities, or the Receivership Estate, including but not limited to the Plaintiffs and the Interested Parties. The Court also finds that this Final Bar Order is a necessary component to achieve the Settlement. The Settlement, the terms of which are set forth in the Settlement Agreement, is hereby fully and finally approved. The Parties are directed to implement and consummate the Settlement in accordance with the terms and provisions of the Settlement Agreement and this Final Bar Order.

8. Pursuant to the provisions of Paragraph 42 of the Settlement Agreement, as of the Settlement Effective Date, Trustmark and the Trustmark Released Parties shall be completely released, acquitted, and forever discharged from any action, cause of action, suit, liability, claim, right of action, right of levy or attachment, or demand whatsoever, whether or not currently

asserted, known, suspected, existing, or discoverable, and whether based on federal law, state law, foreign law, common law, or otherwise, and whether based on contract, tort, statute, law, equity or otherwise, that the Plaintiffs, including without limitation the Receiver on behalf of the Receivership Estate (including the Stanford Entities); the Claimants; and the Persons, entities, and interests represented by those parties ever had, now has, or hereafter can, shall, or may have, directly, representatively, derivatively, or in any other capacity, for, upon, arising from, relating to, or by reason of any matter, cause, or thing whatsoever, that, in full or in part, concerns, relates to, arises out of, or is in any manner connected with (i) the Stanford Entities; (ii) any certificate of deposit, depository account, or investment of any type with any one or more of the Stanford Entities; (iii) Trustmark's or any of the Trustmark Released Parties' relationship with any one or more of the Stanford Entities and/or any of their personnel or any Person acting by, through, or in concert with any Stanford Entity; (iv) Trustmark's or any of the Trustmark Released Parties' provision of services to or for the benefit of or on behalf of any one or more of the Stanford Entities; or (v) any matter that was asserted in, could have been asserted in, or relates in any respect to the subject matter of this action, the Rotstain Litigation, the Smith Litigation, the Jackson Litigation, or any proceeding concerning any of the Stanford Entities pending or commenced in any Forum.

9. Pursuant to the provisions of Paragraph 43 of the Settlement Agreement, as of the Settlement Effective Date, the Plaintiffs Released Parties shall be completely released, acquitted, and forever discharged from all Settled Claims by Trustmark.

10. Notwithstanding anything to the contrary in this Final Bar Order, the foregoing releases do not release the Parties' rights and obligations under the Settlement Agreement or bar the Parties from enforcing or effectuating the terms of the Settlement Agreement. Further, the foregoing releases do not bar or release any claims, including but not limited to the Settled Claims,

that Trustmark may have against any Trustmark Released Party, including but not limited to Trustmark's insurers, reinsurers, employees, and agents.

11. The Court hereby permanently bars, restrains, and enjoins the Plaintiffs, the Claimants, the Interested Parties, and all other Persons or entities anywhere in the world, whether acting in concert with the foregoing or claiming by, through, or under the foregoing, or otherwise, all and individually, from directly, indirectly, or through a third party, instituting, reinstituting, intervening in, initiating, commencing, maintaining, continuing, filing, encouraging, soliciting, supporting, participating in, collaborating in, or otherwise prosecuting, against Trustmark or any of the Trustmark Released Parties any action, lawsuit, cause of action, claim, investigation, demand, levy, complaint, or proceeding of any nature in any Forum, including, without limitation, any court of first instance or any appellate court, whether individually, derivatively, on behalf of a class, as a member of a class, or in any other capacity whatsoever, that in any way relates to, is based upon, arises from, or is connected with the Stanford Entities; this case; the subject matter of this case, the Rotstain Litigation, the Smith Litigation, and/or the Jackson Litigation; or any Settled Claim. The foregoing specifically includes any claim, however denominated and whether brought in the Rotstain Litigation, the Smith Litigation, the Jackson Litigation, or any other Forum, seeking contribution, indemnity, damages, or other remedy where the alleged injury to such Person, entity, or Interested Party, or the claim asserted by such Person, entity, or Interested Party, is based upon such Person's, entity's, or Interested Party's liability to any Plaintiff, Claimant, or Interested Party arising out of, relating to, or based in whole or in part upon money owed, demanded, requested, offered, paid, agreed to be paid, or required to be paid to any Plaintiff, Claimant, Interested Party, or other Person or entity, whether pursuant to a demand, judgment, claim, agreement, settlement or otherwise. Notwithstanding the foregoing, there shall be no bar of any claims, including but

not limited to the Settled Claims, that Trustmark may have against any Trustmark Released Party, including but not limited to Trustmark's insurers, reinsurers, employees, and agents. Further, the Parties retain the right to sue for alleged breaches of the Settlement Agreement.

12. The releases and the covenants not to sue set forth in the Settlement Agreement, and the releases, bars, injunctions, and restraints set forth in this Final Bar Order, do not limit in any way the evidence that Plaintiffs may offer against the remaining defendants in the Rotstain Litigation or the Smith Litigation.

13. Nothing in this Final Bar Order shall impair, affect, or be construed to impair or affect in any way whatsoever any right of any Person, entity, or Interested Party to (a) claim a credit or offset, however determined or quantified, if and to the extent provided by any applicable statute, code, or rule of law, against any judgment amount, based upon the Settlement or payment of the Settlement Amount; (b) designate a "responsible third party" or "settling person" under Chapter 33 of the Texas Civil Practice and Remedies Code; or (c) take discovery under applicable rules in litigation; provided for the avoidance of doubt that nothing in this paragraph shall be interpreted to permit or authorize any action or claim seeking to impose any liability of any kind (including but not limited to liability for contribution, indemnification or otherwise) upon Trustmark or any Trustmark Released Party.

14. Trustmark and the Trustmark Released Parties have no responsibility, obligation, or liability whatsoever with respect to the content of the Notice; the notice process; the Distribution Plan; the implementation of the Distribution Plan; the administration of the Settlement; the management, investment, distribution, allocation, or other administration or oversight of the Settlement Amount, any other funds paid or received in connection with the Settlement, or any portion thereof; the payment or withholding of Taxes; the determination, administration,

calculation, review, or challenge of claims to the Settlement Amount, any portion of the Settlement Amount, or any other funds paid or received in connection with the Settlement or the Settlement Agreement; or any losses, attorneys' fees, expenses, vendor payments, expert payments, or other costs incurred in connection with any of the foregoing matters. No appeal, challenge, decision, or other matter concerning any subject set forth in this paragraph shall operate to terminate or cancel the Settlement, the Settlement Agreement, or this Final Bar Order.

15. Nothing in this Final Bar Order or the Settlement Agreement and no aspect of the Settlement or negotiation thereof is or shall be construed to be an admission or concession of any violation of any statute or law; of any fault, liability, or wrongdoing; or of any infirmity in the claims or defenses of the Parties with regard to any of the complaints, claims, allegations, or defenses in the Rotstain Litigation, the Smith Litigation, the Jackson Litigation, or any other proceeding.

16. The Committee, the Rotstain Investor Plaintiffs, and Trustmark are ordered to file the agreed motion to dismiss and motion for final judgment in the Rotstain Litigation as specified in Paragraph 25 of the Settlement Agreement by the deadline set forth in that paragraph. The Smith Investor Plaintiffs and Trustmark are ordered to file the agreed motion to dismiss and motion for final judgment in the Smith Litigation as specified in Paragraph 26 of the Settlement Agreement by the deadline set forth in that paragraph. Trustmark is hereby ordered to deliver or cause to be delivered the Settlement Amount ($100 million) pursuant to the terms of and subject to the conditions of the Settlement Agreement. Further, the Parties are ordered to act in conformity with all other provisions of the Settlement Agreement.

17. Without in any way affecting the finality of this Final Bar Order, the Court retains continuing and exclusive jurisdiction over the Parties for purposes of, among other things, the

administration, interpretation, consummation, and enforcement of the Settlement, the Settlement Agreement, the Scheduling Order, and this Final Bar Order, including without limitation, the injunctions, bar orders, and releases herein, and to enter orders concerning implementation of the Settlement, the Settlement Agreement, the Distribution Plan, and any payment of attorneys' fees and expenses to Plaintiffs' counsel.

18. The Court expressly finds and determines, pursuant to Federal Rule of Civil Procedure 54(b), that there is no just reason for any delay in the entry of this Final Bar Order, which is both final and appealable, and immediate entry by the Clerk of the Court is expressly directed.

19. This Final Bar Order shall be served by counsel for the Plaintiffs, via email, first class mail or international delivery service, on any person or entity that filed an objection to approval of the Settlement, the Settlement Agreement, or this Final Bar Order.

20. This is a final Rule 54(b) judgment. The Clerk of the Court is directed to enter Judgment as to Trustmark in conformity herewith.

Signed on ____________________

____
DAVID C. GODBEY
UNITED STATES DISTRICT JUDGE

EXHIBIT B

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

HAROLD JACKSON, *et al.*,	§	
	§	
Plaintiffs,	§	
	§	
v.	§	
	§	Civil Action No. 3:10-cv-0328
JAMES KEITH COX., *et al.*,	§	
	§	
Defendants.	§	
	§	

RULE 54(B) FINAL JUDGMENT AND BAR ORDER

Before the Court is the Expedited Request for Entry of Scheduling Order and Motion to Approve Proposed Settlement with Trustmark, to Approve the Proposed Notice of Settlement with Trustmark, to Enter the Bar Order, and to Enter Rule 54(b) Final Judgment and Bar Order (ECF No. ___, the "Motion") filed by Ralph S. Janvey, in his capacity as the Court-appointed Receiver for the Stanford Receivership Estate (the "Receiver"), and the Court-appointed Official Stanford Investors Committee (the "Committee"), the latter being a plaintiff in *Rotstain, et al. v. Trustmark National Bank, et al.*, Civil Action No. 4:22-cv-00800 (S.D. Tex.) (the "Rotstain Litigation"). The Motion concerns a proposed settlement (the "Settlement") between and among, on the one hand, the Receiver, the Committee, each of the individual plaintiffs in the Rotstain Litigation (the "Rotstain Investor Plaintiffs"), each of the plaintiffs in *Smith, et al. v. Independent Bank, et al.*, Civil Action No. 4-20-CV-00675 (S.D. Tex) (the "Smith Investor Plaintiffs" and the "Smith Litigation"), and on the other hand, Trustmark National Bank ("Trustmark"). The Receiver, the Committee, the Rotstain Investor Plaintiffs, and the Smith Investor Plaintiffs are collectively referred to as the "Plaintiffs." Plaintiffs, on the one hand, and Trustmark, on the other hand, are referred to individually as a "Party" and together as the "Parties." John J. Little signed the Settlement Agreement as chair of the Committee.[1] Mr. Little, the Court-appointed Examiner (the "Examiner"), also signed the Settlement Agreement in his capacity as Examiner solely to evidence his support and approval of the Settlement and to confirm his obligation to post the Notice on his website; but Mr. Little as Examiner is not otherwise individually a party to the Settlement Agreement or any of the above-referenced litigation.

Following notice and a hearing, and having considered the filings and heard the arguments of counsel, the Motion is hereby **GRANTED**.

I. INTRODUCTION

This litigation (the "Jackson Litigation" brought by individual plaintiffs herein referred to collectively as the "Jackson Investor Plaintiffs") as well as the Rotstain Litigation, the Smith Litigation, and *SEC v. SIBL, et al.*, Civil Action No. 3:09-cv-0298-N (N.D. Tex.) (the "SEC Action") arise from a series of events leading to the collapse of Stanford International Bank, Ltd. ("SIBL") and other companies owned or controlled by Robert Allen Stanford (with SIBL, the "Stanford Entities").[2] On February 16, 2009, this Court appointed Ralph S. Janvey to be the Receiver for the Stanford Entities. (ECF No. 10). After years of investigation, the Plaintiffs believe that they have identified claims against a number of third parties, including Trustmark, which Plaintiffs allege enabled the Stanford Ponzi scheme. In the Jackson Litigation, the plaintiffs assert claims against Trustmark and other defendants for (1) negligence, (2) breach of

[1] The Settlement Agreement is attached as Exhibit 1 of the Appendix to the Motion (ECF No. ___).

[2] The Plaintiffs' Petition in the Jackson Litigation incorrectly names Trustmark as "Trust National Bank." For the avoidance of confusion, this Rule 54(b) Final Judgment and Bar Order applies to Trustmark even as incorrectly named by Plaintiffs.

contract, (3) violations of Uniform Fiduciaries Law, (4) negligent misrepresentation, (5) detrimental reliance, (6) violations and/or aiding and abetting violations of the Louisiana Securities Act, (7) violations of the Louisiana Racketeering Act, and (8) conspiracy. In the Rotstain Litigation, the plaintiffs assert claims against Trustmark and other defendants for (1) aiding, abetting, or participation in violations of the Texas Securities Act ("TSA") and (2) aiding, abetting, or participation in breach of fiduciary duty.[3] In the Smith Litigation, the plaintiffs assert claims against Trustmark and other defendants for (1) aiding, abetting, or participation in a fraudulent scheme; (2) aiding, abetting, or participation in violations of the TSA; (3) aiding, abetting, or participation in breach of fiduciary duty; (4) aiding, abetting, or participation in conversion; and (5) civil conspiracy. Trustmark denies that it is liable under any of those claims and asserts numerous defenses to each of those claims.

Settlement negotiations occurred in 2022 and 2023. In these negotiations, potential victims of the Stanford Ponzi scheme were well-represented. The Committee—which the Court appointed to "represent[] in this case and related matters" the "customers of SIBL who, as of February 16, 2009, had funds on deposit at SIBL and/or were holding certificates of deposit issued by SIBL (the 'Stanford Investors')" (ECF No. 1149)—the Receiver, and the Examiner—who the Court appointed to advocate on behalf of "investors in any financial products, accounts, vehicles or ventures sponsored, promoted or sold by any Defendant in this action" (ECF No. 322)—all participated in these extensive, arm's-length negotiations. On December 31, 2022, the

[3] Originally, claims were also brought against Trustmark for (1) avoidance and recovery of fraudulent transfers under the Texas Uniform Fraudulent Transfer Act; (2) aiding, abetting, or participation in fraudulent transfers; (3) aiding, abetting, or participation in a fraudulent scheme; (4) aiding, abetting, or participation in conversion; and (5) civil conspiracy. Those claims were either dismissed by the MDL Court or abandoned by the plaintiffs over the course of the litigation. In addition, the plaintiffs in the Rotstain Litigation continue to bring a claim for avoidance and recovery of fraudulent transfers against certain defendants but not Trustmark.

Parties reached an agreement in principle resulting in the Settlement. For a short time thereafter, the Parties continued negotiating in order to document the exact terms of the Settlement in the written Settlement Agreement.

Under the terms of the Settlement Agreement, Trustmark will pay $100 million (the "Settlement Amount") to the Receivership Estate, which (less attorneys' fees and expenses) will be distributed to Stanford Investors. In return, Trustmark is to obtain total peace with respect to all claims that have been, or could have been, asserted against Trustmark or any of the Trustmark Released Parties arising in any respect out of the events leading to these proceedings. Accordingly, the Settlement is conditioned on the Court's approval and entry of this Rule 54(b) Final Judgment and Bar Order enjoining the Jackson Investor Plaintiffs and other Persons holding any potential claim against Trustmark relating to these proceedings from asserting or prosecuting claims against Trustmark or any of the Trustmark Released Parties.

On ____ __, 2023, the Receiver and the Committee (the "Movants") filed the Motion. (ECF No. ____). The Court thereafter entered a Scheduling Order on ____ __, 2023. (ECF No. ____), which, *inter alia*, authorized the Receiver to provide notice of the Settlement, established a briefing schedule on the Motion, and set the date for a hearing. On ____ __, 2023, the Court held the scheduled hearing. For the reasons set forth herein, the Court finds that the terms of the Settlement Agreement are adequate, fair, reasonable, and equitable, and that the Settlement should be and is hereby **APPROVED**. The Court further finds that entry of this Rule 54(b) Final Judgment and Bar Order is appropriate and necessary.

II. ORDER

It is hereby **ORDERED, ADJUDGED, AND DECREED** as follows:

1. Terms used in this Rule 54(b) Final Judgment and Bar Order that are defined in the Settlement Agreement, unless expressly otherwise defined herein, have the same meaning as in the Settlement Agreement (which is deemed incorporated herein by reference).

2. The Court has "broad powers and wide discretion to determine the appropriate relief in [this] equity receivership," including the authority to enter the Rule 54(b) Final Judgment and Bar Order. *SEC v. Kaleta*, 530 F. App'x 360, 362 (5th Cir. 2013) (internal quotations omitted); *see also Zacarias v. Stanford Int'l Bank, Ltd.*, 945 F.3d 883, 897 (5th Cir. 2019) (receivership court authority includes entering "bar orders foreclosing suit against third-party defendants with whom the receiver is also engaged in litigation"). Moreover, the Court has jurisdiction over the subject matter of this action, and the the Receiver and the Committee are proper parties to seek entry of this Rule 54(b) Final Judgment and Bar Order.

3. The Court finds that the methodology, form, content, and dissemination of the Notice (i) were implemented in accordance with the requirements of the Scheduling Order; (ii) constituted the best practicable notice; (iii) were reasonably calculated, under the circumstances, to apprise all Interested Parties of the Settlement, the releases and dismissals therein, and the injunctions provided for in this Rule 54(b) Final Judgment and Bar Order as well as the Final Bar Order to be entered in the SEC Action; (iv) were reasonably calculated, under the circumstances, to apprise all Interested Parties of the right to object to the Settlement, the Final Bar Order, and this Rule 54(b) Final Judgment and Bar Order as well as to appear at the final approval Hearing; (v) were reasonable and constituted due, adequate, and sufficient notice; (vi) met all applicable requirements of law, including, without limitation, the Federal Rules of Civil Procedure, the United States Constitution (including Due Process), and the Rules of the Court; and (vii) provided to all Persons a full and fair opportunity to be heard on these matters.

4. The Court finds that the Settlement, including without limitation, the Settlement Amount, was reached following an extensive investigation of the facts and resulted from vigorous, good faith, arm's-length negotiations involving experienced and competent counsel. The Court further finds that (i) significant issues exist as to the merits and value of the claims asserted against Trustmark by the Jackson Plaintiffs and by others whose potential claims are foreclosed by this Rule 54(b) Final Judgment and Bar Order; (ii) such claims contain complex and novel issues of law and fact that would require a substantial amount of time and expense to litigate, with uncertainty regarding whether such claims would be successful; (iii) a significant risk exists that future litigation costs would dissipate Receivership Assets and that Plaintiffs and other persons who have submitted claims to the Receiver may not ultimately prevail on their claims; (iv) Plaintiffs and Claimants who have filed Claims with the Receiver will receive partial satisfaction of their claims from the Settlement Amount being paid pursuant to the Settlement; and (v) Trustmark would not have agreed to the terms of the Settlement in the absence of this Rule 54(b) Final Judgment and Bar Order and the assurance of "total peace" with respect to all claims that have been, or could be, asserted by any Persons arising from any aspect of Trustmark's relationship with the Stanford Entities. *See SEC v. Kaleta*, No. 4:09-3674, 2012 WL 401069, at *4 (S.D. Tex. Feb. 7, 2012), *aff'd*, 530 F. App'x 360 (5th Cir. 2013) (approving these factors for consideration in evaluating whether a settlement and bar order are sufficient, fair, and necessary). The injunction against such claims as set forth herein is, therefore, a necessary and appropriate order ancillary to the relief obtained for victims of the Stanford Ponzi scheme pursuant to the Settlement. *See Kaleta*, 530 F. App'x at 362 (affirming a bar order and injunction against investor claims as "ancillary relief" to a settlement in an SEC receivership proceeding). After careful consideration of the record and applicable law, the Court concludes that the Settlement is the best option for

maximizing the net amount recoverable from Trustmark for the Receivership Estate, Plaintiffs, and the Claimants (including the Jackson Investor Plaintiffs).

5. The Court finds that the Parties and their counsel have at all times complied with the requirements of Rule 11 of the Federal Rules of Civil Procedure.

6. Accordingly, the Court finds that the Settlement is, in all respects, fair, reasonable, and adequate, and in the best interests of all Persons claiming an interest in, having authority over, or asserting a claim against Trustmark, the Stanford Entities, or the Receivership Estate, including but not limited to the Plaintiffs, the Interested Parties, and the Jackson Investor Plaintiffs. The Court also finds that this Rule 54(b) Final Judgment and Bar Order is a necessary component to achieve the Settlement. The Settlement, the terms of which are set forth in the Settlement Agreement, is hereby fully and finally approved. The Parties are directed to implement and consummate the Settlement in accordance with the terms and provisions of the Settlement Agreement and this Rule 54(b) Final Judgment and Bar Order.

7. The Court hereby permanently bars, restrains, and enjoins the Jackson Investor Plaintiffs, all and individually, from directly, indirectly, or through a third party, instituting, reinstituting, intervening in, initiating, commencing, maintaining, continuing, filing, encouraging, soliciting, supporting, participating in, collaborating in, or otherwise prosecuting, against Trustmark or any of the Trustmark Released Parties any action (including without limitation the Jackson Litigation), lawsuit, cause of action, claim, investigation, demand, levy, complaint, or proceeding of any nature in any Forum, including, without limitation, any court of first instance or any appellate court, whether individually, derivatively, on behalf of a class, as a member of a class, or in any other capacity whatsoever, that in any way relates to, is based upon, arises from, or is connected with the Stanford Entities; this case; the subject matter of this case, the Rotstain

Litigation, the Smith Litigation, and/or the SEC Action; or any Settled Claim. The foregoing specifically includes any claim, however denominated and whether brought in the Jackson Litigation or any other Forum, seeking contribution, indemnity, damages, or other remedy where the alleged injury to such Person, entity, or Interested Party, or the claim asserted by such Person, entity, or Interested Party, is based upon such Person's, entity's, or Interested Party's liability to any Plaintiff, Claimant, or Interested Party arising out of, relating to, or based in whole or in part upon money owed, demanded, requested, offered, paid, agreed to be paid, or required to be paid to any Plaintiff, Claimant, Interested Party, or other Person or entity, whether pursuant to a demand, judgment, claim, agreement, settlement or otherwise. Notwithstanding the foregoing, there shall be no bar of any claims, including but not limited to the Settled Claims, that Trustmark may have against any Trustmark Released Party, including but not limited to Trustmark's insurers, reinsurers, employees, and agents. Further, the Parties retain the right to sue for alleged breaches of the Settlement Agreement.

8. The releases and the covenants not to sue set forth in the Settlement Agreement, and the releases, bars, injunctions, and restraints set forth in this Rule 54(b) Final Judgment and Bar Order, do not limit in any way the evidence that the Jackson Investor Plaintiffs may offer against the remaining defendants in the Jackson Litigation.

9. Nothing in this Rule 54(b) Final Judgment and Bar Order shall impair, affect, or be construed to impair or affect in any way whatsoever any right of any Person, entity, or Interested Party to (a) claim a credit or offset, however determined or quantified, if and to the extent provided by any applicable statute, code, or rule of law, against any judgment amount, based upon the Settlement or payment of the Settlement Amount; (b) designate a "responsible third party" or "settling person" under Chapter 33 of the Texas Civil Practice and Remedies Code; or (c) take

discovery under applicable rules in litigation; provided for the avoidance of doubt that nothing in this paragraph shall be interpreted to permit or authorize any action or claim seeking to impose any liability of any kind (including but not limited to liability for contribution, indemnification or otherwise) upon Trustmark or any Trustmark Released Party.

10. Nothing in this Rule 54(b) Final Judgment and Bar Order or the Settlement Agreement and no aspect of the Settlement or negotiation thereof is or shall be construed to be an admission or concession of any violation of any statute or law; of any fault, liability, or wrongdoing; or of any infirmity in the claims or defenses of the Parties with regard to any of the complaints, claims, allegations, or defenses in the Rotstain Litigation, the Smith Litigation, the Jackson Litigation, or any other proceeding.

11. Without in any way affecting the finality of this Rule 54(b) Final Judgment and Bar Order, the Court retains continuing and exclusive jurisdiction over the Parties for purposes of, among other things, the administration, interpretation, consummation, and enforcement of the Settlement, the Settlement Agreement, the Scheduling Order, and this Rule 54(b) Final Judgment and Bar Order, including without limitation, the injunctions, bar orders, and releases herein, and to enter orders concerning implementation of the Settlement and the Settlement Agreement.

12. The Court expressly finds and determines, pursuant to Federal Rule of Civil Procedure 54(b), that there is no just reason for any delay in the entry of this Rule 54(b) Final Judgment and Bar Order, which is both final and appealable, and immediate entry by the Clerk of the Court is expressly directed.

13. This Rule 54(b) Final Judgment and Bar Order shall be served by counsel for the Plaintiffs, via email, first class mail or international delivery service, on any person or entity that

filed an objection to approval of the Settlement, the Settlement Agreement, or this Rule 54(b) Final Judgment and Bar Order.

14. This is a final Rule 54(b) judgment. The Clerk of the Court is directed to enter Judgment as to Trustmark in conformity herewith.

Signed on ____________________

DAVID C. GODBEY
UNITED STATES DISTRICT JUDGE

Receivership Entities

16NE Huntington, LLC

20/20 Ltd.

Antigua Athletic Club Limited

The Antigua Sun Limited

Apartment Household, Inc.

Asian Village Antigua Limited

Bank of Antigua Limited

Boardwalk Revitalization, LLC

Buckingham Investments A.V.V.

Caribbean Aircraft Leasing (BVI) Limited

Caribbean Airlines Services Limited

Caribbean Airlines Services, Inc.

Caribbean Star Airlines Holdings Limited

Caribbean Star Airlines Limited

Caribbean Sun Airlines Holdings, Inc.

Casuarina 20 LLC

Christiansted Downtown Holdings, LLC

Crayford Limited

Cuckfield Investments Limited

Datcom Resources, Inc.

Devinhouse, Ltd.

Deygart Holdings Limited

International Fixed Income Stanford Fund, Ltd.

The Island Club, LLC

The Islands Club, Ltd.

JS Development, LLC

Maiden Island Holdings Ltd.

Miller Golf Company, L.L.C.

Parque Cristal Ltd.

Pelican Island Properties Limited

Pershore Investments S.A.

Polygon Commodities A.V.V.

Porpoise Industries Limited

Productos y Servicios Stanford, C.A.

R. Allen Stanford, LLC

Robust Eagle Limited

Sea Eagle Limited

Sea Hare Limited

SFG Majestic Holdings, LLC

SG Ltd.

SGV Asesores C.A.

SGV Ltd.

Stanford 20*20, LLC

Stanford 20/20 Inc.

Foreign Corporate Holdings Limited

Guardian International Investment Services No. One, Inc.

Guardian International Investment Services No. Three, Inc.

Guardian International Investment Services No. Two, Inc.

Guardian One, Ltd.

Guardian Three, Ltd.

Guardian Two, Ltd.

Guiana Island Holdings Limited

Harbor Key Corp.

Harbor Key Corp. II

Idea Advertising Group, Inc.

Stanford Bank Holdings Limited

Stanford Bank, S.A. Banco Comercial

Stanford Capital Management, LLC

Stanford Caribbean Investments, LLC

Stanford Caribbean Regional Management Holdings, LLC

Stanford Caribbean, LLC

Stanford Casa de Valores, S.A.

Stanford Cobertura, S.A. de C.V.

Stanford Coins & Bullion, Inc.

The Stanford Condominium Owners' Association, Inc.

Stanford Acquisition Corporation

Stanford Aerospace Limited

Stanford Agency, Ltd. [Louisiana][i]

Stanford Agency, Inc. [Texas]

Stanford Agresiva S.A. de C.V.

Stanford Aircraft, LLC

Stanford American Samoa Holding Limited

Stanford Aviation 5555, LLC

Stanford Aviation II, LLC

Stanford Aviation III, LLC

Stanford Aviation Limited

Stanford Aviation LLC

Stanford Bank (Panama), S.A.[ii]

Stanford Galleria Buildings Management, LLC

Stanford Gallows Bay Holdings, LLC

Stanford Global Advisory, LLC

Stanford Group (Antigua) Limited

Stanford Group (Suisse) AG

Stanford Group Aruba, N.V.

Stanford Group Bolivia

Stanford Group Casa de Valores, S.A.

Stanford Corporate Holdings International, Inc.

Stanford Corporate Services (BVI) Limited

Stanford Corporate Services (Venezuela), C.A.

Stanford Corporate Services, Inc.

Stanford Corporate Ventures (BVI) Limited

Stanford Corporate Ventures, LLC

Stanford Crecimiento Balanceado, S.A. de C.V.

Stanford Crecimiento, S.A. de C.V.

Stanford Development Company (Grenada) Ltd.

Stanford Development Company Limited

Stanford Development Corporation

Stanford Eagle, LLC

Stanford Family Office, LLC

The Stanford Financial Group Building, Inc.

Stanford Financial Group Company

Stanford Financial Group Global Management, LLC

Stanford Financial Group (Holdings) Limited

Stanford Financial Group Limited

Stanford Financial Group Ltd.

Stanford Financial Partners Advisors, LLC

Stanford Group Company

Stanford Group Company Limited

Stanford Group Holdings, Inc.

Stanford Group Mexico, S.A. de C.V.

Stanford Group Peru, S.A., Sociedad Agente de Bolsa

Stanford Group Venezuela Asesores de Inversion, C.A.

Stanford Group Venezuela, C.A.

Stanford Holdings Venezuela, C.A.

Stanford International Bank Holdings Limited

Stanford International Bank Limited

Stanford International Holdings (Panama) S.A.

Stanford International Management Ltd.

Stanford International Resort Holdings, LLC

Stanford Investment Advisory Services, Inc.

Stanford Leasing Company, Inc.

Stanford Management Holdings, Ltd.

Stanford Real Estate Acquisition, LLC

Stanford S.A. Comisionista de Bolsa

Stanford Services Ecuador, S.A.

Stanford South Shore Holdings, LLC

Stanford Financial Partners Holdings, LLC

Stanford Financial Partners Securities, LLC

Stanford Financial Partners, Inc.

Stanford Fondos, S.A. de C.V.

The Stanford Galleria Buildings, LP

Stanford Trust Holdings Limited

Stanford Venture Capital Holdings, Inc.

The Sticky Wicket Limited

Sun Printing & Publishing Limited

Sun Printing Limited

Stanford Puerto Rico, Inc

Stanford Latin America LLC

Stanford Casa de Valores Panama

Stanford Group Venezuela a/k/a Stanford Group Venezuela C.A.

Stanford Bank Venezuela

Stanford Trust Company Limited d/b/a Stanford Fiduciary Investment Services

Stanford Advisory Board

Two Islands One Club (Antigua) Ltd.

Stanford Caribbean Investment Partners, LP

Stanford Caribbean Advisors

Stanford Group Panama a/k/a Stanford Bank Panama

Stanford Sports & Entertainment Holdings, LLC

Stanford St. Croix Marina Operations, LLC

Stanford St. Croix Resort Holdings, LLC

Stanford St. Croix Security, LLC

Stanford Trust Company

Stanford Trust Company Administradora de Fondos y Fideicomisos S.A.

Stanford Trust Company Limited

Torre Oeste Ltd.

Torre Senza Nome Venezuela, C.A.

Trail Partners, LLC

Two Islands One Club (Grenada) Ltd.

Two Islands One Club Holdings Ltd.

Stanford Financial Group Services, LLC

Stanford Group Columbia a/k/a Stanford Bolsa Y Banca

Guardian International Bank Ltd.

Guardian Trust Company

Guardian Development Corporation

Guardian International Investment Services

Casuarina Holdings, Inc.

Stanford Caribbean Investment Fund

Stanford Caribbean Investment Fund I, LP

[i] Locations in brackets are included to differentiate between legal entities with the same name but different locations or other identifying information.
ii Locations in parentheses are included in the legal name of an entity or other identifying information.

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. STANFORD INTERNATIONAL BANK, LTD., *et al.*, Defendants.	§ § § § § § § § § §	Civil Action No. 3:09-CV-0298-N

SCHEDULING ORDER

This matter is before the Court on the Expedited Request for Entry of Scheduling Order and Motion to Approve Proposed Settlement with Trustmark, to Approve the Proposed Notice of Settlement with Trustmark, to Enter the Bar Order, and to Enter the Rule 54(b) Final Judgment and Bar Order (the "Motion") of Ralph S. Janvey (the "Receiver"), as Receiver for the Receivership Estate in *SEC v. Stanford International Bank, Ltd.*, No. 3:09-CV-0298-N (N.D. Tex.) (the "SEC Action"), and the Official Stanford Investors Committee (the "Committee"), as a party to the SEC Action and as a plaintiff in *Rotstain, et al. v. Trustmark National Bank, et al.*, Civil Action No. 4:22-cv-00800 (S.D. Tex.) (the "Rotstain Litigation"). The Receiver and the Committee are referred to herein collectively as the Movants.

The Motion concerns a proposed settlement (the "Settlement") among and between, on the one hand, the Receiver, the Committee, the individual plaintiffs in the Rotstain Litigation, and the plaintiffs in *Smith, et al. v. Independent Bank, et al.*, Civil Action No. 4:20-cv-00675

(S.D. Tex.) (the "Smith Litigation");[1] and, on the other hand, Trustmark National Bank ("Trustmark"), as a defendant in the Rotstain Litigation, the Smith Litigation, and *Jackson, et al. v. Cox, et al.*, Civil Action No. 3:10-cv-00328-N (N.D. Tex.) (the "Jackson Litigation"; the Rostain Litigation, the Jackson Litigation, and the Smith Litigation are referred to collectively herein as the "Litigation"). Capitalized terms not otherwise defined in this order shall have the meaning assigned to them in the settlement agreement attached to the Motion (the "Settlement Agreement").

In the Motion, the Movants seek the Court's approval of the terms of the Settlement, including entry of a bar order in the SEC Action (the "Bar Order") and a final judgment and bar order in the Jackson Litigation (the "Judgment and Bar Order"). After reviewing the terms of the Settlement and considering the arguments presented in the Motion, the Court preliminarily approves the Settlement as adequate, fair, reasonable, and equitable. Accordingly, the Court enters this scheduling order to: (i) provide for notice of the terms of the Settlement, including the proposed Bar Order in the SEC Action and the proposed Judgment and Bar Order in the Jackson Litigation; (ii) set the deadline for filing objections to the Settlement, the Bar Order, the Judgment and Bar Order, or Movants' request for approval of Plaintiffs' attorneys' fees; (iii) set the deadline for responding to any objection so filed; and (iv) set the date of the final approval hearing regarding the Settlement, the Bar Order in the SEC Action, the Judgment and Bar Order in the Jackson Litigation, and Movants' request for approval of Plaintiffs' attorneys' fees (the "Final Approval Hearing"), as follows:

[1] John J. Little signed the Settlement Agreement as chair of the Committee. Mr. Little, the Court-appointed Examiner (the "Examiner"), also signed the Settlement Agreement in his capacity as Examiner solely to evidence his support and approval of the Settlement and to confirm his obligation to post the Notice on his website, but Mr. Little as Examiner is not otherwise individually a party to the Settlement Agreement or any of the above-referenced litigation.

1. <u>Preliminary Findings on Potential Approval of the Settlement</u>: Based upon the Court's review of the terms of the Settlement Agreement, the arguments presented in the Motion, and the

Motion's accompanying appendices and exhibits, the Court preliminarily finds that the Settlement is fair, reasonable, and equitable; has no obvious deficiencies; and is the product of serious, informed, good-faith, and arm's-length negotiations. The Court, however, reserves a final ruling with respect to the terms of the Settlement until after the Final Approval Hearing referenced below in Paragraph 2.

2. Final Approval Hearing: The Final Approval Hearing will be held before the Honorable David C. Godbey of the United States District Court for the Northern District of Texas, United States Courthouse, 1100 Commerce Street, Dallas, Texas 75242, in Courtroom 1505, at __:__ _.m. on _________, which is a date at least ninety (90) calendar days after entry of this Scheduling Order. The purposes of the Final Approval Hearing will be to: (i) determine whether the terms of the Settlement should be approved by the Court; (ii) determine whether the Bar Order attached as Exhibit B to the Settlement Agreement should be entered by the Court in the SEC Action; (iii) determine whether the Judgment and Bar Order attached as Exhibit C to the Settlement Agreement should be entered by the Court in the Jackson Litigation; (iv) rule upon any objections to the Settlement, Bar Order, or the Judgment and Bar Order; (v) rule upon Movants' request for approval of Plaintiffs' attorneys' fees; and (vi) rule upon such other matters as the Court may deem appropriate.

3. Notice: The Court approves the form of Notice attached as Exhibit A to the Settlement Agreement and finds that the methodology, distribution, and dissemination of Notice described in the Motion: (i) constitute the best practicable notice; (ii) are reasonably calculated, under the circumstances, to apprise all Interested Parties of the Settlement, the releases therein, and the injunctions provided for in the Bar Order and Judgment and Bar Order; (iii) are reasonably calculated, under the circumstances, to apprise all Interested Parties of the right to object to the

Settlement, the Bar Order, or the Judgment and Bar Order, and to appear at the Final Approval Hearing; (iv) constitute due, adequate, and sufficient notice; (v) meet all requirements of applicable law, including the Federal Rules of Civil Procedure, the United States Constitution (including Due Process), and the Rules of the Court; and (vi) will provide to all Persons a full and fair opportunity to be heard on these matters. The Court further approves the form of the publication Notice attached as Exhibit F to the Settlement Agreement. Therefore:

a. The Receiver is hereby directed, no later than twenty-one (21) calendar days after entry of this Scheduling Order, to cause the Notice in substantially the same form attached as Exhibit A to the Settlement Agreement to be sent via electronic mail, first class mail, or international delivery service to all Interested Parties; to be sent via electronic service to all counsel of record for any Person who is, at the time of Notice, a party in any case included in *In re Stanford Entities Securities Litigation*, MDL No. 2099 (N.D. Tex.) (the "MDL"), the SEC Action, or the Litigation, who are deemed to have consented to electronic service through the CM/ECF System; and to be sent via facsimile transmission and/or first class mail to any other counsel of record for any other Person who is, at the time of service, a party in any case included in the MDL, the SEC Action, or the Litigation.

b. The Receiver is hereby directed, no later than twenty-one (21) calendar days after entry of this Scheduling Order, to cause the notice in substantially the same form attached as Exhibit F to the Settlement Agreement to be published once in the national edition of *The Wall Street Journal* and once in the international edition of *The New York Times*.

c. The Receiver is hereby directed, no later than ten (10) calendar days after entry of this Scheduling Order, to cause the Settlement Agreement, the Motion, this Scheduling Order, the Notice, and all exhibits and appendices attached to these documents, to be posted on the Receiver's website (http://stanfordfinancialreceivership.com). The Examiner is hereby directed, no later than ten (10) calendar days after entry of this Scheduling Order, to cause the Settlement Agreement, the Motion, this Scheduling Order, the Notice, and all exhibits and appendices attached to these documents, to be posted on the Examiner's website (http://lpf-law.com/examiner-stanford-financial-group).

d. The Receiver is hereby directed promptly to provide the Settlement Agreement, the Motion, this Scheduling Order, the Notice, and all exhibits and appendices attached to these documents, to any Person who requests such documents via email to Lara Richards at lrichards@fishmanhaygood.com, or via telephone by calling (504) 586-5252. The Receiver may provide such materials in the form and manner that the Receiver deems most appropriate under the circumstances of the request.

e. No less than ten (10) days before the Final Approval Hearing, the Receiver shall cause to be filed with the Clerk of this Court written evidence of compliance with subparts (a) through (d) of this Paragraph, which may be in the form of an affidavit or declaration.

4. Objections and Appearances at the Final Approval Hearing: Any Person who wishes to object to the terms of the Settlement, the Bar Order, the Judgment and Bar Order, or Movants' request for approval of Plaintiffs' attorneys' fees, or who wishes to appear at the Final Approval Hearing, must do so by filing an objection, in writing, with the Court in the SEC Action (3:09-CV-0298-N), by ECF or by mailing the objection to the Clerk of the United States District Court for the Northern District of Texas, 1100 Commerce Street, Dallas, Texas 75242, no later than [insert date of 21st day before Final Approval Hearing] . All objections filed with the Court must:

a. contain the name, address, telephone number, and (if applicable) an email address of the Person filing the objection;

b. contain the name, address, telephone number, and email address of any attorney representing the Person filing the objection;

c. be signed by the Person filing the objection, or his or her attorney;

d. state, in detail, the basis for any objection;

e. attach any document the Court should consider in ruling on the Person's objection, the Settlement, the Bar Order, the Judgment and Bar Order, or Plaintiffs' request for approval of Plaintiffs' attorneys' fees; and

f. if the Person filing the objection wishes to appear at the Final Approval Hearing, make a request to do so.

No Person will be permitted to appear at the Final Approval Hearing without filing a written objection and request to appear at the Final Approval Hearing as set forth in subparts (a) through (f) of this Paragraph. Copies of any objections filed must be served by ECF, or by email or first class mail, upon each of the following:

Trustmark National Bank
Attn: Michael A. King
Senior Vice President and General Counsel
P.O. Box 291
Jackson, MS 39205-0291
Telephone: (601) 208-5088
Facsimile: (601) 208-6424
Email: MKing@trustmark.com

and

Robin C. Gibbs
Gibbs & Bruns LLP
1100 Louisiana St., Suite 5300
Houston, Texas 77002
Telephone: (713) 650-8805
Facsimile: (713) 750-0903
E-mail: rgibbs@gibbsbruns.com

and

Ashley M. Kleber
Gibbs & Bruns LLP
1100 Louisiana St., Suite 5300
Houston, Texas 77002
Telephone: (713) 650-8805
Facsimile: (713) 750-0903
E-mail: akleber@gibbsbruns.com

and

James R. Swanson
Fishman Haygood, L.L.P.
201 St. Charles Avenue, 46th Floor
New Orleans, Louisiana 70170-4600
T: (504) 586-5252
F: (504) 586-5250
jswanson@fishmanhaygood.com

and

Edward C. Snyder
Castillo Snyder, PC
One Riverwalk Place
700 N. St. Mary's, Suite 405
San Antonio, Texas 78205
Telephone: 210-630-4200
Fax: 210-630-4210
E-mail: esnyder@casnlaw.com

and

John J. Little Law, PLLC
8150 N. Central Expressway, 10th Floor
Dallas, Texas 75206
Telephone: 214.989.4180
Cell: 214.573.2307
Fax: 214.367-6001
E-mail: john@johnjlittlelaw.com

and

Ralph Janvey
2100 Ross Ave
Suite 2600
Dallas, TX 75201

E-mail: rjanvey@kjllp.com

and

Kevin Sadler
Baker Botts
1001 Page Mill Road
Building One, Suite 200
Palo Alto, California 94304-1007
E-mail: kevin.sadler@bakerbotts.com

Any Person filing an objection shall be deemed to have submitted to the jurisdiction of this Court for all purposes of that objection, the Settlement, the Bar Order, and the Judgment and Bar Order. Potential objectors who do not present opposition by the time and in the manner set forth above shall be deemed to have waived the right to object (including any right to appeal) and to appear at the Final Approval Hearing and shall be forever barred from raising such objections in this action or any other action or proceeding. Persons do not need to appear at the Final Approval Hearing or take any other action to indicate their approval.

5. Responses to Objections: Any Party to the Settlement may respond to an objection filed pursuant to Paragraph 4 by filing a response in the SEC Action no later than [insert date of 7th day before the Final Approval Hearing]. To the extent any Person filing an objection cannot be served by action of the Court's CM/ECF system, a response must be served to the email and/or mailing address provided by that Person.

6. Adjustments Concerning Hearing and Deadlines: The date, time, and place for the Final Approval Hearing, and the deadlines and date requirements in this Scheduling Order, shall be subject to adjournment or change by this Court without further notice other than that which may be posted by means of ECF in the MDL, the SEC Action, and the Litigation.

7. Retention of Jurisdiction: The Court shall retain jurisdiction to consider all further applications arising out of or connected with the proposed Settlement.

8. Entry of Injunction: If the Settlement is approved by the Court, the Court will enter the Bar Order in the SEC Action and the Judgment and Bar Order in the Jackson Litigation. If entered, each order will permanently enjoin, among others, Interested Parties, including Stanford Investors and Claimants, from bringing, encouraging, assisting, continuing, or prosecuting, against Trustmark or any of the Trustmark Released Parties, the Litigation, or any other action, lawsuit, cause of action, claim, investigation, demand, complaint, or proceeding of any nature, including, without limitation, contribution or indemnity claims, arising from or relating to a Settled Claim.

9. Stay of Proceedings: The Jackson Litigation shall remain stayed as to Trustmark, except to the extent necessary to give effect to the Settlement.

10. Use of Order: Under no circumstances shall this Scheduling Order be construed, deemed, or used as an admission, concession, or declaration by or against Trustmark of any fault, wrongdoing, breach or liability. Nor shall the Order be construed, deemed, or used as an admission, concession, or declaration by or against Plaintiffs that their claims lack merit or that the relief requested is inappropriate, improper, or unavailable, or as a waiver by any party of any defenses or claims he or she may have. Neither this Scheduling Order, nor the proposed Settlement Agreement, or any other settlement document, shall be filed, offered, received in evidence, or otherwise used in these or any other actions or proceedings or in any arbitration, except to give effect to or enforce the Settlement or the terms of this Scheduling Order.

11. Entry of This Order: This Scheduling Order shall be entered separately on the dockets both in the SEC Action and in the Jackson Litigation. The Committee and the plaintiffs in the Smith Litigation shall cause a notice of the Scheduling Order to be entered on the docket of the Rotstain Litigation and the Smith Litigation.

IT IS SO ORDERED.

Signed on ___________, 2023

DAVID C. GODBEY
UNITED STATES DISTRICT JUDGE

Publication Notice

To be published once in the national edition of *The Wall Street Journal* and once in the international edition of *The New York Times*:

PLEASE TAKE NOTICE that the Court-appointed Receiver for Stanford International Bank, Ltd. ("SIB") and related entities ("Stanford Entities"), and certain Plaintiffs, have reached an agreement to settle all claims asserted or that could have been asserted against Trustmark National Bank relating to or in any way concerning SIB (the "Settlement Agreement"). As part of the Settlement Agreement, the Receiver and Plaintiffs have requested orders that permanently enjoin, among others, all Interested Parties, including Stanford Investors (i.e., customers of SIB, who, as of February 16, 2009, had funds on deposit at SIB and/or were holding certificates of deposit issued by SIB), and all other Persons from bringing any legal proceeding or cause of action arising from or relating to the Stanford Entities against Trustmark National Bank or the Trustmark Released Parties.

Complete copies of the Settlement Agreement, the proposed bar orders, and settlement documents are available on the Receiver's website http://www.stanfordfinancialreceivership.com. All capitalized terms not defined in this Notice are defined in the Settlement Agreement.

Interested Parties may file written objections with the United States District Court for the Northern District of Texas on or before [insert date of 21st day before Final Approval Hearing].

<u>EXHIBIT G</u>

1. *Janvey v. Alguire, et al*., No. 3:09-cv-0724 (N.D. Tex.)
2. *Janvey v. Venger et al.,* No. 3:10-cv-00366 (N.D. Tex.)
3. *Janvey v. Rodriguez Posada, et al.,* No. 3:10-cv-00415 (N.D. Tex.)
4. *Janvey v. Gilbe Corp., et al., ,* No. 3:10-cv-00478 (N.D. Tex.)
5. *Janvey v. Buck's Bits Service, Inc., et al.,* No. 10-cv-00528 (N.D. Tex.)
6. *Janvey v. Johnson*, *et al.,* No. 10-cv-00617 (N.D. Tex)
7. *Janvey v. Barr*, *et al.,* No. 10-cv-00725 (N.D. Tex.)
8. *Janvey v. Indigo Trust, et al.,* No. 3:10-cv-00844 (N.D. Tex.)
9. *Janvey v. Dokken, et al.,* No. 3:10-cv-00931 (N.D. Tex.)
10. *Janvey v. Fernandez et al.,* No. 3:10-cv-01002 (N.D. Tex.)
11. *Janvey v. Wieselberg, et al*., No. 3:10-cv-1394 (N.D. Tex.)
12. *Janvey & OSIC v. Giusti*, No. 3:11-cv-292 (N.D. Tex.)
13. *Janvey v. Stanford*, No. 3:11-cv-1199 (N.D. Tex.)

EXHIBIT H

1. *Janvey v. GMAG, L.L.C., et al.*, No. 22-10235 (5th Cir.)

2. *GMAG, L.L.C., et al. v. Janvey*, No. 22-10429 (5th Cir.)

Exhibit 21

LIST OF SUBSIDIARIES

The following is a list of all subsidiaries of Trustmark Corporation as of December 31, 2022, 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
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 16, 2023 relating to the consolidated balance sheets of Trustmark Corporation as of December 31, 2022 and 2021 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows of the three-year period ended December 31, 2022, 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, 2022.

/s/ Crowe LLP

Atlanta, Georgia
February 16, 2023

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 16, 2023

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 16, 2023

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, 2022, 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 16, 2023

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, 2022, 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 16, 2023