

CHICAGO--([BUSINESS WIRE](#))--Following its community bank peer review, Fitch Ratings has downgraded Trustmark Corporation's (TRMK) long-term Issuer Default Rating (IDR) to 'BBB+' from 'A-'. The Rating Outlook is Stable. Please refer to the release titled 'Fitch Takes Rating Actions on Its Community Banks Group Following Peer Review' dated Sept. 23, 2013 for a discussion of rating actions taken on the community banks. A complete list of rating actions on TRMK follows at the end of this release.

Fitch downgraded TRMK's IDRs reflecting the issuer's weaker earnings profile and lower capital levels relative to other community bank peers in the 'BBB' category. Offsetting these factors is its good asset quality as measured through net charge-offs (NCOs) and the leading market share in TRMK's home state and incremental expansion in the Alabama market given its recent Banctrust Financial Group (BFTG) acquisition.

KEY RATING DRIVERS - IDR & VR

Despite a challenging interest rate environment, TRMK has maintained a NIM which exceeds the community bank peer group average. Nonetheless, core earnings, as measured through pre-provision net revenue (PPNR), have experienced pressure over the last five quarters. Fitch notes that TRMK's PPNR at 2Q13 was at 1.27% and on the lower end of the community bank peer group versus a year ago where the company had a much stronger PPNR (relative to community peers) at 1.80%. Fitch anticipates that over the long term, TRMK's earnings performance will revert to above peer averages.

TRMK's higher relative ratings have historically been supported by its strong capital levels. However, given the 1Q13 acquisition of BFTG, capital levels have declined nearly 200bps since a year ago. Further, relative to its community bank peer group, TRMK's capital levels are now in the mid-to-lower range. Fitch anticipates capital rebuild over the medium term to be relatively muted as TRMK faces higher operational costs, has lower level of core earnings, and more importantly continues to maintain a relatively high dividend-payout.

Fitch notes that TRMK's asset quality deteriorated during the crisis, mainly reflecting its Florida exposure. More recent NCOs have remained very manageable, with a 5Q NCO average of 21bps which reflects lower charge-off levels than the community bank peer

group average. Absolute levels of NPAs have modestly increased, however this primarily reflects acquired foreclosed real estate from BFTG. The conservative mark on the loan portfolio (15% of total loans, 48% of OREO) helps to mitigate the risk inherent in BTFG's troubled loan book, and Fitch would not anticipate further write-downs in the acquired portfolio.

RATING SENSITIVITIES - IDR & VR

Fitch anticipates capital ratios will rebuild slowly over a two-year period to levels slightly above community bank peer group averages. Failure to rebuild capital in line with projections could lead to further pressure on TRMK's ratings. Further, TRMK's ratings could also be negatively influenced if credit quality on loan portfolio (acquired and legacy) deteriorates beyond current expectations or, if core earnings performance were not to rebuild to levels in line appropriately above peer averages over time.

Fitch has taken the following rating actions:

Trustmark Corporation

-- Long-term IDR downgraded to 'BBB+' from 'A-';

-- Short-term IDR downgraded to 'F2' from 'F1';

-- Viability downgraded to 'bbb+' from 'a-';

-- Support affirmed at '5';

-- Support affirmed Floor at 'NF'.

Trustmark National Bank

- Long-term IDR downgraded to 'BBB+' from 'A-';
- Short-term IDR downgraded to 'F2' from 'F1';
- Long-term deposits downgraded to 'A-' from 'A';
- Short-term deposits downgraded to 'F2' from 'F1';
- Subordinated debt downgraded to 'BBB' from 'BBB+';
- Viability downgraded to 'bbb+' from 'a-';
- Support affirmed at '5';
- Support affirmed Floor at 'NF'.

The Rating Outlook is Stable.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:

-- 'Global Financial Institutions Rating Criteria' (Aug. 15, 2012);

-- 'Rating FI Subsidiaries and Holding Companies' (Aug. 10, 2012);

-- 'Fitch Takes Rating Actions on Its Community Banks Group Following Peer Review' (Sept. 23, 2013).

Applicable Criteria and Related Research:

Global Financial Institutions Rating Criteria http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686181

Rating FI Subsidiaries and Holding Companies http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=679209

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: <HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS>. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE '

<WWW.FITCHRATINGS.COM>

' PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

