TRUSTMARK CORP
Form 10-Q
November 06, 2014

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

Form 10-Q

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

For the quarterly period ended September 30, 2014
or

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

For the transition period from ___________________ to ___________________

Commission file number 000-03683

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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

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

Large accelerated filer þ	Accelerated filer o

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

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

As of October 31, 2014, there were 67,439,949 shares outstanding of the registrant's common stock (no par value).

Forward-Looking Statements

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

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

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

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	(Unaudited) September 30, 2014	December 31, 2013
Assets		
Cash and due from banks (noninterest-bearing)	$237,497	$345,761
Federal funds sold and securities purchased under reverse repurchase agreements	4,013	7,253
Securities available for sale (at fair value)	2,363,895	2,194,154
Securities held to maturity (fair value: $1,170,213-2014; $1,150,833-2013)	1,169,640	1,168,728
Loans held for sale (LHFS)	135,562	149,169
Loans held for investment (LHFI)	6,333,651	5,798,881
Less allowance for loan losses, LHFI	70,134	66,448
Net LHFI	6,263,517	5,732,433
Acquired loans:		
Noncovered loans	564,542	769,990
Covered loans	27,607	34,216
Less allowance for loan losses, acquired loans	11,949	9,636
Net acquired loans	580,200	794,570
Net LHFI and acquired loans	6,843,717	6,527,003
Premises and equipment, net	200,474	207,283
Mortgage servicing rights	67,090	67,834
Goodwill	365,500	372,851
Identifiable intangible assets	35,357	41,990
Other real estate, excluding covered other real estate	97,037	106,539
Covered other real estate	4,146	5,108
FDIC indemnification asset	8,154	14,347
Other assets	564,234	582,363
Total Assets	$12,096,316	$11,790,383
Liabilities		
Deposits:		
Noninterest-bearing	$2,723,480	$2,663,503
Interest-bearing	6,789,745	7,196,399
Total deposits	9,513,225	9,859,902
Federal funds purchased and securities sold under repurchase agreements	607,851	251,587
Short-term borrowings	316,666	66,385
Long-term FHLB advances	8,003	8,458
Subordinated notes	49,928	49,904
Junior subordinated debt securities	61,856	61,856
Other liabilities	123,689	137,338
Total Liabilities	10,681,218	10,435,430
Shareholders' Equity		

Common stock, no par value:		
Authorized: 250,000,000 shares		
Issued and outstanding: 67,439,788 shares - 2014;		
67,372,980 shares - 2013	14,051	14,038
Capital surplus	354,251	349,680
Retained earnings	1,081,161	1,034,966
Accumulated other comprehensive loss, net of tax	(34,365)	(43,731)
Total Shareholders' Equity	1,415,098	1,354,953
Total Liabilities and Shareholders' Equity	$12,096,316	$11,790,383

See notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest Income				
Interest and fees on LHFI & LHFS	$66,934	$65,403	$196,351	$194,572
Interest and fees on acquired loans	23,200	19,183	63,236	52,952
Interest on securities:				
Taxable	19,712	18,654	58,454	53,740
Tax exempt	1,199	1,274	3,690	3,869
Interest on federal funds sold and securities purchased under reverse repurchase agreements	9	8	20	17
Other interest income	386	372	1,140	1,099
Total Interest Income	111,440	104,894	322,891	306,249
Interest Expense				
Interest on deposits	3,606	4,970	11,941	14,950
Interest on federal funds purchased and securities sold under repurchase agreements	180	106	366	275
Other interest expense	1,425	1,389	4,163	4,392
Total Interest Expense	5,211	6,465	16,470	19,617
Net Interest Income	106,229	98,429	306,421	286,632
Provision for loan losses, LHFI	3,058	(3,624)	2,604	(11,438)
Provision for loan losses, acquired loans	1,145	3,292	4,992	1,870
Net Interest Income After Provision for Loan Losses	102,026	98,761	298,825	296,200
Noninterest Income				
Service charges on deposit accounts	12,743	13,852	36,157	38,462
Bank card and other fees	7,279	8,929	26,254	26,381
Mortgage banking, net	5,842	8,440	18,862	28,318
Insurance commissions	9,240	8,227	25,637	23,483
Wealth management	8,038	7,520	23,883	21,335
Other, net	(160)	165	18	(3,171)
Security (losses) gains, net	(89)	-	300	378
Total Noninterest Income	42,893	47,133	131,111	135,186
Noninterest Expense				
Salaries and employee benefits	56,675	56,043	169,535	165,040
Services and fees	14,489	13,580	42,197	39,428
Net occupancy - premises	6,817	6,644	19,836	19,302
Equipment expense	5,675	6,271	17,949	18,138
ORE/Foreclosure expense	930	3,079	8,081	12,030
FDIC assessment expense	2,644	2,376	7,528	6,773
Other expense	12,964	13,531	39,447	50,153
Total Noninterest Expense	100,194	101,524	304,573	310,864
Income Before Income Taxes	44,725	44,370	125,363	120,522
Income taxes	11,136	11,336	29,874	31,501
Net Income	$33,589	$33,034	$95,489	$89,021

Earnings Per Share

Basic	$0.50	$0.49	$1.42	$1.33
Diluted	$0.50	$0.49	$1.41	$1.33
Dividends Per Share	$0.23	$0.23	$0.69	$0.69

See notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income per consolidated statements of income	$33,589	$33,034	$95,489	$89,021
Other comprehensive (loss) income, net of tax:				
Unrealized gains (losses) on available for sale securities and transferred securities:				
Unrealized holding (losses) gains arising during the period	(5,182)	(17,461)	5,814	(60,596)
Less: adjustment for net losses (gains) realized in net income	55	-	(185)	(233)
Change in net unrealized holding losses on securities transferred to held to maturity	1,011	-	2,744	-
Pension and other postretirement benefit plans:				
Net change in prior service costs	39	38	116	116
Recognized net loss due to settlement	1,055	518	1,518	842
Recognized net actuarial (gain) loss	(949)	1,009	166	3,038
Derivatives:				
Change in the accumulated gain on effective cash flow hedge derivatives	163	(242)	(807)	1,212
Other comprehensive (loss) income, net of tax	(3,808)	(16,138)	9,366	(55,621)
Comprehensive income	$29,781	$16,896	$104,855	$33,400

See notes to consolidated financial statements.
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Trustmark Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
($ in thousands)
(Unaudited)

	2014	2013
Balance, January 1,	$1,354,953	$1,287,369
Net income per consolidated statements of income	95,489	89,021
Other comprehensive income (loss)	9,366	(55,621)
Common stock dividends paid	(46,852)	(46,674)
Common stock issued-net, long-term incentive plans:		
Stock options	-	845
Restricted stock	(795)	(963)
Excess tax expense from stock-based compensation arrangements	(353)	(808)
Compensation expense, long-term incentive plans	3,290	2,850
Common stock issued, business combinations	-	53,495
Balance, September 30,	$1,415,098	$1,329,514

See notes to consolidated financial statements.

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

	Nine Months Ended September 30,	
	2014	2013
Operating Activities		
Net income	$95,489	$89,021
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses, net	7,596	(9,568)
Depreciation and amortization	27,088	27,800
Net amortization of securities	5,811	5,390
Securities gains, net	(300)	(378)
Gains on sales of loans, net	(7,853)	(24,220)
Deferred income tax provision	17,400	14,145
Proceeds from sales of loans held for sale	679,037	1,156,310
Purchases and originations of loans held for sale	(656,031)	(1,021,237)
Originations and sales of mortgage servicing rights, net	(8,883)	(15,551)
Increase in bank-owned life insurance	(3,526)	(510)
Net decrease in other assets	5,289	38,854
Net decrease in other liabilities	(11,087)	(3,431)
Other operating activities, net	9,552	7,390
Net cash provided by operating activities	159,582	264,015
Investing Activities		
Proceeds from calls and maturities of securities held to maturity	67,352	7,269
Proceeds from calls and maturities of securities available for sale	274,764	642,687
Proceeds from sales of securities available for sale	56,815	67,558
Purchases of securities held to maturity	(63,986)	(35,045)
Purchases of securities available for sale	(497,549)	(1,000,015)
Purchase of bank owned life insurance	-	(100,000)
Net decrease (increase) in federal funds sold and securities purchased under reverse repurchase agreements	3,240	(821)
Net (increase) decrease in loans	(354,281)	59,025
Purchases of premises and equipment	(8,555)	(12,862)
Proceeds from sales of premises and equipment	4,632	3,782
Proceeds from sales of other real estate	37,730	30,389
Investments in tax credit and other partnerships	(5118)	(12,755)
Distributions received for investment in tax credit and other partnerships	7,037	-
Net cash received in business combination	-	89,037
Net cash used in investing activities	(477,919)	(261,751)
Financing Activities		
Net (decrease) increase in deposits	(346,677)	150,463
Net increase in federal funds purchased and securities sold under repurchase agreements	356,264	53,636
Net increase (decrease) in short-term borrowings	248,624	(21,174)
Payments on long-term FHLB advances	(138)	(383)
Redemption of junior subordinated debt securities	-	(33,000)
Common stock dividends	(46,852)	(46,674)

Common stock issued-net, long-term incentive plans	(795)	(118)
Excess tax expense from stock-based compensation arrangements	(353)	(808)
Net cash provided by financing activities	210,073	101,942
(Decrease) Increase in cash and cash equivalents	(108,264)	104,206
Cash and cash equivalents at beginning of period	345,761	231,489
Cash and cash equivalents at end of period	$237,497	$335,695

See notes to consolidated financial statements, specifically Note 14 - Statements of Cash Flows.

Trustmark Corporation and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

Note 1 – Business, Basis of Financial Statement Presentation and Principles of Consolidation

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 207 offices in Alabama, Florida, Mississippi, Tennessee and Texas.

The consolidated financial statements in this quarterly report on Form 10-Q 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 accompanying unaudited condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the consolidated financial statements, and notes thereto, included in Trustmark's 2013 annual report on Form 10-K.

Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period. Certain reclassifications have been made to prior period amounts to conform to the current period presentation. In the opinion of Management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of these consolidated financial statements have been included. 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 period 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 2014 actual conditions could vary from those anticipated, which could affect our results of operations and financial condition. The allowance for loan losses, the amount and timing of expected cash flows from acquired loans and the Federal Deposit Insurance Corporation (FDIC) indemnification asset, the valuation of other real estate, the fair value of mortgage servicing rights, the valuation of goodwill and other identifiable intangibles, the status of contingencies and the fair values of financial instruments are particularly subject to change. Actual results could differ from those estimates.

Note 2 – Business Combinations

Somerville Bank & Trust Company

Immediately following the close of business on December 31, 2013, Trustmark National Bank (TNB), a subsidiary of Trustmark, completed its merger with Somerville Bank & Trust Company (Somerville), also a subsidiary of Trustmark, with TNB as the surviving entity in the merger. Somerville, headquartered in Somerville, Tennessee, provided banking services in the eastern Memphis metropolitan statistical area (MSA) through five offices. At December 31, 2013, Somerville had total assets of $219.6 million. TNB and Somerville were both wholly owned subsidiaries of Trustmark; as such, the merger represented a business reorganization between affiliates under common control.

Oxford, Mississippi Branches

On July 26, 2013, TNB completed its acquisition of two branches of SOUTHBank, F.S.B. (SOUTHBank), located in Oxford, Mississippi. As a result of this acquisition, TNB assumed deposit accounts of approximately $11.7 million in addition to purchasing the two physical branch offices. The transaction was not material to Trustmark's consolidated financial statements and was not considered a business combination in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805, "Business Combinations."

BancTrust Financial Group, Inc.

On February 15, 2013, Trustmark completed its merger with BancTrust Financial Group, Inc. (BancTrust), a 26-year-old bank holding company headquartered in Mobile, Alabama. In accordance with the terms of the definitive agreement, the holders of BancTrust common stock received 0.125 of a share of Trustmark common stock for each share of BancTrust common stock in a tax-free exchange. Trustmark issued approximately 2.24 million shares of its common stock for all issued and outstanding shares of BancTrust common stock. The total value of the 2.24 million shares of Trustmark common stock issued to the BancTrust shareholders on the acquisition date was approximately $53.5 million, based on a closing stock price of $23.83 per share of Trustmark common stock on February 15, 2013. At closing, Trustmark repurchased the $50.0 million of BancTrust preferred stock and associated warrant issued to the U.S. Department of Treasury under the Capital Purchase Program for approximately $52.6 million.

The acquisition of BancTrust was consistent with Trustmark's strategic plan to selectively expand the Trustmark franchise. The acquisition provided Trustmark entry into more than 15 markets in Alabama and enhanced the Trustmark franchise in the Florida Panhandle.

This acquisition was accounted for under the acquisition method in accordance with FASB ASC Topic 805. Accordingly, the assets and liabilities, both tangible and intangible, were recorded at their estimated fair values as of the acquisition date.

Trustmark recorded fair value adjustments based on the estimated fair value of certain acquired loans, premises and equipment, net and other real estate. During 2013, these measurement period adjustments resulted in a decrease in acquired noncovered loans of $6.8 million, a decrease in premises and equipment, net of $627 thousand, a decrease in other real estate of $2.6 million, an increase in the deferred tax asset of $3.4 million and an increase in goodwill of $6.3 million. Trustmark also recorded an adjustment to transfer $1.6 million of acquired property from premises and equipment, net to other real estate during 2013. During the first quarter of 2014, Trustmark recorded an additional measurement period adjustment that resulted in a $7.4 million decrease in goodwill with a corresponding increase in the deferred tax asset. These measurement period adjustments were presented on a retrospective basis, consistent with applicable accounting guidance. The purchase price allocation was finalized during the first quarter of 2014.

The statement of assets purchased and liabilities assumed in the BancTrust acquisition is presented below at their adjusted estimated fair values as of the acquisition date of February 15, 2013 ($ in thousands):

Assets:	
Cash and due from banks	$141,616
Securities available for sale	528,016
Loans held for sale	1,050
Acquired noncovered loans	944,235
Premises and equipment, net	54,952
Identifiable intangible assets	33,498
Other real estate	40,103
Other assets	109,423
Total Assets	1,852,893
Liabilities:	
Deposits	1,740,254
Other borrowings	64,051
Other liabilities	16,761
Total Liabilities	1,821,066
Net identified assets acquired at fair value	31,827
Goodwill	74,247
Net assets acquired at fair value	$106,074

The excess of the consideration paid over the estimated fair value of the net assets acquired was $74.2 million, which was recorded as goodwill under FASB ASC Topic 805. The identifiable intangible assets acquired represent the core deposit intangible at fair value at the acquisition date. The core deposit intangible is being amortized on an accelerated basis over the estimated useful life, currently expected to be approximately 10 years.

Loans, excluding loans held for sale (LHFS), acquired from BancTrust were evaluated under a fair value process involving various degrees of deterioration in credit quality since origination, and also for those loans for which it was probable at acquisition that Trustmark would not be able to collect all contractually required payments. These loans, with the exception of revolving credit agreements and leases, are referred to as acquired impaired loans and are accounted for in accordance with FASB ASC Topic 310-30, “Loans and Debt Securities Acquired with Deteriorated Credit Quality.” Refer to Note 5 – Acquired Loans for further information on acquired loans.

The operations of BancTrust are included in Trustmark’s operating results from February 15, 2013. Trustmark’s noninterest expense during the first quarter of 2013 included non-routine BancTrust transaction expenses totaling approximately $9.4 million (change in control and severance expense of $1.4 million included in salaries and benefits; professional fees, contract termination and other expenses of $7.9 million included in other expense).

Fair Value of Acquired Financial Instruments

For financial instruments measured at fair value, Trustmark utilized Level 2 inputs to determine the fair value of securities available for sale, time deposits (included in deposits above) and Federal Home Loan Bank (FHLB) advances. Level 3 inputs were used to determine the fair value of acquired loans, identifiable intangible assets, and other real estate. The methodology and significant assumptions used in estimating the fair values of these financial assets and liabilities are as follows:

Securities Available for Sale

Estimated fair values for securities available for sale are based on quoted market prices where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable instruments.

Acquired Loans

Fair value of acquired loans is determined using a discounted cash flow model based on assumptions regarding the amount and timing of principal and interest payments, estimated prepayments, estimated default rates, estimated loss severity in the event of defaults and current market rates.

Identifiable Intangible Assets

The fair value assigned to the identifiable intangible assets, in this case core deposit intangibles, represent the future economic benefit of the potential cost savings from acquiring core deposits in the acquisition compared to the cost of obtaining alternative funding from market sources.

Other Real Estate

Other real estate was initially recorded at its estimated fair value on the acquisition date based on similar market comparable valuations less estimated selling costs.

Time Deposits

Time deposits were valued by projecting expected cash flows into the future based on each account’s contracted rate and then determining the present value of those expected cash flows using current rates for deposits with similar maturities.

FHLB Advances

FHLB advances were valued by projecting expected cash flows into the future based on each advance’s contracted rate and then determining the present value of those expected cash flows using current rates for advances with similar maturities.

Please refer to Note 16 – Fair Value for more information on Trustmark’s classification of financial instruments based on valuation inputs within the fair value hierarchy.

Note 3 – Securities Available for Sale and Held to Maturity

The following table is a summary of the amortized cost and estimated fair value of securities available for sale and held to maturity ($ in thousands):

	Securities Available for Sale				Securities Held to Maturity			
September 30, 2014	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	$100	$-	$-	$100	$-	$-	$-	$-
U.S. Government agency obligations								
Issued by U.S. Government agencies	83,354	729	(1,072)	83,011	-	-	-	-
Issued by U.S. Government sponsored agencies	30,719	100	(40)	30,779	100,767	1,858	(55)	102,570
Obligations of states and political subdivisions	159,304	6,200	(41)	165,463	64,538	3,487	-	68,025
Mortgage-backed securities								
Residential mortgage pass-through securities								
Guaranteed by GNMA	12,319	524	(15)	12,828	13,368	304	(15)	13,657
Issued by FNMA and FHLMC	209,455	4,086	(121)	213,420	11,816	245	-	12,061
Other residential mortgage-backed securities								
Issued or guaranteed by FNMA, FHLMC or GNMA	1,606,565	13,065	(16,492)	1,603,138	836,966	1,723	(6,106)	832,583
Commercial mortgage-backed securities								
Issued or guaranteed by FNMA, FHLMC or GNMA	215,284	6,414	(57)	221,641	142,185	956	(1,824)	141,317
Asset-backed securities and structured financial products	32,531	984	-	33,515	-	-	-	-
Total	$2,349,631	$32,102	$(17,838)	$2,363,895	$1,169,640	$8,573	$(8,000)	$1,170,213

December 31, 2013								
U.S. Treasury securities	$501	$1	$-	$502	$-	$-	$-	$-
U.S. Government agency obligations								
Issued by U.S. Government agencies	129,653	1,125	(1,485)	129,293	-	-	-	-
Issued by U.S. Government sponsored agencies	40,681	19	(521)	40,179	100,159	-	(1,580)	98,579
Obligations of states and political subdivisions	165,810	6,243	(315)	171,738	65,987	2,806	(281)	68,512
Mortgage-backed securities								
Residential mortgage pass-through securities								
Guaranteed by GNMA	14,099	459	(84)	14,474	9,433	142	(72)	9,503
Issued by FNMA and FHLMC	239,880	3,147	(1,909)	241,118	12,724	30	(162)	12,592
Other residential mortgage-backed securities								
Issued or guaranteed by FNMA, FHLMC or GNMA	1,300,375	12,459	(22,093)	1,290,741	837,393	-	(15,072)	822,321
Commercial mortgage-backed securities								
Issued or guaranteed by FNMA, FHLMC or GNMA	235,317	7,278	(423)	242,172	143,032	85	(3,791)	139,326
Asset-backed securities and structured financial products	62,689	1,248	-	63,937	-	-	-	-
Total	$2,189,005	$31,979	$(26,830)	$2,194,154	$1,168,728	$3,063	$(20,958)	$1,150,833

During the fourth quarter of 2013, Trustmark reclassified approximately $1.099 billion of securities available for sale to securities held to maturity. The securities were transferred at fair value, which became the cost basis for the securities held to maturity. At the date of transfer, the net unrealized holding loss on the available for sale securities totaled approximately $46.6 million ($28.8 million, net of tax). The net unrealized holding loss is amortized over the remaining life of the securities as a yield adjustment in a manner consistent with the amortization or accretion of the original purchase premium or discount on the associated security. There were no gains or losses recognized as a result of the transfer. At September 30, 2014, the net unamortized, unrealized loss on the transferred securities included in accumulated other comprehensive loss in the accompanying balance sheet totaled approximately $41.9 million ($25.9 million, net of tax).

During the first quarter of 2014, Trustmark sold its remaining $25.9 million of Collateralized Loan Obligations (CLO) generating a net gain of $389 thousand. These securities were identified as available for sale and had been carried in the asset-backed securities and structured financial products line item in the table shown above.

Temporarily Impaired Securities

The table below includes securities with gross unrealized losses segregated by length of impairment ($ in thousands):

	Less than 12 Months		12 Months or More		Total	
September 30, 2014	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Government agency obligations						
Issued by U.S. Government agencies	$22,911	$(147)	$31,307	$(925)	$54,218	$(1,072)
Issued by U.S. Government sponsored agencies	14,333	(55)	9,940	(40)	24,273	(95)
Obligations of states and political subdivisions	2,286	(7)	4,710	(34)	6,996	(41)
Mortgage-backed securities						
Residential mortgage pass-through securities						
Guaranteed by GNMA	6,007	(25)	675	(5)	6,682	(30)
Issued by FNMA and FHLMC	36,918	(121)	-	-	36,918	(121)
Other residential mortgage-backed securities						
Issued or guaranteed by FNMA, FHLMC or GNMA	820,242	(8,173)	420,054	(14,425)	1,240,296	(22,598)
Commercial mortgage-backed securities						
Issued or guaranteed by FNMA, FHLMC or GNMA	27,874	(445)	70,930	(1,436)	98,804	(1,881)
Total	$930,571	$(8,973)	$537,616	$(16,865)	$1,468,187	$(25,838)
December 31, 2013						
U.S. Government agency obligations						
Issued by U.S. Government agencies	$68,908	$(1,485)	$-	$-	$68,908	$(1,485)
Issued by U.S. Government sponsored agencies	138,478	(2,101)	-	-	138,478	(2,101)
Obligations of states and political subdivisions	55,963	(586)	796	(10)	56,759	(596)
Mortgage-backed securities						
Residential mortgage pass-through securities						
Guaranteed by GNMA	14,732	(155)	161	(1)	14,893	(156)
Issued by FNMA and FHLMC	118,466	(2,071)	-	-	118,466	(2,071)
Other residential mortgage-backed securities						
Issued or guaranteed by FNMA, FHLMC or GNMA	1,534,381	(36,750)	23,458	(415)	1,557,839	(37,165)
Commercial mortgage-backed securities						
Issued or guaranteed by FNMA, FHLMC or GNMA	177,412	(4,214)	-	-	177,412	(4,214)
Total	$2,108,340	$(47,362)	$24,415	$(426)	$2,132,755	$(47,788)

The unrealized losses shown above are due to increases in market rates over the yields available at the time of purchase of the underlying securities and not credit quality. Because Trustmark does not intend to sell these securities and it is more likely than not that Trustmark will not be required to sell the investments before recovery of their amortized cost bases, which may be maturity, Trustmark does not consider these investments to be other-than-temporarily impaired at September 30, 2014. There were no other-than-temporary impairments for the nine months ended September 30, 2014 and 2013.

Security Gains and Losses

Gains and losses as a result of calls and dispositions of securities, as well as any associated proceeds, were as follows ($ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Available for Sale	2014	2013	2014	2013
Proceeds from calls and sales of securities	$30,540	$ -	$56,815	$64,778
Gross realized gains	67	-	456	394
Gross realized losses	(156)	-	(156)	(16)

Realized gains and losses are determined using the specific identification method and are included in noninterest income as security gains, net.

Contractual Maturities

The amortized cost and estimated fair value of securities available for sale and held to maturity at September 30, 2014, 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	$15,979	$16,132	$3,194	$3,220
Due after one year through five years	119,935	124,331	11,661	12,394
Due after five years through ten years	83,488	86,120	134,637	138,486
Due after ten years	86,606	86,285	15,813	16,495
	306,008	312,868	165,305	170,595
Mortgage-backed securities	2,043,623	2,051,027	1,004,335	999,618
Total	$2,349,631	$2,363,895	$1,169,640	$1,170,213

Note 4 – Loans Held for Investment (LHFI) and Allowance for Loan Losses, LHFI

For the periods presented, LHFI consisted of the following ($ in thousands):

	September 30, 2014	December 31, 2013
Loans secured by real estate:		
Construction, land development and other land	$580,794	$596,889
Secured by 1-4 family residential properties	1,625,480	1,485,564
Secured by nonfarm, nonresidential properties	1,560,901	1,415,139
Other	239,819	189,362
Commercial and industrial loans	1,246,753	1,157,614
Consumer loans	168,813	165,308
Other loans	911,091	789,005
LHFI	6,333,651	5,798,881
Less allowance for loan losses, LHFI	70,134	66,448
Net LHFI	$6,263,517	$5,732,433

Loan Concentrations

Trustmark does not have any loan concentrations other than those reflected in the preceding table, which exceed 10% of total LHFI. At September 30, 2014, 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 and the recovery of a substantial portion of the carrying amount of other real estate are susceptible to changes in market conditions in these areas.

Nonaccrual/Impaired LHFI

At September 30, 2014 and December 31, 2013, the carrying amounts of nonaccrual LHFI, which are individually evaluated for impairment, were $88.3 million and $65.2 million, respectively. Of this total, all commercial nonaccrual LHFI over $500 thousand were specifically evaluated for impairment (specifically evaluated impaired LHFI) using a fair value approach. The remaining nonaccrual LHFI were not specifically reviewed and not written down to fair value less cost to sell. No material interest income was recognized in the income statement on impaired or nonaccrual loans for each of the periods ended September 30, 2014 and 2013.

All of Trustmark's specifically evaluated impaired LHFI are collateral dependent loans. At September 30, 2014 and December 31, 2013, specifically evaluated impaired LHFI totaled $54.1 million and $31.6 million, respectively. In addition, these specifically evaluated impaired LHFI had a related allowance of $9.0 million and $2.2 million at the end of the respective periods. For collateral dependent loans, when a loan is deemed impaired the full difference between the carrying amount of the loan and the most likely estimate of the asset's fair value less cost to sell is charged off. Charge-offs related to specifically evaluated impaired LHFI totaled $55 thousand and $2.1 million for the first nine months of 2014 and 2013, respectively. Provision expense on specifically evaluated impaired LHFI totaled $1.6 million for the first nine months of 2014 compared to provision recapture of $3.5 million for the first nine months of 2013.

Fair value estimates for specifically evaluated impaired LHFI are derived from appraised values based on the current market value or as is value of the property, normally from recently received and reviewed appraisals. Current appraisals are ordered on an annual basis based on the inspection date. 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. Once this estimated net realizable value has been determined, the value used in the impairment assessment is updated. At the time a specifically evaluated impaired LHFI is deemed to be impaired, the full difference between book value and the most likely estimate of the asset's net realizable value is charged off. As subsequent events dictate and estimated net realizable values decline, required reserves may be established or further adjustments recorded.

At September 30, 2014 and December 31, 2013, nonaccrual LHFI not specifically reviewed for impairment and not written down to fair value less cost to sell, totaled $34.2 million and $33.7 million, respectively. In addition, these nonaccrual LHFI had allocated allowance for loan losses of $1.7 million and $3.0 million at the end of the respective periods.

The following table details LHFI individually and collectively evaluated for impairment at September 30, 2014 and December 31, 2013 ($ in thousands):

	September 30, 2014		
	LHFI Evaluated for Impairment		
	Individually	Collectively	Total
Loans secured by real estate:			
Construction, land development and other land	$20,286	$560,508	$580,794
Secured by 1-4 family residential properties	27,017	1,598,463	1,625,480
Secured by nonfarm, nonresidential properties	23,885	1,537,016	1,560,901
Other	1,203	238,616	239,819
Commercial and industrial loans	15,178	1,231,575	1,246,753
Consumer loans	160	168,653	168,813
Other loans	585	910,506	911,091
Total	$88,314	$6,245,337	$6,333,651

	December 31, 2013		
	LHFI Evaluated for Impairment		
	Individually	Collectively	Total
Loans secured by real estate:			
Construction, land development and other land	$13,327	$583,562	$596,889
Secured by 1-4 family residential properties	21,603	1,463,961	1,485,564
Secured by nonfarm, nonresidential properties	21,809	1,393,330	1,415,139
Other	1,327	188,035	189,362
Commercial and industrial loans	6,286	1,151,328	1,157,614
Consumer loans	151	165,157	165,308
Other loans	735	788,270	789,005
Total	$65,238	$5,733,643	$5,798,881

At September 30, 2014 and December 31, 2013, the carrying amount of LHFI individually evaluated for impairment consisted of the following ($ in thousands):

	September 30, 2014 LHFI					
	Unpaid Principal Balance	With No Related Allowance Recorded	With an Allowance Recorded	Total Carrying Amount	Related Allowance	Average Recorded Investment
Loans secured by real estate:						
Construction, land development and other land	$27,271	$ 9,491	$ 10,795	$20,286	$ 2,607	$ 16,806
Secured by 1-4 family residential properties	32,478	1,758	25,259	27,017	431	24,310
Secured by nonfarm, nonresidential properties	26,702	14,420	9,465	23,885	2,163	22,847
Other	1,468	-	1,203	1,203	57	1,265
Commercial and industrial loans	16,624	1,916	13,262	15,178	5,203	10,732
Consumer loans	239	-	160	160	1	156
Other loans	698	-	585	585	263	661
Total	$105,480	$ 27,585	$ 60,729	$88,314	$ 10,725	$ 76,777

	December 31, 2013 LHFI					
	Unpaid Principal Balance	With No Related Allowance Recorded	With an Allowance Recorded	Total Carrying Amount	Related Allowance	Average Recorded Investment
Loans secured by real estate:						
Construction, land development and other land	$24,350	$ 9,817	$ 3,510	$13,327	$ 989	$ 20,216
Secured by 1-4 family residential properties	26,541	3,095	18,508	21,603	191	24,359
Secured by nonfarm, nonresidential properties	24,879	10,225	11,584	21,809	2,307	20,049
Other	1,375	-	1,327	1,327	122	2,641
Commercial and industrial loans	8,702	2,506	3,780	6,286	1,253	5,513
Consumer loans	286	-	151	151	2	255
Other loans	849	-	735	735	317	767
Total	$86,982	$ 25,643	$ 39,595	$65,238	$ 5,181	$ 73,800

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

All loans whose terms have been modified in a troubled debt restructuring are evaluated for impairment under FASB ASC Topic 310. Accordingly, Trustmark measures any loss on the restructuring in accordance with that 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, "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.

At September 30, 2014, December 31, 2013 and September 30, 2013, LHFI classified as TDRs totaled $12.0 million, $14.8 million and $16.8 million, respectively, and were primarily comprised of credits with interest-only payments for an extended period of time totaling $7.9 million, $11.1 million and $12.6 million, respectively. The remaining TDRs at September 30, 2014, December 31, 2013 and September 30, 2013 resulted from real estate loans discharged through Chapter 7 bankruptcy that were not reaffirmed or from payment or maturity extensions.

For TDRs, Trustmark had a related loan loss allowance of $1.4 million, $1.6 million and $1.7 million at the end of each respective period. LHFI classified as TDRs are charged down to the most likely fair value estimate less an estimated cost to sell for collateral dependent loans, which would approximate net realizable value. Specific charge-offs related to TDRs totaled $62 thousand and $703 thousand for the nine months ended September 30, 2014 and 2013, respectively.

The following table illustrates the impact of modifications classified as TDRs for the three and nine months ended September 30, 2014 and 2013 as well as those TDRs modified within the last 12 months for which there was a payment default during the period ($ in thousands):

	Three Months Ended September 30,					
	2014			2013		
Troubled Debt Restructurings	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Secured by 1-4 family residential properties	2	$ 191	$ 191	1	$ 32	$ 32

	Nine Months Ended September 30,					
	2014			2013		
Troubled Debt Restructurings	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Secured by 1-4 family residential properties	16	$ 1,172	$ 1,158	6	$ 412	$ 358
Secured by nonfarm, nonresidential properties	-	-	-	1	952	952
Commercial and industrial	-	-	-	2	944	937
Other loans	-	-	-	1	2,490	2,490
Total	16	$ 1,172	$ 1,158	10	$ 4,798	$ 4,737

	Nine Months Ended September 30,			
	2014		2013	
Troubled Debt Restructurings that Subsequently Defaulted	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Construction, land development and other land loans	-	$ -	1	$ 9
Secured by 1-4 family residential properties	1	106	4	389
Total	1	$ 106	5	$ 398

Trustmark's TDRs have resulted primarily from allowing the borrower to pay interest only for an extended period of time 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 type for the periods presented ($ in thousands):

	September 30, 2014		
	Accruing	Nonaccrual	Total
Construction, land development and other land loans	$-	$ 4,076	$4,076
Secured by 1-4 family residential properties	1,373	3,940	5,313
Secured by nonfarm, nonresidential properties	-	1,923	1,923
Other loans secured by real estate	-	156	156
Commercial and industrial	-	524	524
Total Troubled Debt Restructurings by Type	$1,373	$ 10,619	$11,992

	December 31, 2013		
	Accruing	Nonaccrual	Total
Construction, land development and other land loans	$-	$ 6,247	$6,247
Secured by 1-4 family residential properties	1,320	4,201	5,521
Secured by nonfarm, nonresidential properties	-	2,292	2,292
Other loans secured by real estate	-	167	167
Commercial and industrial	-	549	549
Total Troubled Debt Restructurings by Type	$1,320	$ 13,456	$14,776

	September 30, 2013		
	Accruing	Nonaccrual	Total
Construction, land development and other land loans	$227	$ 7,304	$7,531
Secured by 1-4 family residential properties	1,255	4,965	6,220
Secured by nonfarm, nonresidential properties	-	2,349	2,349
Other loans secured by real estate	-	174	174
Commercial and industrial	-	568	568
Total Troubled Debt Restructurings by Type	$1,482	$ 15,360	$16,842

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 unique to 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 as it relates to credit file completion and financial statement exceptions, total policy exceptions, collateral exceptions and violations of law as shown below:

Credit File Completeness and Financial Statement Exceptions – evaluates the quality and condition of credit files in terms of content, completeness and organization and focuses on efforts to obtain and document sufficient information to determine the quality and status of credits. Also included is an evaluation of the systems/procedures used to insure compliance with policy such as financial statements, review memos and loan agreements.

Underwriting/Policy – evaluates whether credits are adequately analyzed, appropriately structured and properly approved within requirements of bank loan policy. 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 loan portfolio.

Collateral Documentation – focuses on the adequacy of documentation to support the obligation, perfect Trustmark's collateral position and protect collateral value. There are two parts to this measure:

ü Collateral exceptions are where certain collateral documentation is either not present, is not considered current or has expired.

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- ü 90 days and over collateral exceptions are where certain collateral documentation is either not present, is not considered current or has expired and the exception has been identified in excess of 90 days.

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) and Regulation O requirements.

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 adverse 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 (OAEM) - (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 OAEM (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 to each individual lending institution. The remaining credit risk grades are considered pass credits and are solely defined by Trustmark.

The credit risk grades represent the probability of default (PD) for an individual credit and as such are not a direct indication of loss given default (LGD). The LGD aspect of the subject risk ratings is neither uniform across the nine primary commercial loan groups or constant between the geographic areas. To account for the variance in the LGD aspects of the risk rate system, the loss expectations for each risk rating is integrated into the allowance for loan loss methodology where the calculated LGD is allotted for each individual risk rating with respect to the individual loan group and unique geographic area. The LGD aspect of the reserve methodology is calculated each quarter as a component of the overall reserve factor for each risk grade by loan group and geographic area.

To enhance this process, loans of a certain size that are rated in one of the criticized categories are routinely reviewed to establish an expectation of loss, if any, and if such examination indicates that the level of reserve is not adequate to cover the expectation of loss, a special reserve or impairment is generally applied.

The distribution of the losses is accomplished by means of a loss distribution model that assigns a loss factor to each risk rating (1 to 9) in each commercial loan pool. A factor is not applied to risk rate 10 as loans classified as Losses are not carried on Trustmark's books over quarter-end as they are charged off within the period that the loss is determined.

The expected loss distribution is spread across the various risk ratings by the perceived level of risk for loss. The nine grade scale described above ranges from a negligible risk of loss to an identified loss across its breadth. The loss distribution factors are graduated through the scale on a basis proportional to the degree of risk that appears manifest in each individual rating and assumes that migration through the loan grading system will occur.

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 concentrations both on the underlying credit quality of each individual loan portfolio as well as the adherence to Trustmark's loan policy and the loan administration process. In general, Asset Review conducts reviews of each lending area within a six to eighteen month window depending on the overall credit quality results of the individual area.

In addition to the ongoing internal risk rate monitoring described above, Trustmark's Credit Quality Review Committee meets monthly and performs a detailed review and evaluation 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 troubled debt restructurings. In addition, on a quarterly basis the Committee reviews and modifies continuous action plans for all credits rated seven or worse for relationships of $100 thousand or more.

Consumer Credits

Consumer LHFI that do not meet a minimum custom credit score are reviewed quarterly by Management. The Retail Credit Review Committee reviews the volume and percentage of approvals that did not meet the minimum passing custom score by region, individual location, and officer. To assure that Trustmark continues to originate quality loans, this process allows Management to make necessary changes such as revisions to underwriting procedures and credit policies, or changes in loan authority to Trustmark personnel.

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 by delivery channel, which incorporates the perceived level of risk at time of underwriting. Trustmark also monitors its consumer LHFI delinquency trends by comparing them to quarterly industry averages.

The table below illustrates the carrying amount of LHFI by credit quality indicator at September 30, 2014 and December 31, 2013 ($ in thousands):

September 30, 2014					
	Commercial LHFI				
	Pass - Categories 1-6	Special Mention - Category 7	Substandard - Category 8	Doubtful - Category 9	Subtotal
Loans secured by real estate:					
Construction, land development and other land	$482,131	$ 1,774	$ 37,353	$143	$521,401
Secured by 1-4 family residential properties	129,352	1,692	7,576	263	138,883
Secured by nonfarm, nonresidential properties	1,442,787	31,921	85,081	212	1,560,001
Other	230,604	-	6,700	-	237,304
Commercial and industrial loans	1,210,480	6,007	29,418	847	1,246,752
Consumer loans	198	-	-	-	198
Other loans	890,052	7,670	6,545	586	904,853
	$4,385,604	$ 49,064	$ 172,673	$2,051	$4,609,392

Consumer LHFI

	Current	Past Due 30-89 Days	Past Due 90 Days or More	Nonaccrual	Subtotal	Total LHFI
Loans secured by real estate:						
Construction, land development and other land	$58,866	$424	$ -	$ 103	$59,393	$580,794
Secured by 1-4 family residential properties	1,451,174	9,411	2,845	23,167	1,486,597	1,625,480
Secured by nonfarm, nonresidential properties	900	-	-	-	900	1,560,901
Other	2,515	-	-	-	2,515	239,819
Commercial and industrial loans	-	-	1	-	1	1,246,753
Consumer loans	166,314	1,870	272	159	168,615	168,813
Other loans	6,238	-	-	-	6,238	911,091
	$1,686,007	$11,705	$ 3,118	$ 23,429	$1,724,259	$6,333,651

	December 31, 2013					
	Commercial LHFI					
	Pass - Categories 1-6	Special Mention - Category 7	Substandard - Category 8	Doubtful - Category 9	Subtotal	
Loans secured by real estate:						
Construction, land development and other land	$493,380	$ 4,383	$ 47,610	$318	$545,691	
Secured by 1-4 family residential properties	119,640	479	7,839	110	128,068	
Secured by nonfarm, nonresidential properties	1,313,470	12,620	87,203	399	1,413,692	
Other	178,951	-	6,756	235	185,942	
Commercial and industrial loans	1,099,429	18,771	37,209	2,187	1,157,596	
Consumer loans	496	-	-	-	496	
Other loans	777,395	60	4,126	669	782,250	
	$3,982,761	$ 36,313	$ 190,743	$3,918	$4,213,735	

	Consumer LHFI					
	Current	Past Due 30-89 Days	Past Due 90 Days or More	Nonaccrual	Subtotal	Total LHFI
Loans secured by real estate:						
Construction, land development and other land	$50,850	$131	$ -	$ 217	$51,198	$596,889
Secured by 1-4 family residential properties	1,327,624	8,937	2,996	17,939	1,357,496	1,485,564
Secured by nonfarm, nonresidential properties	1,439	8	-	-	1,447	1,415,139
Other	3,418	2	-	-	3,420	189,362
Commercial and industrial loans	13	5	-	-	18	1,157,614
Consumer loans	162,348	2,012	302	150	164,812	165,308
Other loans	6,755	-	-	-	6,755	789,005
	$1,552,447	$11,095	$ 3,298	$ 18,306	$1,585,146	$5,798,881

Past Due LHFI

LHFI past due 90 days or more totaled $3.8 million and $3.3 million at September 30, 2014 and December 31, 2013, respectively. The following tables provide an aging analysis of past due and nonaccrual LHFI by class at September 30, 2014 and December 31, 2013 ($ in thousands):

	September 30, 2014						
	Past Due						
	30-59 Days	60-89 Days	90 Days or More (1)	Total	Nonaccrual	Current Loans	Total LHFI

Loans secured by real estate:							
Construction, land development and other land	$466	$360	$268	$1,094	$ 20,286	$559,414	$580,794
Secured by 1-4 family residential properties	6,685	2,893	2,845	12,423	27,017	1,586,040	1,625,480
Secured by nonfarm, nonresidential properties	9,787	3,614	-	13,401	23,885	1,523,615	1,560,901
Other	202	65	-	267	1,203	238,349	239,819
Commercial and industrial loans	1,806	97	454	2,357	15,178	1,229,218	1,246,753
Consumer loans	1,627	243	272	2,142	160	166,511	168,813
Other loans	82	27	-	109	585	910,397	911,091
Total	$20,655	$7,299	$3,839	$31,793	$ 88,314	$6,213,544	$6,333,651

(1) Past due 90 days or more but still accruing interest.

	December 31, 2013						
	Past Due						
	30-59 Days	60-89 Days	90 Days or More (1)	Total	Nonaccrual	Current Loans	Total LHFI
Loans secured by real estate:							
Construction, land development and other land	$656	$267	$-	$923	$ 13,327	$582,639	$596,889
Secured by 1-4 family residential properties	7,322	2,115	2,996	12,433	21,603	1,451,528	1,485,564
Secured by nonfarm, nonresidential properties	1,934	110	-	2,044	21,809	1,391,286	1,415,139
Other	2	3	-	5	1,327	188,030	189,362
Commercial and industrial loans	809	198	-	1,007	6,286	1,150,321	1,157,614
Consumer loans	1,866	146	302	2,314	151	162,843	165,308
Other loans	17	-	-	17	735	788,253	789,005
Total	$12,606	$2,839	$3,298	$18,743	$ 65,238	$5,714,900	$5,798,881

(1) Past due 90 days or more but still accruing interest.

Past Due LHFS

LHFS past due 90 days or more totaled $25.0 million and $21.5 million at September 30, 2014 and December 31, 2013, respectively. LHFS past due 90 days or more are serviced loans eligible for repurchase, which are fully guaranteed by the Government National Mortgage Association (GNMA). 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. 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 loans held for sale, regardless of whether Trustmark intends to exercise the buy-back option. These loans are reported as held for sale with the offsetting liability being reported as short-term borrowings.

Trustmark did not exercise its buy-back option on any delinquent loans serviced for GNMA during the first nine months of 2014. During the first quarter of 2013, Trustmark exercised its option to repurchase approximately $57.4 million delinquent loans serviced for GNMA. These loans were subsequently sold to a third party under different repurchase provisions. Trustmark retained the servicing for these loans, which are fully guaranteed by FHA/VA. As a result of this repurchase and sale, the loans are no longer carried as LHFS. The transaction resulted in a gain of $534 thousand, which was included in mortgage banking, net for the first nine months of 2013.

Allowance for Loan Losses, LHFI

Trustmark’s allowance for loan loss methodology for commercial LHFI is based upon regulatory guidance from its primary regulator and GAAP. The methodology segregates the commercial purpose and commercial construction LHFI portfolios into nine separate loan types (or pools) which have similar characteristics such as repayment, collateral and risk profiles. The nine basic loan pools are further segregated into Trustmark’s five key market regions, Alabama, Florida, Mississippi, Tennessee and Texas, to take into consideration the uniqueness of each market. A 10-point risk rating system is utilized for each separate loan pool to apply a reserve factor consisting of quantitative and qualitative components to determine the needed allowance by each loan type. As a result, there are 450 risk rate factors for commercial loan types. The nine separate pools are shown below:

Commercial Purpose LHFI

Real Estate – Owner Occupied
Real Estate – Non-Owner Occupied
Working Capital
Non-Working Capital
Land
Lots and Development
Political Subdivisions

Commercial Construction LHFI
1 to 4 Family
Non-1 to 4 Family

The quantitative factors of the allowance methodology reflect a twelve-quarter rolling average of net charge-offs by loan type within each key market region. This allows for a greater sensitivity to current trends, such as economic changes, as well as current loss profiles and creates a more accurate depiction of historical losses.

Qualitative factors used in the allowance methodology include the following:

- National and regional economic trends and conditions
- Impact of recent performance trends
- Experience, ability and effectiveness of management
- Adherence to Trustmark's loan policies, procedures and internal controls
- Collateral, financial and underwriting exception trends
- Credit concentrations
- Acquisitions
- Catastrophe

Each qualitative factor is converted to a scale ranging from 0 (No risk) to 100 (High Risk), other than the last two factors, which are applied on a dollar-for-dollar basis to ensure that the combination of such factors is proportional. The resulting ratings from the individual factors are weighted and summed to establish the weighted-average qualitative factor of a specific loan portfolio within each key market region. This weighted-average qualitative factor is then distributed over the nine primary loan pools within each key market region based on the ranking by risk of each.

During 2013, Trustmark revised the qualitative portion of the allowance for loan loss methodology for commercial LHFI to incorporate a loan facility risk component. Loan facility risk embodies the nature, frequency and duration of the repayment structure as it pertains to the actual source of loan repayment. The underlying loan structure and nature of the credit either is risk neutral for standard structure or adds risk to the credit for any variance that represents additional credit risk from the standard structure. If the facility structure adds additional credit risk, qualitative reserves are added to individual loans based on their respective commercial loan pools. Factors considered in assigning facility risk include whether the principal is amortizing or not amortizing, revolving or not revolving, the payment frequency and the duration of the payment structure. An additional provision of approximately $1.6 million was recorded in 2013 as a result of this revision to the qualitative portion of the allowance for loan loss methodology for commercial LHFI.

For each commercial loan portfolio, the loan facility risk factor's percentage of the balances are summed and weighted based on commercial loan portfolio rankings. This weighted-average facility factor is then distributed over the nine primary loan pools within each key market region based on the ranking by risk of each.

During the third quarter 2014, Trustmark revised the qualitative portion of the allowance for loan loss methodology for commercial LHFI to incorporate an additional reserve component for commercial nonaccrual loans under $500 thousand. A LHFI is considered impaired when, based on current information and events, it is probable that Trustmark will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. A formal impairment analysis is performed on all commercial nonaccrual LHFI with an outstanding balance of $500 thousand or more, and based upon this analysis LHFI are written down to net realizable value. These commercial nonaccrual credits under $500 thousand are generally not currently protected by an identified source of repayment or any viable secondary means of repayment and do not have collateral sufficient to extinguish the credit. For such loans, it is currently unlikely that full repayment of both principal and interest will be realized. An additional provision of approximately $822 thousand was recorded in the third quarter of 2014 as result of this revision to the qualitative portion of the allowance for loan loss methodology for commercial LHFI.

The allowance for loan loss methodology segregates the consumer LHFI portfolio into homogeneous pools of loans that contain similar structure, repayment, collateral and risk profiles. These homogeneous pools of loans are shown below:

Residential Mortgage
Direct Consumer
Auto Finance
Junior Lien on 1-4 Family Residential Properties
Credit Cards
Overdrafts

The historical loss experience for these pools is determined by calculating a 12-quarter rolling average of net charge-offs, which is applied to each pool to establish the quantitative aspect of the methodology. Where, in Management's estimation, the calculated loss experience does not fully cover the anticipated loss for a pool, an estimate is also applied to each pool to establish the qualitative aspect of the methodology, which represents the perceived risks across the loan portfolio at the current point in time. This qualitative methodology utilizes five separate factors made up of unique components that when weighted and combined produce an estimated level of reserve for each of the loan pools. The five qualitative factors include the following:

Economic indicators
Performance trends
Management experience
Lending policy measures
Credit concentrations

The risk measure for each factor is converted to a scale ranging from 0 (No risk) to 100 (High Risk) to ensure that the combination of such factors is proportional. The determination of the risk measurement for each qualitative factor is done for all markets combined. The resulting estimated reserve factor is then applied to each pool.

During the second quarter 2014, Trustmark revised the qualitative portion of the allowance for loan loss methodology for consumer LHFI to incorporate the use of consumer credit bureau scores developed and provided by an independent third party. The credit bureau scores reflect the customer's historical willingness and ability to service their debt. These credit bureau scores are monitored on an ongoing basis and represent a consumer's credit payment history with all of their creditors including their repayment performance with Trustmark. The implementation of this consumer qualitative factor will allow Trustmark to better monitor shifts in risk that are represented in the retail portfolio and ensure that it is reflective in the allowance for loan loss calculation. An additional provision of approximately $1.4 million was recorded in the second quarter of 2014 as a result of this revision to the qualitative portion of the allowance for loan loss methodology for consumer LHFI.

The resulting ratings from the individual factors are weighted and summed to establish the weighted-average qualitative factor of a specific loan portfolio. This weighted-average qualitative factor is then applied over the six loan pools.

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

	Nine Months Ended September 30,	
	2014	2013
Balance at beginning of period	$66,448	$78,738
Loans charged-off	(10,052)	(10,173)
Recoveries	11,134	11,505
Net recoveries	1,082	1,332
Provision for loan losses, LHFI	2,604	(11,438)
Balance at end of period	$70,134	$68,632

The following tables detail the balance in the allowance for loan losses, LHFI by portfolio segment at September 30, 2014 and 2013, respectively ($ in thousands):

	2014				
	Balance January 1,	Charge-offs	Recoveries	Provision for Loan Losses	Balance September 30,
Loans secured by real estate:					
Construction, land development and other land	$13,165	$ (604)	$3,413	$ (6,139)	$ 9,835
Secured by 1-4 family residential properties	9,633	(2,306)	861	1,986	10,174
Secured by nonfarm, nonresidential properties	19,672	(240)	400	1,099	20,931
Other	2,080	(277)	-	571	2,374
Commercial and industrial loans	15,522	(1,787)	1,321	4,490	19,546
Consumer loans	2,405	(1,304)	2,760	(1,631)	2,230
Other loans	3,971	(3,534)	2,379	2,228	5,044
Total allowance for loan losses, LHFI	$66,448	$ (10,052)	$11,134	$ 2,604	$ 70,134

	Disaggregated by Impairment Method		
	Individually	Collectively	Total
Loans secured by real estate:			
Construction, land development and other land	$2,607	$ 7,228	$ 9,835
Secured by 1-4 family residential properties	431	9,743	10,174
Secured by nonfarm, nonresidential properties	2,163	18,768	20,931
Other	57	2,317	2,374
Commercial and industrial loans	5,203	14,343	19,546
Consumer loans	1	2,229	2,230
Other loans	263	4,781	5,044
Total allowance for loan losses, LHFI	$10,725	$ 59,409	$ 70,134

	2013				
	Balance January 1,	Charge-offs	Recoveries	Provision for Loan Losses	Balance September 30,
Loans secured by real estate:					
Construction, land development and other land	$21,838	$ (1,091)	$2,561	$ (7,419)	$ 15,889
Secured by 1-4 family residential properties	12,957	(839)	363	(3,723)	8,758
Secured by nonfarm, nonresidential properties	21,096	(572)	64	(1,828)	18,760
Other	2,197	(910)	80	497	1,864
Commercial and industrial loans	14,319	(1,225)	2,190	2,004	17,288
Consumer loans	3,087	(1,789)	3,561	(2,256)	2,603
Other loans	3,244	(3,747)	2,686	1,287	3,470
Total allowance for loan losses, LHFI	$78,738	$ (10,173)	$11,505	$ (11,438)	$ 68,632

	Disaggregated by Impairment Method		
	Individually	Collectively	Total
Loans secured by real estate:			
Construction, land development and other land	$957	$ 14,932	$ 15,889
Secured by 1-4 family residential properties	260	8,498	8,758
Secured by nonfarm, nonresidential properties	2,733	16,027	18,760
Other	37	1,827	1,864
Commercial and industrial loans	5,393	11,895	17,288
Consumer loans	2	2,601	2,603
Other loans	324	3,146	3,470
Total allowance for loan losses, LHFI	$9,706	$ 58,926	$ 68,632

Note 5 – Acquired Loans

For the periods presented, acquired loans consisted of the following ($ in thousands):

	September 30, 2014		December 31, 2013	
	Noncovered	Covered	Noncovered	Covered
Loans secured by real estate:				
Construction, land development and other land	$64,808	$1,721	$98,928	$2,363
Secured by 1-4 family residential properties	120,366	14,114	157,914	16,416
Secured by nonfarm, nonresidential properties	214,806	8,270	287,136	10,945
Other	28,036	2,949	33,948	2,644
Commercial and industrial loans	103,185	327	149,495	394
Consumer loans	11,236	-	18,428	119
Other loans	22,105	226	24,141	1,335
Acquired loans	564,542	27,607	769,990	34,216
Less allowance for loan losses, acquired loans	11,136	813	7,249	2,387
Net acquired loans	$553,406	$26,794	$762,741	$31,829

On February 15, 2013, Trustmark completed its merger with BancTrust. Loans acquired in the BancTrust acquisition were evaluated for evidence of credit deterioration since origination and collectability of contractually required payments. Trustmark elected to account for all loans acquired in the BancTrust acquisition as acquired impaired loans under FASB ASC Topic 310-30 except for $153.9 million of acquired loans with revolving privileges and acquired commercial leases, which are outside the scope of the guidance. While not all loans acquired from BancTrust exhibited evidence of significant credit deterioration, accounting for these acquired loans under FASB ASC Topic 310-30 would have materially the same result as the alternative accounting treatment. During the second and third quarters of 2013, Trustmark recorded fair value adjustments based on the estimated fair value of certain acquired loans which resulted in a net decrease in acquired noncovered loans totaling $6.8 million. The purchase price allocation for these loans was considered final as of December 31, 2013.

The following table presents the adjusted fair value of loans acquired as of the date of the BancTrust acquisition ($ in thousands):

At acquisition date:	February 15, 2013
Contractually required principal and interest	$1,256,669
Nonaccretable difference	201,324
Cash flows expected to be collected	1,055,345
Accretable yield	98,394
FASB ASC Topic 310-20 discount	12,716
Fair value of loans at acquisition	$944,235

The following table presents changes in the net carrying value of the acquired loans for the periods presented ($ in thousands):

	Noncovered		Covered	
	Acquired Impaired	Acquired Not ASC 310-30 (1)	Acquired Impaired	Acquired Not ASC 310-30 (1)
Carrying value, net at January 1, 2013	$72,942	$6,696	$45,391	$ 2,460
Loans acquired (2)	790,335	153,900	-	-
Accretion to interest income	35,538	2,628	5,150	159
Payments received, net	(229,618)	(39,281)	(18,976)	(819)
Other	(24,177)	(858)	(3,202)	(137)
Less change in allowance for loan losses, acquired loans	(5,364)	-	1,803	-
Carrying value, net at December 31, 2013	639,656	123,085	30,166	1,663
Accretion to interest income	35,423	1,442	3,010	(1)
Payments received, net	(185,880)	(37,437)	(7,831)	126
Other	(26,284)	(486)	(1,429)	(484)
Less change in allowance for loan losses, acquired loans	4,400	(513)	1,129	445
Carrying value, net at September 30, 2014	$467,315	$86,091	$25,045	$ 1,749

(1) "Acquired Not ASC 310-30" loans consist of revolving credit agreements and commercial leases that are not in scope for FASB ASC Topic 310-30.
(2) Adjusted fair value of loans acquired from BancTrust on February 15, 2013.

Under FASB ASC Topic 310-30, the accretable yield is the excess of expected cash flows at acquisition over the initial fair value of acquired impaired loans and is recorded as interest income over the estimated life of the loans using the effective yield method if the timing and amount of the future cash flows is reasonably estimable. The following table presents changes in the accretable yield for the nine months ended September 30, 2014 and 2013 ($ in thousands):

	Nine Months Ended September 30,	
	2014	2013
Accretable yield at beginning of period	$(109,006)	$(26,383)
Additions due to acquisition (1)	-	(98,394)
Accretion to interest income	38,433	28,927
Disposals	14,520	11,167
Reclassification to / (from) nonaccretable difference (2)	(26,826)	(25,772)

Accretable yield at end of period	$(82,879)	$(110,455)

(1) Accretable yield on loans acquired from BancTrust on February 15, 2013, adjusted for measurement period adjustments.
(2) Reclassifications from nonaccretable difference are due to lower loss expectations and improvements in expected cash flows.

The following tables present the components of the allowance for loan losses on acquired loans for the nine months ended September 30, 2014 and 2013 ($ in thousands):

	Noncovered	Covered	Total
Balance at January 1, 2014	$ 7,249	$ 2,387	$ 9,636
Provision for loan losses, acquired loans	5,603	(611)	4,992
Loans charged-off	(3,310)	(917)	(4,227)
Recoveries	1,594	(46)	1,548
Net charge-offs	(1,716)	(963)	(2,679)
Balance at September 30, 2014	$ 11,136	$ 813	$ 11,949

	Noncovered	Covered	Total
Balance at January 1, 2013	$ 1,885	$ 4,190	$ 6,075
Provision for loan losses, acquired loans	3,038	(1,168)	1,870
Loans charged-off	(3,028)	(663)	(3,691)
Recoveries	1,112	(33)	1,079
Net charge-offs	(1,916)	(696)	(2,612)
Balance at September 30, 2013	$ 3,007	$ 2,326	$ 5,333

As discussed in Note 4 - Loans Held for Investment (LHFI) and Allowance for Loan Losses, LHFI, 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 segregate the level of risk across the ten unique risk ratings. These credit quality measures are unique to commercial loans. Credit quality for consumer loans is based on individual credit scores, aging status of the loan and payment activity.

The tables below illustrate the carrying amount of acquired loans by credit quality indicator at September 30, 2014 and December 31, 2013 ($ in thousands):

September 30, 2014	Commercial Loans				
	Pass - Categories 1-6	Special Mention - Category 7	Substandard - Category 8	Doubtful - Category 9	Subtotal
Noncovered Loans:					
Loans secured by real estate:					
Construction, land development and other land	24,028	300	30,121	6,295	$60,744
Secured by 1-4 family residential properties	28,487	855	9,856	399	39,597
Secured by nonfarm, nonresidential properties	164,492	3,818	44,726	1,770	214,806
Other	22,882	94	4,769	284	28,029
Commercial and industrial loans	78,663	861	19,755	3,906	103,185
Consumer loans	4	-	-	-	4
Other loans	19,724	-	2,350	-	22,074
Total noncovered loans	338,280	5,928	111,577	12,654	468,439
Covered Loans: (1)					
Loans secured by real estate:					
Construction, land development and other land	140	-	1,039	395	1,574
Secured by 1-4 family residential properties	1,644	248	1,190	-	3,082
Secured by nonfarm, nonresidential properties	4,693	230	3,077	-	8,000
Other	742	115	727	777	2,361
Commercial and industrial loans	159	25	143	-	327
Consumer loans	-	-	-	-	-
Other loans	226	-	-	-	226
Total covered loans	7,604	618	6,176	1,172	15,570
Total acquired loans	$345,884	$ 6,546	$ 117,753	$13,826	$484,009

	Consumer Loans					
	Current	Past Due 30-89 Days	Past Due 90 Days or More	Nonaccrual	Subtotal	Total Acquired Loans
Noncovered Loans:						
Loans secured by real estate:						
Construction, land development and other land	$3,695	$58	$ 311	$ -	$4,064	$64,808
Secured by 1-4 family residential properties	75,408	2,160	3,061	140	80,769	120,366
Secured by nonfarm, nonresidential properties	-	-	-	-	-	214,806
Other	7	-	-	-	7	28,036
Commercial and industrial loans	-	-	-	-	-	103,185
Consumer loans	11,000	164	68	-	11,232	11,236
Other loans	31	-	-	-	31	22,105
Total noncovered loans	90,141	2,382	3,440	140	96,103	564,542

Covered Loans: (1)						
Loans secured by real estate:						
Construction, land development and other land	147	-	-	-	147	1,721
Secured by 1-4 family residential properties	10,133	546	353	-	11,032	14,114
Secured by nonfarm, nonresidential properties	270	-	-	-	270	8,270
Other	554	-	34	-	588	2,949
Commercial and industrial loans	-	-	-	-	-	327
Consumer loans	-	-	-	-	-	-
Other loans	-	-	-	-	-	226
Total covered loans	11,104	546	387	-	12,037	27,607
Total acquired loans	$ 101,245	$ 2,928	$ 3,827	$ 140	$ 108,140	$ 592,149

(1) Total dollar balances are presented in this table; however, these loans are covered by the loss-share agreement with the FDIC.
TNB is at risk for only 20% of the losses incurred on these loans.

	December 31, 2013				
	Commercial Loans				
	Pass - Categories 1-6	Special Mention - Category 7	Substandard - Category 8	Doubtful - Category 9	Subtotal
Noncovered Loans:					
Loans secured by real estate:					
Construction, land development and other land	$39,075	$ 2,506	$ 42,486	$8,445	$92,512
Secured by 1-4 family residential properties	33,810	2,983	17,422	538	54,753
Secured by nonfarm, nonresidential properties	184,594	9,027	88,952	4,563	287,136
Other	28,156	1,437	4,071	184	33,848
Commercial and industrial loans	116,818	2,248	24,084	6,039	149,189
Consumer loans	21	-	-	-	21
Other loans	21,881	-	882	1,306	24,069
Total noncovered loans	424,355	18,201	177,897	21,075	641,528
Covered Loans: (1)					
Loans secured by real estate:					
Construction, land development and other land	228	-	1,126	771	2,125
Secured by 1-4 family residential properties	1,629	430	1,798	-	3,857
Secured by nonfarm, nonresidential properties	5,446	109	4,723	-	10,278
Other	832	134	717	2	1,685
Commercial and industrial loans	254	28	112	-	394
Consumer loans	-	-	-	-	-
Other loans	271	-	414	646	1,331
Total covered loans	8,660	701	8,890	1,419	19,670
Total acquired loans	$433,015	$ 18,902	$ 186,787	$22,494	$661,198

	Consumer Loans					
	Current	Past Due 30-89 Days	Past Due 90 Days or More	Nonaccrual	Subtotal	Total Acquired Loans
Noncovered Loans:						
Loans secured by real estate:						
Construction, land development and other land	$5,813	$108	$495	$ -	$6,416	$98,928
Secured by 1-4 family residential properties	95,987	3,599	3,466	109	103,161	157,914
Secured by nonfarm, nonresidential properties	-	-	-	-	-	287,136
Other	100	-	-	-	100	33,948
Commercial and industrial loans	306	-	-	-	306	149,495
Consumer loans	18,076	239	92	-	18,407	18,428
Other loans	72	-	-	-	72	24,141
Total noncovered loans	120,354	3,946	4,053	109	128,462	769,990
Covered Loans: (1)						
Loans secured by real estate:						
Construction, land development and other land	133	77	28	-	238	2,363

Secured by 1-4 family residential properties	11,179	428	952	-	12,559	16,416
Secured by nonfarm, nonresidential properties	495	-	172	-	667	10,945
Other	617	342	-	-	959	2,644
Commercial and industrial loans	-	-	-	-	-	394
Consumer loans	119	-	-	-	119	119
Other loans	4	-	-	-	4	1,335
Total covered loans	12,547	847	1,152	-	14,546	34,216
Total acquired loans	$ 132,901	$ 4,793	$ 5,205	$ 109	$ 143,008	$ 804,206

(1) Total dollar balances are presented in this table; however, these loans are covered by the loss-share agreement with the FDIC.
TNB is at risk for only 20% of the losses incurred on these loans.

At September 30, 2014 and December 31, 2013, there were no acquired impaired loans accounted for under FASB ASC Topic 310-30 classified as nonaccrual loans. At September 30, 2014, approximately $988 thousand of acquired loans not accounted for under FASB ASC Topic 310-30 were classified as nonaccrual loans, compared to approximately $2.4 million of acquired loans at December 31, 2013.

The following tables provide an aging analysis of contractually past due and nonaccrual acquired loans, by class at September 30, 2014 and December 31, 2013 ($ in thousands):

	September 30, 2014						
	Past Due						
	30-59 Days	60-89 Days	90 Days or More (1)	Total	Nonaccrual (2)	Current Loans	Total Acquired Loans
Noncovered loans:							