

TRUSTMARK CORP  
Form S-4  
July 06, 2012  
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As filed with the Securities and Exchange Commission on July 6, 2012

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form S-4**  
**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

**TRUSTMARK CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

Mississippi  
(State or other jurisdiction of incorporation or  
organization)

6021  
(Primary Standard Industrial Classification  
Code Number)  
248 East Capitol Street

64-0471500  
(I.R.S. Employer  
Identification Number)

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Jackson, Mississippi 39201

(601) 208-5111

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

**T. Harris Collier III**

Secretary

248 East Capitol Street

Jackson, Mississippi 39201

(601) 208-5111

(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)

*With copies to:*

David E. Shapiro, Esq.	F. Michael Johnson	Frank M. Conner III, Esq.	Brooks P. Milling, Esq.
Wachtell, Lipton, Rosen	Henry F. O Connor III	Michael P. Reed, Esq.	Hand Arendall LLC
& Katz	BancTrust Financial Group, Inc.	DLA Piper LLP (US)	RSA Tower
51 West 52nd Street	107 Saint Francis Street	500 Eighth Street, N.W.	11 North Water Street, Suite 30200
New York, New York 10019	Mobile, Alabama 36602	Washington, D.C. 20004	Mobile, Alabama 36602

**Approximate date of commencement of the proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective and upon the effective time of the merger described in the enclosed document.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer  (Do not check if a smaller reporting company)Smaller reporting company **CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered(1)</b>	<b>Proposed Maximum Offering Price per Share of Common Stock(1)</b>	<b>Proposed Maximum Aggregate Offering Price(2)</b>	<b>Amount of Registration Fee(2)</b>
Common Stock, no par value	2,245,923	N/A	\$55,429,391(3)	\$6,352.21

- (1) The maximum number of shares of Trustmark Corporation, which is referred to as Trustmark, common stock estimated to be issuable upon the effective time of the merger of BancTrust Financial Group, Inc., which is referred to as BancTrust, into Trustmark, as described herein, which number may be higher or lower in accordance with the formula described below. This number is based on the number of shares of BancTrust common stock outstanding and reserved for issuance under various plans as of July 5, 2012, and the exchange of each such share of BancTrust common stock for 0.125 of a share of Trustmark common stock pursuant to the Agreement and Plan of Reorganization, dated May 28, 2012, by and between Trustmark and BancTrust, attached to this proxy statement/prospectus as Annex A.
- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rules 457(f)(1) and 457(c) of the Securities Act, based on a rate of \$114.60 per \$1,000,000 of the proposed maximum aggregate offering price.
- (3) The proposed maximum aggregate offering price of Trustmark common stock was calculated based upon the market value of shares of BancTrust common stock (the securities to be cancelled in the merger) in accordance with Rule 457(c) under the Securities Act as follows: the product of (1) \$3.085, the average of the high and low prices per share of the common stock of BancTrust as reported on the NASDAQ Global Select Market on July 5, 2012 and (2) 17,967,388, the estimated maximum number of shares of BancTrust common stock that may be exchanged for the Trustmark common stock being registered, including shares reserved for issuance under various plans.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.**

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**Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY SUBJECT TO COMPLETION DATED JULY 6, 2012****MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder:

On May 28, 2012, BancTrust Financial Group, Inc. and Trustmark Corporation agreed to a strategic business combination in which BancTrust will merge with and into Trustmark. If the merger is completed, BancTrust shareholders will have the right to receive 0.125 of a share of Trustmark common stock for each share of BancTrust common stock held immediately prior to the merger. We are sending you this proxy statement/prospectus to notify you of and invite you to the special meeting of BancTrust shareholders being held to consider the Agreement and Plan of Reorganization, dated as of May 28, 2012, which is referred to as the merger agreement, that BancTrust has entered into with Trustmark, and related matters, and to ask you to vote at the special meeting in favor of the approval of the merger agreement.

The special meeting of BancTrust shareholders will be held on [ ], 2012 at BancTrust's corporate offices located at 107 Saint Francis Street, Mobile, Alabama 36602 at [ ] local time.

At the special meeting, you will be asked to approve the merger agreement. In the merger, BancTrust will merge with and into Trustmark, with Trustmark continuing as the surviving corporation of the merger. In addition, under the merger agreement, BankTrust, an Alabama banking corporation and wholly owned subsidiary of BancTrust, will be merged with and into Trustmark National Bank, a wholly owned subsidiary of Trustmark. You will also be asked to approve, on an advisory (nonbinding) basis, the compensation that may be paid or become payable to BancTrust's named executive officers that is based on or otherwise relates to the merger, and to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger agreement.

The market value of the merger consideration will fluctuate with the market price of Trustmark common stock. The following table shows the closing sale prices of Trustmark common stock as reported on the NASDAQ Global Select Market, which is referred to as NASDAQ, and BancTrust common stock as reported on NASDAQ, on March 21, 2012, the last trading day before BancTrust's announcement of its intention to pursue a strategic transaction, on May 25, 2012, the last trading day before public announcement of the merger, and on [ ], 2012, the last practicable trading day before the distribution of this proxy statement/prospectus. This table also shows the implied value of the merger consideration proposed for each share of BancTrust common stock, which we calculated by multiplying the closing price of Trustmark common stock on those dates by the exchange ratio of 0.125. **We urge you to obtain current market quotations for Trustmark and BancTrust.**

	TRUSTMARK Common Stock (NASDAQ: TRMK)	BANCTRUST Common Stock (NASDAQ: BTFG)	Implied Value of One Share of BancTrust Common Stock
At March 21, 2012	\$ 25.05	\$ 1.49	\$ 3.13
At May 25, 2012	\$ 24.66	\$ 1.90	\$ 3.08
At [ ], 2012	\$ [ ]	\$ [ ]	\$ [ ]

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and holders of BancTrust common stock are not expected to recognize any gain or loss for U.S. federal income tax purposes on the exchange of shares of BancTrust common stock for shares of Trustmark common stock in the merger, except with respect to any cash received in lieu of fractional shares of Trustmark common stock.

**Your vote is important.** We cannot complete the merger unless BancTrust's shareholders approve the merger agreement. In order for the merger to be approved, the holders of at least two-thirds of the shares of BancTrust common stock outstanding and entitled to vote must vote in favor of approval of the merger agreement. Regardless of whether you plan to attend the special meeting, please take the time to vote your shares in accordance with the instructions contained in this proxy statement/prospectus. Failing to vote will have the same effect as voting against the merger.

**BancTrust's board of directors unanimously recommends that BancTrust shareholders vote FOR approval of the merger agreement, FOR approval, on an advisory (nonbinding) basis, of the compensation that may be paid or become payable to BancTrust's named executive officers that is based on or otherwise relates to the merger and FOR approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in**

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favor of the approval of the merger agreement.

This proxy statement/prospectus describes the BancTrust shareholders' meeting, the merger, the documents related to the merger and other related matters. **Please carefully read this entire document, including Risk Factors beginning on page 22, for a discussion of the risks relating to the proposed merger.** You also can obtain information about BancTrust and Trustmark from documents that each company has filed with the Securities and Exchange Commission.

If you have any questions concerning the merger, please contact BancTrust's proxy solicitor, Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902 at (877) 780-4190 (Shareholders) or (203) 658-9400 (Banks and Brokers). I look forward to seeing you on [ ], 2012 in Mobile, Alabama.

W. Bibb Lamar, Jr.

President and Chief Executive Officer

BancTrust Financial Group, Inc.

**Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved the securities to be issued in the merger or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

**The securities to be issued in the merger are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either Trustmark or BancTrust, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

The date of this proxy statement/prospectus is [ ], 2012, and it is first being mailed or otherwise delivered to BancTrust shareholders on or about [ ], 2012.

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**BANCTRUST FINANCIAL GROUP, INC.**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

To the Shareholders of BancTrust Financial Group, Inc.:

BancTrust Financial Group, Inc. ( BancTrust ) will hold a special meeting of shareholders at [ ], local time, on [ ], 2012, at BancTrust s corporate offices located at 107 Saint Francis Street, Mobile, Alabama 36602, to consider and vote upon the following matters:

a proposal to approve the Agreement and Plan of Reorganization, dated as of May 28, 2012, by and between Trustmark Corporation and BancTrust, pursuant to which BancTrust will merge with and into Trustmark Corporation, as more fully described in the attached proxy statement/prospectus;

a proposal to approve, on an advisory (nonbinding) basis, the compensation that may be paid or become payable to BancTrust s named executive officers that is based on or otherwise relates to the merger; and

a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of approval of the merger agreement.

We have fixed the close of business on [ ], 2012, as the record date for the special meeting. Only BancTrust shareholders of record at that time are entitled to notice of, and to vote at, the special meeting, or any adjournment or postponement of the special meeting. In order for the merger to be approved, the holders of at least two-thirds of the shares of BancTrust common stock outstanding and entitled to vote must vote in favor of approval of the merger agreement.

**Your vote is very important.** We cannot complete the merger unless BancTrust s shareholders approve the merger agreement. Failure to vote will have the same effect as voting against the merger.

Regardless of whether you plan to attend the special meeting, please vote as soon as possible. If you hold stock in your name as a shareholder of record, please complete, sign, date and return the accompanying proxy card in the enclosed postage-paid return envelope, or call the toll-free telephone number or use the Internet as described in the instructions included with your proxy card or voting instruction card. If you hold your stock in street name through a bank or broker, please follow the instructions on the voting instruction card furnished to you by your bank or broker. Properly executed proxy cards with no instructions indicated on the proxy card will be voted FOR the approval of the merger agreement, FOR the approval, on an advisory (nonbinding) basis, of the compensation that may be paid or become payable to BancTrust s named executive officers that is based on or otherwise relates to the merger and FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies. If you hold stock in your name as a shareholder of record or hold a valid proxy from the holder of record and attend the special meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card. Your prompt attention is greatly appreciated.

The enclosed proxy statement/prospectus provides a detailed description of the merger, the merger agreement and related matters. We urge you to read the proxy statement/prospectus, including any documents incorporated in the proxy statement/prospectus by reference, and its appendices carefully and in their entirety. If you have any questions concerning the merger or the proxy statement/prospectus, would like additional copies of the proxy statement/prospectus or need help voting your shares of BancTrust common stock, please contact BancTrust s proxy solicitor, Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902 at (877) 780-4190 (Shareholders) or (203) 658-9400 (Banks and Brokers).

**BancTrust s board of directors has unanimously approved the merger and the merger agreement and unanimously recommends that BancTrust shareholders vote FOR approval of the merger agreement, FOR approval, on an advisory (nonbinding) basis, of the compensation that may be paid or become payable to BancTrust s named executive officers that is based on or otherwise relates to the merger, and**

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**FOR approval of the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies in favor of approval of the merger agreement.**

**BY ORDER OF THE BOARD OF DIRECTORS,**

F. Michael Johnson

Executive Vice President, Secretary and

Chief Financial Officer

Mobile, Alabama

[ ], 2012

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**ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates important business and financial information about Trustmark from documents filed with or furnished to the Securities and Exchange Commission, which is referred to as the SEC, that are not included in or delivered with this proxy statement/prospectus. You can obtain any of the documents filed with or furnished to the SEC by Trustmark, as well as any documents filed with or furnished to the SEC by BancTrust, at no cost from the SEC's website at <http://www.sec.gov>. You may also request copies of these documents, including documents incorporated by reference by Trustmark in this proxy statement/prospectus, at no cost by contacting either Trustmark or BancTrust, as the case may be, in writing or by telephone, at the following addresses:

**Trustmark Corporation**

248 East Capitol Street  
Jackson, Mississippi 39201  
Attention: Louis E. Greer  
Telephone: (601) 208-5111

**BancTrust Financial Group, Inc.**

107 Saint Francis Street  
Mobile, Alabama 36602  
Attention: F. Michael Johnson  
Telephone: (251) 431-7800

**You will not be charged for any of these documents that you request. BancTrust shareholders requesting documents must do so by [ ], 2012 in order to receive them before the special meeting.**

In addition, if you have questions about the merger or the BancTrust special meeting, need additional copies of this proxy statement/prospectus or need to obtain proxy cards or other information related to the proxy solicitation, you may contact Morrow & Co., LLC, BancTrust's proxy solicitor, at the following address and telephone numbers:

Morrow & Co., LLC  
470 West Avenue  
Stamford, CT 06902

Banks and Brokers please call: (203) 658-9400

Shareholders please call: (877) 780-4190

See "Where You Can Find More Information" beginning on page 160 for more details.



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**ABOUT THIS DOCUMENT**

This proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed with the SEC by Trustmark, constitutes a prospectus of Trustmark under Section 5 of the Securities Act of 1933, as amended, which is referred to as the Securities Act, with respect to the shares of Trustmark common stock to be issued to the BancTrust shareholders pursuant to the merger. This proxy statement/prospectus also constitutes a proxy statement for BancTrust under Section 14(a) of the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act. It also constitutes a notice of meeting with respect to the special meeting of BancTrust shareholders.

You should rely only on the information contained in or incorporated by reference into this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated [ ], 2012. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than that date. You should not assume that the information incorporated by reference into this proxy statement/prospectus is accurate as of any date other than the date of the incorporated document. Neither our mailing of this proxy statement/prospectus to BancTrust shareholders nor the issuance by Trustmark of shares of Trustmark common stock to BancTrust shareholders in connection with the merger will create any implication to the contrary.

**This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation. Information contained in this proxy statement/prospectus regarding Trustmark has been provided by Trustmark and information contained in this proxy statement/prospectus regarding BancTrust has been provided by BancTrust.**

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE BANCTrust SPECIAL MEETING**

The following are some questions that you may have regarding the merger of BancTrust into Trustmark and the BancTrust special meeting of shareholders, which is referred to as the BancTrust special meeting, and brief answers to those questions. We urge you to read carefully the remainder of this proxy statement/prospectus because the information in this section does not provide all of the information that might be important to you with respect to the merger and the BancTrust special meeting. Additional important information is also contained in the documents incorporated by reference into this proxy statement/prospectus. See **Where You Can Find More Information** beginning on page 160. Unless the context requires otherwise, references in this proxy statement/prospectus to **Trustmark** refer to Trustmark Corporation, a Mississippi corporation, and/or its consolidated subsidiaries, references in this proxy statement/prospectus to **BancTrust** refer to BancTrust Financial Group, Inc., an Alabama corporation, and/or its consolidated subsidiaries, and references in this proxy statement/prospectus to **we**, **our** and **us** refer to Trustmark and BancTrust collectively.

**Q: What am I being asked to vote on at the BancTrust special meeting?**

A: Trustmark and BancTrust have entered into an Agreement and Plan of Reorganization, dated as of May 28, 2012, which is referred to as the merger agreement, pursuant to which Trustmark has agreed to acquire BancTrust. Under the terms of the merger agreement, BancTrust will merge with and into Trustmark, with Trustmark continuing as the surviving corporation of the merger, which is referred to as the merger. Also under the terms of the merger agreement, BancTrust, an Alabama banking corporation and wholly owned subsidiary of BancTrust, will be merged with and into Trustmark National Bank, a wholly owned subsidiary of Trustmark, which is referred to as the bank subsidiary merger. BancTrust shareholders are being asked to approve the merger agreement and the transactions it contemplates, including the merger.

BancTrust shareholders are additionally being asked to approve, on an advisory (nonbinding) basis, the compensation that may be paid or become payable to BancTrust's named executive officers that is based on or otherwise relates to the merger, which is referred to as the merger-related named executive officer compensation proposal.

BancTrust shareholders are also being asked to approve the adjournment of the BancTrust special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger agreement, which is referred to as the adjournment proposal.

**Q: How does BancTrust's board of directors recommend I vote at the BancTrust special meeting?**

A: BancTrust's board of directors unanimously recommends that you vote **FOR** the proposal to approve the merger agreement, **FOR** the merger-related named executive officer compensation proposal and **FOR** the adjournment proposal.

**Q: When and where is the BancTrust special meeting?**

A: The BancTrust special meeting will be held at BancTrust's corporate offices located at 107 Saint Francis Street, Mobile, Alabama 36602 on [ ], 2012, at [ ] local time.

**Q: What do I need to do now?**

A: After you have carefully read this proxy statement/prospectus and have decided how you wish to vote your shares, please vote your shares promptly so that your shares are represented and voted at the BancTrust special meeting. If you hold stock in your name as a shareholder of record, you must complete, sign, date and mail your proxy card in the enclosed postage-paid return envelope as soon as possible, or call the toll-free telephone number or use the Internet as described in the instructions included with your proxy card or voting instruction card.

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If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.

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Street name shareholders who wish to vote at the BancTrust special meeting will need to obtain a proxy form from the institution that holds their shares.

### **Q: What constitutes a quorum for the BancTrust special meeting?**

A: The presence at the BancTrust special meeting, in person or by proxy, of the holders of a majority of the stock issued and outstanding and entitled to vote thereat will constitute a quorum for the transaction of business. If a quorum is not present, the BancTrust special meeting will be postponed until the holders of the number of shares of BancTrust common stock required to constitute a quorum attend. If you submit a properly executed proxy card, even if you abstain from voting, your shares of BancTrust common stock will be counted for purposes of determining whether a quorum is present at the BancTrust special meeting. If additional votes must be solicited to approve the merger agreement, it is expected that the BancTrust special meeting will be adjourned to solicit additional proxies.

### **Q: What is the vote required to approve each proposal at the BancTrust special meeting?**

A: Approval of the merger agreement requires the affirmative vote of the holders of at least two-thirds of the shares of BancTrust common stock outstanding and entitled to vote as of the close of business on [ ], 2012, the record date for the BancTrust special meeting. Approval of the merger-related named executive officer compensation proposal requires the affirmative vote of more shares in favor of the proposal than against the proposal.

Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares of BancTrust common stock present, in person or by proxy, at the BancTrust special meeting, even if less than a quorum.

### **Q: Why is my vote important?**

A: If you do not vote, it will be more difficult for BancTrust to obtain the necessary quorum to hold the BancTrust special meeting. In addition, your failure to vote or failure to instruct your bank or broker how to vote will have the same effect as a vote against approval of the merger agreement. The merger agreement must be approved by the holders of at least two-thirds of the shares of BancTrust common stock outstanding and entitled to vote at the BancTrust special meeting. BancTrust's board of directors unanimously recommends that you vote to approve the merger agreement.

### **Q: If my shares of common stock are held in street name by my bank or broker, will my bank or broker automatically vote my shares for me?**

A: No. Your bank or broker cannot vote your shares without instructions from you. You should instruct your bank or broker as to how to vote your shares in accordance with the instructions provided to you. Please check the voting form used by your bank or broker.

### **Q: What if I fail to vote, abstain from voting or fail to instruct my bank or broker?**

A: If you fail to vote or mark **ABSTAIN** on your proxy or fail to instruct your bank or broker with respect to the proposal to approve the merger agreement, it will have the same effect as a vote **AGAINST** the proposal to approve the merger agreement. If you fail to vote or mark **ABSTAIN** on your proxy or fail to instruct your bank or broker with respect to the merger-related named executive officer compensation proposal, it will have no effect on the merger-related named executive officer compensation proposal.

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If you mark **ABSTAIN** on your proxy with respect to the adjournment proposal, it will have the same effect as a vote **AGAINST** the adjournment proposal. The failure to vote or failure to instruct your bank or broker with respect to the adjournment proposal, however, will have no effect on the adjournment proposal.

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### **Q: Can I attend the BancTrust special meeting and vote my shares in person?**

A: Yes. All BancTrust shareholders, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the BancTrust special meeting. Holders of record of BancTrust common stock can vote in person at the BancTrust special meeting. If you are not a shareholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the BancTrust special meeting. If you plan to attend the BancTrust special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted. We reserve the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the BancTrust special meeting is prohibited without BancTrust's express written consent.

### **Q: Can I change my vote?**

A: Yes. You may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to BancTrust's secretary, (3) voting again by telephone or the Internet or (4) attending the BancTrust special meeting in person, notifying the secretary and voting by ballot at the BancTrust special meeting. Attendance at the BancTrust special meeting will not automatically revoke your proxy. A revocation or later-dated proxy received by BancTrust after the vote will not affect the vote. The BancTrust secretary's mailing address is F. Michael Johnson, BancTrust Financial Group, Inc., 107 Saint Francis Street, P.O. Box 3067, Mobile, Alabama 36602. If you hold your stock in street name through a bank or broker, you should contact your bank or broker to revoke your proxy.

### **Q: Will BancTrust be required to submit the proposal to approve the merger agreement to its shareholders even if the BancTrust board of directors has withdrawn, modified or qualified its recommendation?**

A: Yes. Under the terms of the merger agreement, unless the merger agreement is terminated before the BancTrust special meeting, BancTrust is required to submit the proposal to approve the merger agreement to its shareholders even if the BancTrust board of directors has withdrawn, modified or qualified its recommendation.

### **Q: What are the U.S. federal income tax consequences of the merger to BancTrust shareholders?**

A: The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, and holders of BancTrust common stock are not expected to recognize any gain or loss for United States federal income tax purposes on the exchange of shares of BancTrust common stock for shares of Trustmark common stock in the merger, except with respect to any cash received instead of fractional shares of Trustmark common stock.

For further information, see Material U.S. Federal Income Tax Consequences of the Merger.

*The U.S. federal income tax consequences described above may not apply to all holders of BancTrust common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.*

### **Q: Do I have dissenters' rights in connection with the merger?**

A:



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Yes. You may dissent from approval of the merger agreement and obtain payment of the fair value of your shares as determined by a court. To exercise appraisal rights, you must NOT vote in favor of approval of the

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merger agreement, and you must strictly comply with all of the applicable requirements of Alabama law, as described in Annex C. **It is not sufficient to abstain from voting.** If you return a signed proxy without voting instructions or with instructions to vote FOR the merger agreement, your shares will be automatically voted in favor of the merger agreement and you will lose dissenters' rights. See the section entitled "The Merger Dissenters' Appraisal Rights" beginning on page 70.

**Q: If I am a BancTrust shareholder, should I send in my BancTrust stock certificates now?**

A: No. Please do not send in your BancTrust stock certificates with your proxy. After the merger, an exchange agent designated by Trustmark will send you instructions for exchanging BancTrust stock certificates for the merger consideration. See "The Merger Agreement Conversion of Shares; Exchange of Certificates" beginning on page 75.

**Q: What should I do if I hold my shares of BancTrust common stock in book-entry form?**

A: You are not required to take any specific actions if your shares of BancTrust common stock are held in book-entry form. After the effective time of the merger, shares of BancTrust common stock held in book-entry form will automatically be exchanged for shares of Trustmark common stock in book-entry form and cash to be paid instead of fractional shares of Trustmark common stock.

**Q: Who may I contact if I cannot locate my BancTrust stock certificate(s)?**

A: If you are unable to locate your original BancTrust stock certificate(s), you should contact Registrar & Transfer Company at (800) 525-7686.

**Q: When do you expect to complete the merger?**

A: We expect to consummate the merger in the fourth quarter of 2012. However, we cannot assure you when or if the merger will occur. We must first obtain the approval of BancTrust's shareholders at the BancTrust special meeting and the necessary regulatory approvals.

**Q: Whom should I call with questions?**

A: If you have any questions concerning the merger or this proxy statement/prospectus, would like additional copies of this proxy statement/prospectus or need help voting your shares of BancTrust common stock, please contact: Morrow & Co., LLC, BancTrust's proxy solicitor, (877) 780-4190 (Shareholders) or (203) 658-9400 (Banks and Brokers).

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**SUMMARY**

**This summary highlights selected information from this proxy statement/prospectus. It may not contain all of the information that is important to you. We urge you to carefully read the entire proxy statement/prospectus, including the appendices, and the other documents to which we refer in order to fully understand the merger. See **Where You Can Find More Information** on page 160. Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.**

**In the Merger, BancTrust Shareholders Will Have a Right to Receive 0.125 of a Share of Trustmark Common Stock Per Share of BancTrust Common Stock (page 74)**

We are proposing the merger of BancTrust with and into Trustmark, with Trustmark continuing as the surviving corporation of the merger. If the merger is completed, you will have the right to receive 0.125 of a share of Trustmark common stock for each share of BancTrust common stock you hold immediately prior to the merger. Trustmark will not issue any fractional shares of Trustmark common stock in the merger. BancTrust shareholders who would otherwise be entitled to a fractional share of Trustmark common stock will instead receive an amount in cash based on the last reported sale price of Trustmark common stock on the trading day immediately prior to the date on which the merger is completed.

*Example: If you hold 150 shares of BancTrust common stock, you will have a right to receive 18 shares of Trustmark common stock and a cash payment instead of the 0.75 shares of Trustmark common stock that you otherwise would have received (i.e., 150 shares x 0.125 = 18.75 shares).*

The merger agreement governs the merger. The merger agreement is included in this proxy statement/prospectus as Annex A. Please read the merger agreement carefully. All descriptions in this summary and elsewhere in this proxy statement/prospectus of the terms and conditions of the merger are qualified by reference to the merger agreement.

**BancTrust's Board of Directors Unanimously Recommends that BancTrust Shareholders Vote FOR Approval of the Merger Agreement (page 55)**

BancTrust's board of directors has determined that the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of BancTrust and its shareholders and has unanimously approved and adopted the merger agreement and the transactions contemplated thereby (including the merger). BancTrust's board of directors unanimously recommends that BancTrust shareholders vote FOR approval of the merger agreement. For the factors considered by BancTrust's board of directors in reaching its decision to approve the merger agreement, see the section entitled The Merger BancTrust's Reasons for the Merger; Recommendation of the BancTrust Board of Directors beginning on page 55.

**Keefe, Bruyette & Woods, Inc. Has Provided an Opinion to BancTrust's Board of Directors Regarding the Merger Consideration (page 57 and Annex B)**

On May 28, 2012, Keefe, Bruyette & Woods, Inc., which is referred to as KBW, BancTrust's financial advisor in connection with the merger, rendered its oral opinion to BancTrust's board of directors, and subsequently confirmed in writing, that as of such date and based upon and subject to the assumptions, procedures, considerations, qualifications and limitations set forth in the written opinion, the exchange ratio pursuant to the merger agreement was fair, from a financial point of view, to the holders of shares of BancTrust common stock.

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The full text of KBW's opinion, dated May 28, 2012, is attached as Annex B to this proxy statement/prospectus. You should read the opinion in its entirety for a discussion of the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by KBW in rendering its opinion.

KBW's opinion is directed to BancTrust's board of directors, addresses only the fairness, from a financial point of view, of the exchange ratio pursuant to the merger agreement, and does not address any other aspect of the merger or constitute a recommendation as to how any shareholders of BancTrust should vote at any shareholder's meeting held in connection with the merger.

For further information, please see the discussion under the caption "The Merger" Opinion of Keefe, Bruyette & Woods, Inc., beginning on page 57.

### **What Holders of BancTrust Stock Options and Other Equity-Based Awards Will Receive (page 74)**

Each outstanding and unvested option to purchase shares of BancTrust common stock will vest in full and become exercisable 30 days prior to the effective time of the merger. Any BancTrust stock options that are not exercised on or before the effective time of the merger will terminate and be cancelled for no consideration.

Each outstanding share of BancTrust restricted stock will vest in full and become free of restrictions immediately prior to the effective time of the merger, and at the effective time of the merger will be converted into the right to receive 0.125 of a share of Trustmark common stock.

Additionally, the deferred stock rights in respect of BancTrust common stock under BancTrust's amended and restated directors deferred compensation plan will be converted into the right to receive the number of shares of Trustmark common stock equal to the number of shares of BancTrust common stock underlying the deferred stock right multiplied by the exchange ratio, with distributions to be made in accordance with the terms of the plan.

### **BancTrust will Hold its Special Meeting on [ ], 2012 (page 45)**

The BancTrust special meeting will be held on [ ], 2012, at [ ] local time, at BancTrust's corporate offices located at 107 Saint Francis Street, Mobile, Alabama 36602. At the BancTrust special meeting, BancTrust shareholders will be asked to:

approve the merger agreement and the transactions it contemplates;

approve the merger-related named executive officer compensation proposal; and

approve the adjournment proposal.

Only holders of record at the close of business on [ ], 2012 will be entitled to vote at the BancTrust special meeting. Each share of BancTrust common stock is entitled to one vote on each proposal to be considered at the BancTrust special meeting. As of the record date, there were [ ] shares of BancTrust common stock entitled to vote at the BancTrust special meeting. As of the record date, directors and executive officers of BancTrust and their affiliates owned and were entitled to vote [ ] shares of BancTrust common stock, representing approximately [ ] percent of the shares of BancTrust common stock outstanding on that date. BancTrust currently expects that its directors and executive officers will vote their shares in favor of the merger agreement proposal, the merger-related named executive officer compensation proposal and the adjournment proposal, although none of them has entered into any agreements obligating them to do so. As of the record date, Trustmark beneficially held no shares of BancTrust common stock, and Trustmark's directors and executive officers and their affiliates held no shares of BancTrust common stock.

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To approve the merger agreement, holders of at least two-thirds of the outstanding shares of BancTrust common stock entitled to vote at the BancTrust special meeting must vote in favor of approving the merger agreement. Because approval is based on the affirmative vote of at least two-thirds of the shares outstanding, your failure to vote, failure to instruct your bank or broker with respect to the proposal to approve the merger agreement, or abstention will have the same effect as a vote against approval of the merger agreement.

Approval of the merger-related named executive officer compensation proposal requires the affirmative vote of more shares in favor of the proposal than against the proposal. Because approval of the merger-related named executive officer compensation proposal is based on the affirmative vote of shares voting at the BancTrust special meeting, your abstention, failure to vote or failure to instruct your bank or broker with respect to the merger-related named executive officer compensation proposal will have no effect on this proposal.

Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares of BancTrust common stock present, in person or by proxy, at the BancTrust special meeting, even if less than a quorum. Because approval of the adjournment proposal is based on the affirmative vote of a majority of shares voting or expressly abstaining at the BancTrust special meeting, abstentions will have the same effect as a vote against the adjournment proposal. The failure to vote or failure to instruct your bank or broker with respect to the adjournment proposal, however, will have no effect on the adjournment proposal.

### **The Merger Is Intended to Be Tax-Free to Holders of BancTrust Common Stock as to the Shares of Trustmark Common Stock They Receive (page 90)**

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code, and, as a condition to the respective obligations of Trustmark and BancTrust to complete the merger, each of Trustmark and BancTrust shall receive a legal opinion to that effect. Accordingly, the merger generally will be tax-free to a holder of BancTrust common stock for U.S. federal income tax purposes as to the shares of Trustmark common stock he or she receives in the merger, except for any gain or loss that may result from the receipt of cash instead of fractional shares of Trustmark common stock that such holder of BancTrust common stock would otherwise be entitled to receive.

For further information, see **Material U.S. Federal Income Tax Consequences of the Merger** beginning on page 90.

*The U.S. federal income tax consequences described above may not apply to all holders of BancTrust common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.*

### **BancTrust's Directors and Officers May Have Financial Interests in the Merger That Differ From Your Interests (page 66)**

BancTrust shareholders should be aware that some of BancTrust's directors and executive officers may have interests in the merger and have arrangements that may be different from, or in addition to, those of BancTrust shareholders generally. These interests and arrangements may create potential conflicts of interest. The BancTrust board of directors was aware of these interests and considered these interests, among other matters, when making its decision to approve the merger agreement and the merger, and in recommending that BancTrust's shareholders vote in favor of approval of the merger agreement.

For a more complete description of these interests, see **The Merger Interests of BancTrust's Directors and Executive Officers in the Merger** beginning on page 66.

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### **BancTrust's Shareholders May Exercise Dissenters' Rights (page 70)**

Under the Alabama Business Corporation Law, which is referred to as the ABCL, holders of BancTrust common stock, if they follow the required procedures, have the right to dissent from the merger and receive the fair market value of their shares of BancTrust common stock as determined by a court. BancTrust shareholders exercising their dissenters' rights must comply strictly with the procedures specified in Article 13 of the ABCL. See the section entitled "The Merger Dissenters' Appraisal Rights" beginning on page 70 and the text of Article 13 of the ABCL attached to this proxy statement/prospectus as Annex C.

### **Treatment of BancTrust TARP Preferred Stock and BancTrust TARP Warrant in the Merger (page 75)**

Trustmark intends to purchase each issued and outstanding share of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, no par value and liquidation preference of \$1,000 per share, which is referred to as the BancTrust TARP preferred stock, from the United States Department of the Treasury, which is referred to as Treasury, prior to the closing of the merger. Trustmark also intends to purchase the warrant issued by BancTrust to Treasury on December 19, 2008 to purchase up to 731,000 shares of BancTrust's common stock at an exercise price of \$10.26 per share, which is referred to as the BancTrust TARP warrant, prior to the closing of the merger.

### **Regulatory Approvals Required for the Merger (page 72)**

We have agreed to use our reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement; however, in no event will Trustmark be required to raise common equity capital at the holding company level in an amount which would reduce the economic benefits of the transactions contemplated by the merger agreement to Trustmark to such a degree that Trustmark would not have entered into the merger agreement had such condition to raise common equity capital been known to it at the date of the merger agreement, which is referred to as a burdensome condition. These approvals include approval from the Board of Governors of the Federal Reserve System, which is referred to as the Federal Reserve Board, and from the Office of the Comptroller of the Currency, which is referred to as the OCC, among others. Trustmark and BancTrust have filed, or are in the process of filing, applications and notifications to obtain the required regulatory approvals.

Although we do not know of any reason why we cannot obtain these regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them.

### **Conditions That Must Be Satisfied or Waived for the Merger to Occur (page 87)**

Currently, we expect to consummate the merger in the fourth quarter of 2012. As more fully described in this proxy statement/prospectus and in the merger agreement, consummation of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. The conditions to each party's obligation to complete the merger include, among others:

approval of the merger agreement by BancTrust's shareholders;

receipt of required regulatory approvals (provided that no such required regulatory approval may impose a burdensome condition on Trustmark);

absence of any law, injunction or other restraint prohibiting, restricting or making illegal consummation of the transactions contemplated by the merger agreement;

effectiveness of this proxy statement/prospectus;

authorization of the shares of Trustmark common stock to be issued in the merger for listing on the NASDAQ Global Select Market, which is referred to as NASDAQ;



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accuracy of each party's representations and warranties in the merger agreement, generally subject to specified materiality standards;

performance in all material respects of each party's obligations under the merger agreement; and

receipt by each party of an opinion of counsel, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

**Termination of the Merger Agreement (page 88)**

We may mutually agree to terminate the merger agreement before completing the merger, even after receiving BancTrust shareholder approval.

In addition, either of us may decide to terminate the merger agreement if:

any regulatory authority which must grant a required regulatory approval has denied approval of the transactions contemplated by the merger agreement, and this denial has become final and nonappealable, or a regulatory authority has issued a final nonappealable law or order prohibiting the consummation of the transactions contemplated by the merger agreement, if the party seeking to terminate the merger agreement has used its reasonable best efforts to contest, appeal and change such denial, law or order;

the BancTrust shareholders fail to approve the merger agreement and the transactions contemplated thereby at the BancTrust special meeting;

the merger has not been completed on or before December 31, 2012, which is referred to as the outside date, if the failure to consummate the transactions contemplated by the merger agreement by the outside date is not caused by the terminating party's breach of the merger agreement; or

any of the conditions precedent to the obligations of the terminating party to consummate the merger cannot be satisfied or fulfilled by the outside date, if the failure of such condition to be satisfied or fulfilled is not a result of the terminating party's failure to perform, in any material respect, any of its material covenants or agreements in the merger agreement or such party's material breach of any of its material representations or warranties contained in the merger agreement.

In addition, Trustmark may terminate the merger agreement if BancTrust's board of directors:

withdraws, qualifies or modifies, or proposes publicly to withdraw, qualify or modify, in a manner adverse to Trustmark, its recommendation of the merger, or takes any action, or makes any public statement, filing or release inconsistent with that recommendation;

fails to recommend the merger to, and the approval of the merger agreement by, the BancTrust shareholders;

breaches its non-solicitation obligations or obligations with respect to other acquisition proposals set forth in the merger agreement in any respect adverse to Trustmark; or



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breaches its obligations to call, give notice of, convene and/or hold a shareholders meeting or to use reasonable best efforts to obtain the approval of BancTrust shareholders.

### **Termination Fee (page 89)**

If the merger agreement is terminated under certain circumstances, including circumstances involving a change in recommendation by BancTrust's board of directors, BancTrust may be required to pay Trustmark a

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termination fee of \$5 million. The termination fee could discourage other companies from seeking to acquire or merge with BancTrust.

**Board of Directors and Executive Officers of Trustmark and Trustmark National Bank following the Effective Time of the Merger (page 66)**

The directors and officers of Trustmark immediately prior to the effective time of the merger will continue as the directors and officers of the surviving corporation of the merger. As of the effective time of the merger, two current directors of BancTrust who are mutually selected by BancTrust and Trustmark will be appointed as directors of Trustmark National Bank.

**The Rights of BancTrust Shareholders will Change as a Result of the Merger (page 102)**

The rights of BancTrust shareholders will change as a result of the merger due to differences in Trustmark's and BancTrust's governing documents. The rights of BancTrust shareholders are governed by Alabama law and by BancTrust's amended and restated articles of incorporation and amended and restated bylaws, each as amended to date (which are referred to as BancTrust's articles of incorporation and bylaws, respectively). Upon the effective time of the merger, the rights of BancTrust shareholders will be governed by Mississippi law and Trustmark's articles of incorporation and bylaws (which are referred to as Trustmark's articles of incorporation and bylaws, respectively).

This proxy statement/prospectus contains descriptions of the material differences in shareholder rights under each of the BancTrust and Trustmark articles of incorporation and bylaws.

**Comparative Market Prices of Securities (page 19)**

Trustmark common stock and BancTrust common stock are listed on NASDAQ under the symbols TRMK and BTFG, respectively. The following table presents the closing prices of Trustmark common stock and BancTrust common stock on March 21, 2012, the last trading day before BancTrust's announcement of its intention to pursue a strategic transaction, on May 25, 2012, the last trading day before public announcement of the merger, and on [ ], 2012, the last practicable trading day before the distribution of this proxy statement/prospectus. The table also presents the implied value of the merger consideration proposed for each share of BancTrust common stock on those dates, as determined by multiplying the closing price of Trustmark common stock on those dates by the exchange ratio of 0.125 provided for in the merger agreement, and assuming no adjustment.

	<b>Trustmark Common Stock (NASDAQ: TRMK)</b>	<b>BancTrust Common Stock (NASDAQ: BTFG)</b>	<b>Implied Value of One Share of BancTrust Common Stock</b>
March 21, 2012	\$ 25.05	\$ 1.49	\$ 3.13
May 25, 2012	\$ 24.66	\$ 1.90	\$ 3.08
[ ], 2012	\$ [ ]	\$ [ ]	\$ [ ]

***Trustmark Corporation***

Trustmark, a Mississippi business corporation incorporated in 1968, is a bank holding company headquartered in Jackson, Mississippi. Trustmark's principal subsidiary is Trustmark National Bank, initially chartered by the State of Mississippi in 1889. At March 31, 2012, Trustmark National Bank had total assets of \$9.8 billion, which represents over 99 percent of the consolidated assets of Trustmark.

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Through Trustmark National Bank and its other subsidiaries, Trustmark operates as a financial services organization providing banking and other financial solutions through approximately 170 offices and 2,611 full-time equivalent associates located in the states of Mississippi, Tennessee (in Memphis and the Northern Mississippi region), Florida (primarily in the northwest or Panhandle region of that state) and Texas (primarily in Houston). Trustmark National Bank provides investment and insurance products and services to its customers through its wholly owned subsidiaries Trustmark Investment Advisors, Inc. and Fisher Brown Bottrell Insurance, Inc.

As of March 31, 2012, on a consolidated basis, Trustmark had total assets of approximately \$9.9 billion, total loans of approximately \$6.2 billion, total deposits of approximately \$8.1 billion and shareholders' equity of approximately \$1.2 billion.

Trustmark's principal executive office is located at 248 East Capitol Street Jackson, Mississippi 39201, and its telephone number is (601) 208-5111.

Additional information about Trustmark and its subsidiaries is included in documents incorporated by reference in this proxy statement/prospectus. See "Where You Can Find More Information" on page 160.

***BancTrust Financial Group, Inc.***

BancTrust is an Alabama corporation headquartered in Mobile, Alabama and was incorporated in 1986. BancTrust is registered under the Bank Holding Company Act of 1956, as amended, and its principal subsidiary is BankTrust, an Alabama banking corporation.

At March 31, 2012, BancTrust had total assets of approximately \$2.009 billion, total consolidated deposits of approximately \$1.791 billion and total consolidated shareholders' equity of approximately \$112.6 million and ranked third in terms of total assets among Alabama-based bank holding companies.

BancTrust's principal executive offices are located at 107 Saint Francis Street, Mobile, Alabama 36602, and its telephone number is (251) 431-7800.

Additional information about BancTrust and its subsidiaries is included under the section "Information About BancTrust" on page 28.

**Table of Contents****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF TRUSTMARK**

The following table summarizes financial results achieved by Trustmark for the periods and at the dates indicated and should be read in conjunction with Trustmark's consolidated financial statements and the notes to the consolidated financial statements contained in reports that Trustmark has previously filed with the SEC. Historical financial information for Trustmark can be found in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and its Annual Report on Form 10-K for the year ended December 31, 2011. See "Where You Can Find More Information" on page 160 for instructions on how to obtain the information that has been incorporated by reference.

Financial amounts as of and for the three months ended March 31, 2012 and March 31, 2011 are unaudited (and are not necessarily indicative of the results of operations for the full year or any other interim period), but management of Trustmark believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its results of operations and financial position as of the dates and for the periods indicated. You should not assume the results of operations for past periods and for the three months ended March 31, 2012 and March 31, 2011 indicate results for any future period.

**Trustmark Corporation****Selected Financial Data**

*(\$ in thousands, except per share data)*

	Three Months Ended March 31,		Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
<b>Consolidated Statements of Income</b>							
Total interest income	\$ 95,882	\$ 97,985	\$ 391,979	\$ 408,218	\$ 442,062	\$ 483,279	\$ 543,143
Total interest expense	8,938	11,610	43,036	56,195	87,853	164,119	242,360
Net interest income	86,944	86,375	348,943	352,023	354,209	319,160	300,783
Provision for loan losses, loans held for investment	3,293	7,537	29,704	49,546	77,112	76,412	23,784
Provision for loan losses, acquired loans	(194)		624				
Noninterest income	43,785	36,371	159,854	165,927	168,242	177,258	162,447
Noninterest expense	85,774	80,018	329,850	325,649	308,259	283,719	276,449
Income before income taxes	41,856	35,191	148,619	142,755	137,080	136,287	162,997
Income taxes	11,536	11,178	41,778	42,119	44,033	43,870	54,402
Net Income	30,320	24,013	106,841	100,636	93,047	92,417	108,595
Preferred stock dividends/discount accretion					19,998	1,353	
Net Income Available to Common Shareholders	\$ 30,320	\$ 24,013	\$ 106,841	\$ 100,636	\$ 73,049	\$ 91,064	\$ 108,595
<b>Common Share Data</b>							
Basic earnings per share	\$ 0.47	\$ 0.38	\$ 1.67	\$ 1.58	\$ 1.26	\$ 1.59	\$ 1.88
Diluted earnings per share	0.47	0.37	1.66	1.57	1.26	1.59	1.88
Cash dividends per share	0.23	0.23	0.92	0.92	0.92	0.92	0.89
<b>Performance Ratios</b>							
Return on average common equity	9.93%	8.40%	8.95%	8.79%	7.22%	9.62%	12.02%
Return on average tangible common equity	13.41%	11.65%	12.25%	12.31%	10.80%	14.88%	19.17%
Return on average total equity	9.93%	8.40%	8.95%	8.79%	7.72%	9.53%	12.02%
Return on average assets	1.25%	1.02%	1.11%	1.08%	0.98%	1.01%	1.23%

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Net interest margin (fully taxable equivalent)	4.19%	4.30%	4.26%	4.41%	4.25%	4.01%	3.91%
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	Three Months Ended		Years Ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
<b>Credit Quality Ratios(1)</b>							
Net charge-offs/average loans	0.13%	0.51%	0.56%	0.95%	1.01%	0.87%	0.23%
Provision for loan losses/average loans	0.22%	0.50%	0.49%	0.79%	1.14%	1.09%	0.35%
Nonperforming loans/total loans (incl LHFS*)	1.76%	2.09%	1.82%	2.30%	2.16%	1.64%	0.91%
Nonperforming assets/total loans (incl LHFS*) plus ORE**	2.99%	3.50%	3.08%	3.64%	3.48%	2.18%	1.02%
Allowance for loan losses/total loans (excl LHFS*)	1.57%	1.57%	1.53%	1.54%	1.64%	1.41%	1.13%
<b>Consolidated Balance Sheets</b>							
Total assets	\$ 9,931,593	\$ 9,514,462	\$ 9,727,007	\$ 9,553,902	\$ 9,526,018	\$ 9,790,909	\$ 8,966,802
Securities	2,647,674	2,419,758	2,526,698	2,318,096	1,917,380	1,802,470	717,441
Loans held for investment and acquired loans (including LHFS*)	6,177,290	6,077,070	6,150,841	6,213,286	6,546,022	6,960,668	7,188,300
Deposits	8,090,746	7,426,274	7,566,363	7,044,567	7,188,465	6,823,870	6,869,272
Common shareholders equity	1,241,520	1,160,229	1,215,037	1,149,484	1,110,060	973,340	919,636
Preferred shareholder equity						205,126	
<b>Common Stock Performance</b>							
Market value close	\$ 24.98	\$ 23.42	\$ 24.29	\$ 24.84	\$ 22.54	\$ 21.59	\$ 25.36
Common book value	19.17	18.13	18.94	17.98	17.43	16.98	16.06
Tangible common book value	14.38	13.34	14.18	13.17	12.55	11.49	10.48
<b>Capital Ratios</b>							
Total equity/total assets	12.50%	12.19%	12.49%	12.03%	11.65%	12.04%	10.26%
Common equity/total assets	12.50%	12.19%	12.49%	12.03%	11.65%	9.94%	10.26%
Tangible equity/tangible assets	9.68%	9.27%	9.66%	9.11%	8.67%	9.11%	6.94%
Tangible common equity/tangible assets	9.68%	9.27%	9.66%	9.11%	8.67%	6.95%	6.94%
Tangible common equity/risk-weighted assets	13.89%	13.06%	13.83%	12.62%	11.55%	9.03%	8.15%
Tier 1 leverage ratio	10.55%	10.10%	10.43%	10.14%	9.74%	10.42%	7.86%
Tier 1 common risk-based capital ratio	13.98%	13.32%	13.90%	12.87%	11.63%	9.27%	8.25%
Tier 1 risk-based capital ratio	14.87%	14.24%	14.81%	13.77%	12.61%	13.01%	9.17%
Total risk-based capital ratio	16.72%	16.25%	16.67%	15.77%	14.58%	14.95%	10.93%

(1) Excludes Acquired Loans and Covered Other Real Estate.

\* LHFS is Loans Held for Sale.

\*\* ORE is Other Real Estate.

**Table of Contents****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF BANCTRUST**

The following table summarizes financial results achieved by BancTrust for the periods and at the dates indicated and should be read in conjunction with BancTrust's consolidated financial statements and the notes to the consolidated financial statements set forth elsewhere in this proxy statement/prospectus.

Financial amounts as of and for the three months ended March 31, 2012 and 2011, are unaudited (and are not necessarily indicative of the results of operations for the full year or any other interim period), but management of BancTrust believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its results of operations and financial position as of the dates and for the periods indicated. You should not assume the results of operations for past periods and for the three months ended March 31, 2012 and March 31, 2011 indicate results for any future period.

**BancTrust Financial Group, Inc.****Selected Financial Data**

*(\$ in thousands, except per share data)*

	Three Months Ended March 31,		Years ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
<b>Consolidated Statements of Income</b>							
Total interest income	\$ 18,461	\$ 20,362	\$ 80,520	\$ 84,076	\$ 85,938	\$ 108,092	\$ 104,025
Total interest expense	3,388	5,196	18,311	23,671	32,075	47,188	50,245
Net interest income	15,073	15,166	62,209	60,405	53,863	60,904	53,780
Provision for loan losses, loans held for investment	3,600	3,500	32,100	12,300	37,375	15,260	12,435
Provision for loan losses, acquired loans							
Noninterest income	5,440	4,837	20,424	20,404	23,302	22,737	15,156
Noninterest expense	16,249	15,430	91,013	63,705	176,114	67,420	48,308
Income (loss) before income taxes	664	1,073	(40,480)	4,804	(136,324)	961	8,193
Income tax expense (benefit)	28	53	7,366	929	(15,029)	(295)	2,007
Net Income (loss)	636	1,020	(47,846)	3,875	(121,295)	1,256	6,186
Preferred stock dividends/discount accretion	778	769	3,090	3,033	3,026	111	
Net Income (Loss) Available to Common Shareholders	\$ (142)	\$ 251	\$ (50,936)	\$ 842	\$ (124,321)	\$ 1,145	\$ 6,186
<b>Common Share Data</b>							
Basic earnings (loss) per share	\$ (0.01)	\$ 0.01	\$ (2.85)	\$ 0.05	\$ (7.06)	\$ 0.07	\$ 0.49
Diluted earnings (loss) per share	(0.01)	0.01	(2.85)	0.05	(7.06)	0.06	0.49
Cash dividends per share	0.00	0.00	0.00	0.00	0.035	0.52	0.52
<b>Performance Ratios</b>							
Return on average common equity	-0.86%	0.88%	-42.89%	0.71%	-70.46%	0.46%	3.79%
Return on average tangible common equity	-0.91%	0.92%	-44.42%	0.74%	-103.35%	0.82%	5.85%
Return on average total equity	2.22%	2.53%	-28.62%	2.32%	-54.21%	0.50%	3.79%
Return on average assets	0.13%	0.19%	-2.24%	0.19%	-5.82%	0.06%	0.40%
Net interest margin (fully taxable equivalent)	3.30%	3.14%	3.22%	3.24%	2.93%	3.40%	3.95%
<b>Credit Quality Ratios (1)</b>							
Net charge-offs/average loans	0.84%	1.70%	2.84%	0.72%	1.47%	0.51%	1.02%
Provision for loan losses/average loans	1.14%	1.04%	2.41%	0.86%	2.48%	0.98%	1.08%
Nonperforming loans/total loans (incl LHFS*)	8.01%	8.10%	7.58%	7.45%	7.82%	4.73%	2.21%

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Nonperforming assets/total loans (incl LHFS*) plus ORE**	12.26%	13.54%	11.56%	12.66%	10.98%	7.79%	3.07%
Allowance for loan losses/total loans (excl LHFS*)	3.43%	3.37%	3.31%	3.48%	3.13%	2.00%	1.46%

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	Three Months Ended			Years ended December 31,			
	March 31,						
	2012	2011	2011	2010	2009	2008	2007
<b>Consolidated Balance Sheets</b>							
Total assets	\$ 2,008,767	\$ 2,184,760	\$ 2,031,877	\$ 2,158,148	\$ 1,946,719	\$ 2,088,177	\$ 2,240,094
Securities	479,497	523,475	517,213	425,560	261,834	221,879	245,877
Loans held for investment and acquired loans (including LHFS*)	1,256,490	1,356,284	1,277,049	1,383,285	1,468,588	1,533,806	1,632,676
Deposits	1,791,456	1,891,068	1,811,673	1,864,805	1,653,435	1,662,477	1,827,927
Common shareholders equity	63,749	116,365	65,552	115,790	116,211	242,303	249,520
Preferred shareholder equity	48,884	48,284	48,730	48,140	47,587	47,085	
<b>Common Stock Performance</b>							
Market value close	\$ 1.45	\$ 2.46	\$ 1.24	\$ 2.67	\$ 2.87	\$ 14.76	\$ 12.10
Common book value	3.55	6.49	3.65	6.56	6.59	13.80	14.26
Tangible common book value	3.37	6.25	3.46	6.30	6.20	7.72	8.05
<b>Capital Ratios</b>							
Total equity/total assets	5.61%	7.54%	5.62%	7.60%	8.41%	13.86%	11.14%
Common equity/total assets	3.17%	5.33%	3.23%	5.37%	5.97%	11.60%	11.14%
Tangible equity/tangible assets	5.45%	7.35%	5.46%	7.40%	8.09%	9.21%	6.61%
Tangible common equity/tangible assets	3.01%	5.14%	3.06%	5.16%	5.64%	6.84%	6.61%
Tangible common equity/risk-weighted assets	4.32%	7.35%	4.36%	7.18%	6.72%	7.95%	7.76%
Tier 1 leverage ratio	7.45%	9.16%	7.13%	9.11%	9.73%	11.09%	8.86%
Tier 1 common risk-based capital ratio	4.83%	7.67%	4.74%	7.46%	6.85%	8.10%	7.78%
Tier 1 risk-based capital ratio	10.67%	13.00%	10.48%	12.71%	11.81%	12.80%	9.60%
Total risk-based capital ratio	11.94%	14.27%	11.75%	13.98%	13.08%	14.05%	10.84%

(1) Excludes Acquired Loans and Covered Other Real Estate.

\* LHFS is Loans Held for Sale.

\*\* ORE is Other Real Estate.

**Table of Contents****SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL DATA**

The merger will be accounted for as an acquisition of BancTrust by Trustmark under the acquisition method of accounting in accordance with FASB ASC Topic 805, Business Combinations. See Accounting Treatment on page 90. The unaudited pro forma condensed combined financial statements contained in this proxy statement/prospectus were prepared using the acquisition method of accounting. The following selected unaudited pro forma condensed combined consolidated statements of operations data of Trustmark for the three months ended March 31, 2012 and year ended December 31, 2011 have been prepared to give effect to the merger as if the merger had been completed on January 1, 2011. The unaudited pro forma condensed combined consolidated balance sheet data at March 31, 2012 of Trustmark has been prepared to give effect to the merger as if the merger was completed on March 31, 2012.

The following selected unaudited pro forma condensed combined consolidated financial information is not necessarily indicative of the results that might have occurred had the merger taken place on January 1, 2011 for consolidated statements of operations purposes, and on March 31, 2012 for consolidated balance sheet purposes, and is not intended to be a projection of future results. Future results may vary significantly from the results reflected because of various factors, including those discussed in the section entitled Risk Factors beginning on page 22. The following selected unaudited pro forma condensed combined consolidated financial information should be read in conjunction with the section entitled Unaudited Pro Forma Condensed Combined Consolidated Financial Statements and related notes included in this proxy statement/prospectus beginning on page 93. Unless otherwise stated, amounts are in thousands.

**Selected Pro Forma Financial Data**

*(\$ in thousands, except per share data)*

	<b>As of and for the Three Months Ended March 31, 2012</b>	<b>For the Year Ended December 31, 2011</b>
<b>Consolidated Statements of Income</b>		
Total interest income	\$ 113,793	\$ 470,299
Total interest expense	12,218	57,705
Net interest income	101,575	412,594
Provision for loan losses	6,699	62,428
Noninterest income	49,225	180,278
Noninterest expense	103,274	426,422
Income before income taxes	40,827	104,022
Income taxes	10,916	47,569
Net Income Available to Common Shareholders	\$ 29,911	\$ 56,453
<b>Common Share Data</b>		
Basic earnings per share	\$ 0.45	\$ 0.85
Diluted earnings per share	0.45	0.85
Cash dividends per share	0.23	0.92
<b>Consolidated Balance Sheets</b>		
Total assets	\$ 11,886,727	
Securities	3,127,171	
Loans held for investment and acquired loans (including LHFS*)	7,248,980	
Deposits	9,885,202	
Common shareholders' equity	1,290,470	

\* LHFS is Loans Held For Sale.



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**COMPARATIVE PER SHARE DATA (UNAUDITED)**

Presented below for Trustmark and BancTrust is historical, unaudited pro forma combined and pro forma equivalent per share financial data for the year ended 2011 and the three months ended March 31, 2012. The information presented below should be read together with the historical consolidated financial statements of Trustmark and BancTrust, including the related notes, in the case of Trustmark, filed by Trustmark with the SEC and incorporated by reference into this proxy statement/prospectus, and in the case of BancTrust, appearing elsewhere in this proxy statement/prospectus. See "Where You Can Find More Information" on page 160.

The unaudited pro forma and pro forma per equivalent share information give effect to the merger as if the merger had been effective on the dates presented in the case of the book value data, and as if the merger had been effective as of January 1, 2011 in the case of the earnings per share and the cash dividends data. The pro forma data combine the historical results of BancTrust into Trustmark's consolidated statement of income and, while certain adjustments were made for the estimated impact of certain fair valuation adjustments and other acquisition-related activity, they are not indicative of what could have occurred had the acquisition taken place on March 31, 2012.

In addition, the pro forma data includes adjustments, which are preliminary and may be revised. The pro forma data, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of factors that may result as a consequence of the merger or consider any potential impacts of current market conditions or the merger on revenues, expense efficiencies, asset dispositions, and share repurchases, among other factors, nor the impact of possible business model changes. As a result, pro forma data is presented for illustrative purposes only and does not represent an attempt to predict or suggest future results.

**Table of Contents****COMPARATIVE PER SHARE DATA**

	As of and for the Year Ended December 31, 2011	As of and for the Three Months Ended March 31, 2012
<b>Trustmark Corporation Historical</b>		
Earnings Per Share (Basic)	\$ 1.67	\$ 0.47
Earnings Per Share (Diluted)	\$ 1.66	\$ 0.47
Book Value Per Common Share	\$ 18.94	\$ 19.17
Cash Dividends Per Share	\$ 0.92	\$ 0.23
<b>BancTrust Financial Group, Inc. Historical</b>		
Earnings Per Share (Basic)	\$ (2.85)	\$ (0.01)
Earnings Per Share (Diluted)	\$ (2.85)	\$ (0.01)
Book Value Per Common Share	\$ 3.65	\$ 3.55
Cash Dividends Per Share	\$	\$
<b>Trustmark Corporation Pro Forma Combined</b>		
Earnings Per Share (Basic)	\$ 0.85	\$ 0.45
Earnings Per Share (Diluted)	\$ 0.85	\$ 0.45
Book Value Per Common Share	\$ 19.04	\$ 19.26
Cash Dividends Per Share	\$ 0.92	\$ 0.23
<b>Pro Forma BancTrust Equivalent Shares</b>		
Earnings Per Share (Basic)	\$ 0.11	\$ 0.06
Earnings Per Share (Diluted)	\$ 0.11	\$ 0.06
Book Value Per Common Share	\$ 2.38	\$ 2.41
Cash Dividends Per Share	\$ 0.12	\$ 0.03

**Table of Contents****COMPARATIVE MARKET PRICES AND DIVIDENDS****Stock Prices**

The table below sets forth, for the calendar quarters indicated, the high and low closing prices per share of Trustmark common stock and BancTrust common stock, both of which trade on NASDAQ under the symbols TRMK and BTFG, respectively, and the quarterly cash dividends declared per share, for the calendar quarters indicated.

	Trustmark Common Stock			BancTrust Common Stock		
	High	Low	Cash Dividends Declared	High	Low	Cash Dividends Declared
<b>2010</b>						
First Quarter	\$ 25.11	\$ 21.70	\$ 0.23	\$ 4.97	\$ 2.74	
Second Quarter	26.83	20.48	0.23	6.30	3.70	
Third Quarter	22.46	18.89	0.23	3.76	2.92	
Fourth Quarter	25.65	21.34	0.23	3.24	2.40	
<b>2011</b>						
First Quarter	26.14	21.89	0.23	2.90	2.34	
Second Quarter	24.30	22.45	0.23	2.74	2.30	
Third Quarter	24.00	18.12	0.23	2.58	2.30	
Fourth Quarter	24.60	17.23	0.23	2.35	1.24	
<b>2012</b>						
First Quarter	25.66	22.96	0.23	1.49	1.15	
Second Quarter (through [ ], 2012)	[ ]	[ ]	[0.23]	[ ]	[ ]	

On March 21, 2012, the last trading day before BancTrust's announcement of its intention to pursue a strategic transaction, the closing sales price per share of Trustmark common stock was \$25.05 and the closing sales price per share of BancTrust common stock was \$1.49, in each case on NASDAQ. On May 25, 2012, the last trading day before public announcement of the merger, the closing sales price per share of Trustmark common stock was \$24.66 and the closing sales price per share of BancTrust common stock was \$1.90, in each case on NASDAQ. On [ ], 2012, the last practicable trading day before the distribution of this proxy statement/prospectus, the closing sales price per share of Trustmark common stock was \$[ ] and the closing sales price per share of BancTrust common stock was \$[ ], in each case on NASDAQ.

BancTrust shareholders are advised to obtain current market quotations for Trustmark common stock and BancTrust common stock. The market price of Trustmark common stock and BancTrust common stock will fluctuate between the date of this proxy statement/prospectus and the effective time of the merger. No assurance can be given concerning the market price of Trustmark common stock or BancTrust common stock before or after the effective date of the merger. Any change in the market price of Trustmark common stock prior to the effective time of the merger will affect the market value of the merger consideration that BancTrust's shareholders will receive upon the effective time of the merger.

**Dividends**

After the merger, Trustmark currently expects to pay (when, as and if declared by Trustmark's board of directors) regular quarterly cash dividends of \$0.23 per share. While Trustmark currently pays dividends on its common stock, there is no assurance that it will continue to pay dividends in the future. Future dividends on Trustmark common stock will depend upon its earnings and financial condition, liquidity and capital requirements, the general economic and regulatory climate, its ability to service any equity or debt obligations senior to the common stock and other factors deemed relevant by the board of directors of Trustmark.

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As a holding company, Trustmark is ultimately dependent upon its subsidiaries to provide funding for its operating expenses, debt service and dividends. Various banking laws applicable to Trustmark National Bank limit the payment of dividends and other distributions by Trustmark National Bank to Trustmark and may therefore limit Trustmark's ability to pay dividends on its common stock. Regulatory authorities could impose administratively stricter limitations on the ability of Trustmark National Bank to pay dividends to Trustmark if such limits were deemed appropriate to preserve certain capital adequacy requirements.

The merger agreement contains certain restrictions on BancTrust's ability to pay dividends to its shareholders while the merger is pending. BancTrust's ability to pay dividends depends on its earnings and financial condition, liquidity and capital requirements and other factors considered by the board of directors. Although BancTrust has paid dividends in the past, BancTrust has not paid dividends on its common stock since the second quarter of 2009. Currently, BancTrust is prohibited by its articles of incorporation from paying dividends on its common stock following its election not to declare and pay a dividend on the BancTrust TARP preferred stock on May 15, 2012. In addition, BancTrust is prohibited by the terms of the indentures governing the junior subordinated debentures it issued in connection with its trust preferred securities that were issued in 2003 and 2006 from paying dividends on its outstanding preferred or common stock following BancTrust's election to defer interest payments under these debentures earlier this year. Both elections require, among other consequences, that BancTrust not pay any dividends on its common stock.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Some of the statements contained or incorporated by reference in this proxy statement/prospectus contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements about the financial condition, results of operations, earnings outlook and prospects of Trustmark, BancTrust and the combined company following the proposed merger and statements for the period following the effective time of the merger. Words such as anticipates, believes, feels, expects, estimates, seeks, plans, intends, outlook, forecast, position, target, mission, assume, achievable, potential, strategy, goal, aspiration, maintain, trend, objective and variations of such words and similar expressions, or future or conditional verbs such as will, would, should, might, can, may or similar expressions, as they relate to Trustmark, BancTrust, the proposed merger or the combined company following the merger often identify forward-looking statements.

These forward-looking statements are predicated on the beliefs and assumptions of management based on information known to management as of the date of this proxy statement/prospectus and do not purport to speak as of any other date. Forward-looking statements may include descriptions of the expected benefits and costs of the merger; forecasts of revenue, earnings or other measures of economic performance, including statements of profitability, business segments and subsidiaries; management's plans relating to the merger; the expected timing of the effective time of the merger; the ability to complete the merger; the ability to obtain any required regulatory, shareholder or other approvals; any statements of the plans and objectives of management for future or past operations, products or services, including the execution of integration plans; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing.

The forward-looking statements contained or incorporated by reference in this proxy statement/prospectus reflect the view of management as of this date with respect to future events and are subject to risks and uncertainties. Should one or more of these risks materialize or should underlying beliefs or assumptions prove incorrect, actual results could differ materially from those anticipated by the forward-looking statements or historical results. Factors that could cause or contribute to such differences include, but are not limited to: (1) the matters set forth under Risk Factors beginning on page 22; (2) the possibility that the merger may not be timely completed, if at all; (3) the possibility that prior to the effective time of the merger or thereafter, Trustmark's and BancTrust's respective businesses may not perform as expected due to merger-related uncertainty or other factors; (4) the possibility that the required regulatory, shareholder or other approvals are not obtained, or other closing conditions are not satisfied in a timely manner or at all; (5) the possibility that the purchase of the BancTrust TARP preferred stock or the BancTrust TARP warrant is not completed or is completed on terms and conditions that are not beneficial to Trustmark; (6) reputational risks and the reaction of the companies' customers to the merger; (7) diversion of management time on merger-related issues; (8) the possibility that expected benefits may not materialize in the timeframe expected or at all, or may be more costly to achieve; (9) the possibility that the parties are unable to successfully implement integration strategies; and (10) those factors referenced in Trustmark's and BancTrust's filings with the SEC.

For any forward-looking statements made in this proxy statement/prospectus or in any documents incorporated by reference into this proxy statement/prospectus, Trustmark and BancTrust claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference in this proxy statement/prospectus. Trustmark and BancTrust do not undertake to update forward-looking statements to reflect facts, circumstances, assumptions or events that occur after the date the forward-looking statements are made. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to Trustmark, BancTrust or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this proxy statement/prospectus.



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**RISK FACTORS**

*In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the heading **Cautionary Statement Regarding Forward-Looking Statements** on page 21 and the matters discussed under the caption **Risk Factors** in the Annual Reports on Form 10-K filed by Trustmark and BancTrust for the year ended December 31, 2011, as updated by subsequently filed Forms 10-Q and other reports filed with the SEC, you should carefully consider the following risk factors in deciding how to vote on approval of the merger agreement.*

**Because the exchange ratio is fixed and the market price of Trustmark common stock will fluctuate, BancTrust shareholders cannot be sure of the market value of the merger consideration they will receive.**

Upon the effective time of the merger, each share of BancTrust common stock will be converted into 0.125 of a share of Trustmark common stock, plus cash in lieu of any fractional shares. Because the exchange ratio is fixed, the value of the shares of Trustmark common stock that will be issued to BancTrust shareholders in the merger will depend on the market price of Trustmark common stock at the time the shares are issued. There will be no adjustment to the fixed number of shares of Trustmark common stock that will be issued to BancTrust shareholders based upon changes in the market price of Trustmark common stock or BancTrust common stock prior to the closing. Neither Trustmark nor BancTrust is permitted to terminate the merger agreement or resolicit the vote of BancTrust shareholders solely because of changes in the market prices of either company's stock.

The market price of Trustmark common stock at the time the merger is completed may vary from the price of Trustmark common stock on the date the merger agreement was executed, on the date of this proxy statement/prospectus and on the date of the BancTrust special meeting as a result of various factors that are beyond the control of Trustmark and BancTrust, including but not limited to general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. In addition to the approval of the merger agreement by BancTrust shareholders, consummation of the merger is subject to receipt of required regulatory approvals and satisfaction of other conditions that may not occur until after the BancTrust special meeting. Therefore, at the time of the BancTrust special meeting you will not know the precise value of the consideration you will receive at the effective time of the merger. You should obtain current market quotations for shares of Trustmark common stock and for shares of BancTrust common stock.

**The market price of Trustmark common stock after the merger may be affected by factors different from those affecting the shares of BancTrust or Trustmark currently.**

Upon the effective time of the merger, holders of BancTrust common stock will become holders of Trustmark common stock. Trustmark's business differs from that of BancTrust, and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations of each of Trustmark and BancTrust. For a discussion of the business of BancTrust and of certain factors to consider in connection with that business, see **Information About BancTrust** beginning on page 28. For a discussion of the business of Trustmark and of certain factors to consider in connection with that business, see the documents incorporated by reference in this proxy statement/prospectus and referred to under **Where You Can Find More Information** beginning on page 160.

**Regulatory consents and approvals may not be received, may take longer than expected or impose conditions that are not presently anticipated.**

Before the merger may be completed, we must obtain various approvals or consents from, among others, the Federal Reserve Board, the OCC, the State of Alabama Banking Department (which is referred to as the ABD), and Treasury (in connection with the purchase of the BancTrust TARP preferred stock and the BancTrust TARP warrant). These regulators may impose conditions on consummation of the merger or require changes to the

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terms of the merger. Although Trustmark and BancTrust do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying the effective time of the merger or imposing additional costs on or limiting the revenues of Trustmark following the merger. There can be no assurance as to whether the regulatory approvals will be received, the timing of those approvals, or whether any conditions will be imposed. See *The Merger Regulatory Approvals Required for the Merger* beginning on page 72.

**BancTrust and Trustmark will be subject to business uncertainties and contractual restrictions while the merger is pending.**

Uncertainty about the effect of the merger on employees, suppliers and customers may have an adverse effect on BancTrust and/or Trustmark. These uncertainties may impair BancTrust's and/or Trustmark's ability to attract, retain and motivate key personnel until the merger is completed and for a period of time thereafter, and could cause customers, suppliers and others who deal with BancTrust or Trustmark to seek to change existing business relationships with BancTrust or Trustmark. BancTrust employee retention and recruitment may be particularly challenging prior to the effective time of the merger, as employees and prospective employees may experience uncertainty about their future roles with the combined company.

The pursuit of the merger and the preparation for the integration may place a significant burden on management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the transition and integration process could affect BancTrust's and/or Trustmark's financial results.

In addition, the merger agreement requires that, subject to certain exceptions, each of BancTrust and Trustmark operate in the ordinary course of business consistent with past practice prior to the effective time of the merger or termination of the merger agreement. See *The Merger Agreement Covenants and Agreements Conduct of Businesses Prior to the Effective Time of the Merger* beginning on page 79.

**Combining the two companies may be more difficult, costly or time-consuming than expected.**

Trustmark and BancTrust have operated and, until the effective time of the merger, will continue to operate, independently. The success of the merger will depend, in part, on our ability to successfully combine the businesses of Trustmark and BancTrust. To realize these anticipated benefits, after the effective time of the merger, Trustmark expects to integrate BancTrust's business into its own. It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the combined company's ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. The loss of key employees could adversely affect Trustmark's ability to successfully conduct its business in the markets in which BancTrust now operates, which could have an adverse effect on Trustmark's financial results and the value of its common stock. If Trustmark experiences difficulties with the integration process, the anticipated benefits of the merger may not be realized fully or at all, or may take longer to realize than expected. As with any merger of financial institutions, there also may be business disruptions that cause BancTrust or Trustmark to lose current customers or cause current customers to remove their accounts from BancTrust or Trustmark and move their business to competing financial institutions. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of BancTrust and Trustmark during this transition period and for an undetermined period after consummation of the merger.

**The fairness opinion obtained by BancTrust from its financial advisor will not reflect changes in circumstances between signing the merger agreement and the effective time of the merger.**

As of the date of this proxy statement/prospectus, BancTrust has not obtained an updated fairness opinion from KBW, BancTrust's financial advisor. Changes in the operations and prospects of BancTrust or Trustmark,

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general market and economic conditions, and other factors that may be beyond the control of BancTrust and Trustmark, and on which the fairness opinion was based, may alter the value of BancTrust or Trustmark or the prices of shares of BancTrust common stock or Trustmark common stock by the time the merger is completed. The opinion speaks only as of the date of such opinion and not as of the effective time of the merger or as of any other date. Therefore, because BancTrust does not anticipate asking its financial advisor to update its opinion, the fairness opinion from KBW, dated May 28, 2012, does not address the fairness of the merger consideration, from a financial point of view, at the effective time of the merger. The opinion is included as Annex B to this proxy statement/prospectus. For a description of the opinion that BancTrust received from its financial advisor, please refer to The Merger Opinion of Keefe, Bruyette & Woods, Inc. on page 57. For a description of the other factors considered by BancTrust's board of directors in determining to approve the merger, please refer to The Merger BancTrust's Reasons for the Merger; Recommendation of the BancTrust Board of Directors on page 55.

**Some of the directors and officers of BancTrust may have interests and arrangements that may have influenced their decisions to support the merger or recommend that you approve the merger agreement.**

The interests of some of the directors and executive officers of BancTrust may be different from those of holders of BancTrust common stock, and directors and officers of BancTrust may be participants in arrangements that are different from, or in addition to, those of holders of BancTrust common stock. These interests are described in more detail in the section entitled The Merger Interests of BancTrust's Directors and Executive Officers in the Merger beginning on page 66.

**The merger is subject to certain closing conditions that, if not satisfied or waived, will result in the merger not being completed, which may negatively impact BancTrust.**

The merger is subject to customary conditions to closing, including the receipt of required regulatory approvals and approval of the BancTrust shareholders. If any condition to the merger is not satisfied or, where permitted, waived, the merger will not be completed. In addition, Trustmark and/or BancTrust may terminate the merger agreement under certain circumstances even if the merger is approved by BancTrust's shareholders.

If the merger agreement is terminated, there may be various consequences. For example, BancTrust's business may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the merger and the restrictions on BancTrust's ability to do so under the merger agreement, without realizing any of the anticipated benefits of completing the merger, or the market price of BancTrust common stock could decline to the extent that the current market price reflects a market assumption that the merger will be completed. In addition, termination of the merger agreement would increase the possibility of adverse regulatory actions which could adversely affect BancTrust's business. If the merger agreement is terminated and BancTrust's board of directors seeks another merger or business combination, BancTrust shareholders cannot be certain that BancTrust will be able to find a party willing to pay the equivalent or greater consideration than that which Trustmark has agreed to pay in the merger. In addition, if the merger agreement is terminated under certain circumstances, including circumstances involving a change in recommendation by BancTrust's board of directors, BancTrust may be required to pay Trustmark a termination fee of \$5 million.

**The unaudited pro forma financial statements included in this proxy statement/prospectus are presented for illustrative purposes only and may not be an indication of the combined company's financial condition or results of operations following the merger.**

The unaudited pro forma financial statements contained in this proxy statement/prospectus are presented for illustrative purposes only, are based on various adjustments, assumptions and preliminary estimates and may not be an indication of the combined company's financial condition or results of operations following the merger for several reasons. See Unaudited Pro Forma Condensed Combined Consolidated Financial Statements beginning

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on page 93. The actual financial condition and results of operations of the combined company following the merger may not be consistent with, or evident from, these pro forma financial statements. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect the combined company's financial condition or results of operations following the merger. Any potential decline in the combined company's financial condition or results of operations may cause significant variations in the stock price of the combined company.

### **Trustmark may fail to realize the cost savings estimated for the merger.**

Trustmark estimates that it will achieve cost savings from the merger when the two companies have been fully integrated. While Trustmark continues to be comfortable with these expectations as of the date of this proxy statement/prospectus, it is possible that the estimates of the potential cost savings could turn out to be incorrect. The cost savings estimates also assume Trustmark's ability to combine the businesses of Trustmark and BancTrust in a manner that permits those cost savings to be realized. If the estimates turn out to be incorrect or Trustmark is not able to combine successfully the two companies, the anticipated cost savings may not be realized fully or at all, or may take longer to realize than expected.

### **The shares of Trustmark common stock to be received by BancTrust shareholders, as a result of the merger, will have different rights from the shares of BancTrust common stock they currently hold.**

Following the effective time of the merger, holders of BancTrust common stock will no longer be shareholders of BancTrust, an Alabama corporation, but will instead be shareholders of Trustmark, a Mississippi corporation. The rights associated with BancTrust common stock are different from the rights associated with Trustmark common stock. See the section entitled "Comparison of Shareholders' Rights" beginning on page 102.

### **BancTrust shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.**

BancTrust shareholders currently have the right to vote in the election of the BancTrust board of directors and on other matters affecting BancTrust. When the merger occurs, each BancTrust shareholder that receives shares of Trustmark common stock will become a shareholder of Trustmark with a percentage ownership of the combined organization that is much smaller than such shareholder's current percentage ownership of BancTrust. Because of this, BancTrust shareholders will have less influence on the management and policies of Trustmark than they now have on the management and policies of BancTrust.

### **Recent legislation regarding the financial services industry may have a significant adverse effect on Trustmark's operations.**

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is referred to as the Dodd-Frank Act, was signed into law. The Dodd-Frank Act imposes significant regulatory and compliance changes. The key effects of the Dodd-Frank Act on Trustmark's business are:

changes to regulatory capital requirements;

exclusion of hybrid securities, including trust preferred securities, issued on or after May 19, 2010 from Tier 1 capital;

creation of new government regulatory agencies (such as the Financial Stability Oversight Council, which will oversee systemic risk, and the Consumer Financial Protection Bureau, which will develop and enforce rules for bank and non-bank providers of consumer financial products);

potential limitations on federal preemption;

changes to deposit insurance assessments;

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regulation of debit interchange fees Trustmark earns;

repeal of the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts;

changes in retail banking regulations, including potential limitations on certain fees Trustmark may charge; and

changes in regulation of consumer mortgage loan origination and risk retention.

In addition, the Dodd-Frank Act restricts the ability of banks to engage in certain proprietary trading or to sponsor or invest in private equity or hedge funds. The Dodd-Frank Act also contains provisions designed to limit the ability of insured depository institutions, their holding companies and their affiliates to conduct certain swaps and derivatives activities and to take certain principal positions in financial instruments.

Some provisions of the Dodd-Frank Act became effective immediately upon its enactment. Many provisions, however, will require regulations to be promulgated by various federal agencies in order to be implemented, some of which have been proposed by the applicable federal agencies. The provisions of the Dodd-Frank Act may have unintended effects, which will not be clear until implementation. The changes resulting from the Dodd-Frank Act may impact the profitability of Trustmark's business activities, require changes to certain of its business practices, impose upon it more stringent capital, liquidity and leverage requirements or otherwise adversely affect Trustmark's business. These changes may also require Trustmark to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements may negatively impact Trustmark's results of operations and financial condition. While Trustmark cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on it, these changes could be materially adverse to investors in Trustmark's common stock.

### **Trustmark may be subject to more stringent capital and liquidity requirements.**

As discussed above, the Dodd-Frank Act creates a financial stability oversight council that is expected to recommend to the Federal Reserve Board increasingly strict rules for capital requirements as companies grow in size and complexity and that applies the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies. These requirements will, among other things and after a three-year phase-in period which begins January 1, 2013, remove trust preferred securities as a permitted component of a holding company's Tier 1 capital. These requirements, and any other new regulations, could adversely affect Trustmark's ability to pay dividends, or could require Trustmark to reduce business levels or to raise capital, including in ways that may adversely affect its results of operations or financial condition.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced agreement on the calibration and phase-in arrangements for a strengthened set of capital requirements, known as Basel III. In addition, on June 4, 2012, the Federal Reserve Board proposed new capital requirements that are consistent with Basel III and, if adopted, could affect Trustmark's business. If adopted as proposed, the proposed rules will require, among other things, a minimum common equity tier 1 capital ratio of 4.5 percent, net of regulatory deductions, and establish a capital conservation buffer of an additional 2.5 percent of common equity to risk-weighted assets above the regulatory minimum capital requirement, establishing a minimum common equity tier 1 ratio plus capital conservation buffer at 7 percent. In addition, the proposed rules increase the minimum tier 1 capital requirement from 4 percent to 6 percent of risk-weighted assets. The proposed rules also specify that a bank with a capital conservation buffer of less than 2.5 percent would potentially face limitations on capital distributions and bonus payments to executives.

The ultimate impact of the new capital and liquidity standards cannot be determined at this time and will depend on a number of factors, including treatment and implementation by the U.S. banking regulators.

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**INFORMATION ABOUT TRUSTMARK**

Trustmark, a Mississippi business corporation incorporated in 1968, is a bank holding company headquartered in Jackson, Mississippi. Trustmark's principal subsidiary is Trustmark National Bank, initially chartered by the State of Mississippi in 1889. At March 31, 2012, Trustmark National Bank had total assets of \$9.8 billion, which represents over 99 percent of the consolidated assets of Trustmark.

Through Trustmark National Bank and its other subsidiaries, Trustmark operates as a financial services organization providing banking and other financial solutions through approximately 170 offices and 2,611 full-time equivalent associates located in the states of Mississippi, Tennessee (in Memphis and the Northern Mississippi region), Florida (primarily in the northwest or Panhandle region of that state) and Texas (primarily in Houston). Trustmark National Bank provides investment and insurance products and services to its customers through its wholly owned subsidiaries, Trustmark Investment Advisors, Inc., and Fisher Brown Bottrell Insurance, Inc.

As of March 31, 2012, on a consolidated basis, Trustmark had total assets of approximately \$9.9 billion, total loans of approximately \$6.2 billion, total deposits of approximately \$8.1 billion, and shareholders' equity of approximately \$1.2 billion.

Trustmark's principal executive office is located at 248 East Capitol Street, Jackson, Mississippi 39201, and its telephone number is (601) 208-5111.

**Additional information about Trustmark and its subsidiaries is included in documents incorporated by reference in this proxy statement/prospectus. See [Where You Can Find More Information](#) beginning on page 160.**

**Table of Contents****INFORMATION ABOUT BANCTRUST****Organization**

BancTrust is an Alabama corporation headquartered in Mobile, Alabama and was incorporated in 1986. BancTrust is registered under the Bank Holding Company Act of 1956, as amended, which is referred to as the Bank Holding Company Act, and its principal subsidiary is BankTrust, an Alabama banking corporation.

At March 31, 2012, BancTrust had total assets of approximately \$2.009 billion, total consolidated deposits of approximately \$1.791 billion and total consolidated shareholders' equity of approximately \$112.6 million and ranked third in terms of total assets among Alabama-based bank holding companies. At March 31, 2012, BankTrust had total assets of \$2.007 billion, which represents over 99 percent of the total consolidated assets of BancTrust.

BancTrust's principal executive offices are located at 107 Saint Francis Street, Mobile, Alabama 36602 and its telephone number is (251) 431-7800.

**General Business****Introduction**

Through its system of 49 offices located in south Alabama (which is referred to as the Southern Division), central Alabama (referred to as the Central Division), and northwest Florida (which is referred to as the Florida Division), BankTrust provides a broad range of community banking services to commercial, small business and retail customers, offering a variety of transaction and savings deposit products, treasury management services, investment brokerage and insurance services, secured and unsecured loan products, including revolving credit facilities, and letters of credit and similar financial guarantees. BankTrust also provides trust and investment management services to retirement plans, corporations and individuals.

	<b>Population 2010</b>	<b>Labor Force 2010</b>	<b>Per Capita Personal Income 2011</b>	<b>Median Family Income 2011</b>
<b>Alabama</b>	4,802,700	2,127,200	\$ 33,149	\$ 54,600
Mobile MSA	591,599	267,800	32,670	55,800
Montgomery MSA	374,536	189,800	32,667	59,300
<b>Florida</b>	19,057,500	9,223,800	\$ 39,032	\$ 56,200
Bay County	168,852	90,200	36,316	57,500
Okaloosa County	180,822	96,300	42,007	67,500
Walton County	55,043	39,081	30,018	58,500

**Southern Division**

The Southern Division is anchored by Mobile, Alabama and includes all of Mobile, Baldwin, Escambia, Marengo and Monroe Counties. With an estimated population of 591,599 in 2010, the Mobile Metropolitan Statistical Area, or MSA, is the second largest metro area in the state of Alabama. Mobile County is the second largest county in the state and Baldwin County was the second fastest-growing county in Alabama between the years 2000 and 2010.

The area's economy is home to a broad range of industries including aerospace, maritime, education, oil and gas exploration, steel manufacturing and transportation. Recent highlights include:

*Austal USA:* In late 2010, the U.S. Navy awarded Austal USA, headquartered in Mobile, a contract worth an estimated \$3.5 billion to build up to 10 littoral combat ships. The project is expected to add 2,100 jobs to





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Austal's workforce. Earlier in 2010, the Navy awarded Austal USA a \$1.6 billion contract to build four joint high speed vessels, resulting in the hiring of 800 employees.

*ThyssenKrupp:* The \$5.2 billion ThyssenKrupp complex located in north Mobile County opened in late 2010 and is now producing carbon and stainless steel. Named one of the nation's largest private economic development projects, the facility is expected to ultimately generate 2,700 permanent jobs.

*Port of Mobile:* The Alabama State Port Authority continues to add infrastructure to make the Port of Mobile more competitive, announcing in late 2010 it would invest an additional \$360 million in infrastructure improvements with a new interchange, intermodal rail yard, cargo yard and warehouse and other cargo terminal improvements. The Port of Mobile is one of the nation's largest, full-service seaports handling in excess of 54 million tons annually.

*Airbus:* Having reached its target employment of 150, Airbus Americas Engineering recently announced it would add 90 new positions, and invest another \$1.7 million at its engineering center located at Brookley Aeroplex adjacent to downtown Mobile. In addition, Airbus recently announced plans to construct an aircraft assembly plant in Mobile, giving the European company its first factory on American soil. At full capacity, estimated to be in 2018, it is expected that the plant will employ approximately 1,000 people in Mobile and will likely create more jobs in Mobile and its surrounding area at parts suppliers and related businesses.

### ***Central Division***

The Central Division is anchored by the Montgomery MSA. With an estimated population of 374,536, the Montgomery MSA includes Autauga, Elmore, Lowndes and Montgomery Counties, which are four of the thirteen counties included in BancTrust's Central Division. Montgomery is the capitol of Alabama and the area economy is supported by state and local government, the Maxwell/Gunter Air Force Base, and the automotive industry. Recent highlights include:

*Hyundai Motor Company:* Completed in 2005, Hyundai Motor Manufacturing Alabama, LLC's \$1.4 billion plant south of Montgomery is the company's first U.S. manufacturing facility and employs about 2,500 people. In late 2011, Hyundai announced plans to invest \$173 million and create an additional 200 jobs to expand and modify the existing facility.

*Maxwell/Gunter:* The Maxwell/Gunter Air Force Base is home to 2,300 active duty military personnel, 1,200 reserve personnel, 3,700 government civilians and 2,100 civilian contractors and has an aggregate economic impact on the area of \$1.4 billion.

Other key locations in BancTrust's Central Division include Shelby County, the fastest growing county in Alabama over the ten-year period between 2000 and 2010, and the Auburn/Opelika market, where SiO2 Medical Products recently announced plans to invest \$90 million in a new facility that is expected to add up to 300 new jobs in Lee County.

### ***Florida Division***

The Florida Division includes offices in Bay, Okaloosa and Walton Counties, which as of 2010 had a combined population of approximately 404,717. Commonly referred to as the Panhandle of Florida, this area attracts millions of visitors annually, due in large part to the extensive coastline along the Gulf of Mexico, where the beautiful white sand beaches are consistently rated among the best in the world. In addition to tourism, the area's economy is driven by aviation, aerospace and defense, healthcare, and transportation, distribution and logistics. Recent highlights include:

*Tourism:* Assisted by a major marketing effort funded by a \$30 million grant from BP, the Panhandle experienced record bed-tax revenues in 2011, with increases of 85 percent over 2010.

*New Airport:* The Northwest Florida Beaches International Airport, the first international airport to be built in the U.S. in the past ten years, opened in 2010 and is serviced by Delta and Southwest airlines.

**Table of Contents****Competition**

There is significant competition within the financial services industry in general as well as with respect to the particular financial services provided by BankTrust. Within its markets, BankTrust competes directly with major banking institutions of comparable or larger size and resources and with various other smaller banking organizations. BankTrust also has numerous local and national nonbank competitors, including savings and loan associations, credit unions, mortgage companies, personal and commercial finance companies, investment brokerage and financial advisory firms, and mutual fund companies. Entities that deliver financial services and access to financial products and transactions exclusively through the Internet are another source of competition.

At June 30, 2011, BankTrust had a top five deposit market share in 11 of the 18 counties served and a first or second position in 9 of the 18 counties served.

Alabama Counties	Number of BankTrust Offices	BankTrust Market Deposits	Total Market Deposits (Dollars in thousands)	BankTrust Ranking	Market Share Percentage
Autauga	2	\$ 97,136	\$ 477,751	1	20.33%
Baldwin	4	81,515	3,233,012	10	2.52
Barbour	2	80,781	447,141	2	18.07
Bibb	1	27,854	174,260	3	15.98
Butler	4	94,887	283,832	1	33.43
Dallas	3	142,521	493,717	1	28.87
Elmore	4	100,654	737,137	2	13.65
Escambia	3	138,368	604,450	1	22.89
Jefferson	1	984	23,950,341	34	0.00
Lee	2	49,369	2,000,387	10	2.47
Marengo	2	84,877	418,137	2	20.30
Mobile	7	513,156	6,035,488	5	8.50
Monroe	2	114,655	329,192	1	34.83
Montgomery	2	98,785	5,915,831	10	1.67
Shelby	2	76,749	2,516,973	10	3.05
<b>Florida Counties</b>					
Bay	2	\$ 45,434	\$ 2,559,859	13	1.77%
Okaloosa	3	38,565	3,525,011	19	1.09
Walton	4	96,151	752,223	2	12.78

The foregoing information for market deposits, ranking and market share percentage was obtained from the Federal Deposit Insurance Corporation.

BankTrust's ability to compete effectively is a result of providing customers with desired products and services in a convenient and cost effective manner. BankTrust's customers are influenced by convenience, quality of service, personal contacts, availability of products and services and competitive pricing. BankTrust strives to present a focused message to its customers, emphasizing its commitment to the interests of its customers and the markets in which it operates. BankTrust's employees are expected to be actively involved in all aspects of the community in which they operate. BankTrust also maintains a network of local advisory boards to further enhance its connection to, and knowledge of, these markets. BankTrust is able to compete with larger financial institutions by providing superior customer service with localized decision-making capabilities.

**Properties**

BankTrust's corporate headquarters occupies all or part of nine floors of a thirty-four story building located at 107 Saint Francis Street, in downtown Mobile, Alabama 36602, which is referred to as the BancTrust home



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office. BankTrust, which is headquartered in the BancTrust home office, leases this location. The building is known as the RSA BankTrust Tower. In addition to the BancTrust home office, BankTrust currently operates 48 offices or branch locations in southern and central Alabama and the western panhandle of Florida, of which 41 are owned and seven are subject to either building or ground leases. On February 29, 2012, BancTrust closed one branch office located in Gulf Shores, Alabama. BankTrust also owns a building in Selma, Alabama that it uses as an operations center. Additionally, BankTrust owns a building in downtown Mobile, Alabama that was used as an operations center. BankTrust consolidated its operations department into its home office and plans to sell its operations center in downtown Mobile. BankTrust paid annual rents in 2011 of approximately \$622 thousand. At December 31, 2011, there were no significant encumbrances on BankTrust's offices, equipment or other operational facilities.

## **Employees**

As of December 31, 2011, BancTrust had 540 full-time equivalent employees. Neither BancTrust nor BankTrust is a party to any collective bargaining agreement.

## **Legal Proceedings**

In the ordinary course of operating its business, BancTrust may be a party to various legal proceedings from time to time. BancTrust does not believe that there are any pending or threatened proceedings against it, which, if determined adversely, would have a material effect on its business, results of operations or financial condition.

## **Supervision and Regulation**

BancTrust and BankTrust are subject to extensive state and federal banking regulations that impose restrictions on, and provide for general regulatory oversight of, their operations. These laws generally are intended to protect depositors and the Deposit Insurance Fund, which is referred to as the DIF, and not shareholders. The following discussion describes the material elements of the regulatory framework that applies to BancTrust and BankTrust. This discussion is a general summary of the laws and regulations applicable to BancTrust and BankTrust and is qualified in its entirety by reference to the statutory or regulatory provisions being described.

### ***BancTrust***

Since BancTrust owns all of the capital stock of BankTrust, it is a bank holding company under the Bank Holding Company Act. As a result, BancTrust is primarily subject to the supervision, examination and reporting requirements of the Bank Holding Company Act and the Federal Reserve Board, including compliance with the Federal Reserve Board's rules and regulations.

*Permitted Activities.* A bank holding company is generally permitted under the Bank Holding Company Act to engage in or acquire direct or indirect control of more than 5 percent of the voting shares of any company engaged in the following activities:

banking or managing or controlling banks; and

any activity that the Federal Reserve Board determines to be so closely related to banking as to be a proper incident to the business of banking.

Activities that the Federal Reserve Board has found to be so closely related to banking as to be a proper incident to the business of banking include:

factoring accounts receivable;

making, acquiring, brokering or servicing loans and usual related activities;



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leasing personal or real property on certain terms and conditions;

operating a non-bank depository institution, such as a savings association;

trust company functions;

financial and investment advisory activities;

conducting securities brokerage activities as agent for the account of customers;

underwriting and dealing in government obligations and money market instruments;

providing specified management consulting and counseling activities;

performing selected data processing services and support services;

acting as agent or broker in selling credit life insurance and other types of insurance in connection with credit transactions; and

performing selected insurance underwriting activities.

Despite prior approval, the Federal Reserve Board may order a bank holding company or its subsidiaries to terminate any of these activities or to terminate its ownership or control of any subsidiary when it has reasonable cause to believe that the bank holding company's continued ownership, activity or control constitutes a serious risk to the financial safety, soundness or stability of it or any of its bank subsidiaries.

In addition to the permissible bank holding company activities listed above, a bank holding company meeting certain requirements may qualify and elect to become a financial holding company, permitting the bank holding company to engage in additional activities that are financial in nature or incidental or complementary to financial activity. The Bank Holding Company Act expressly lists the following activities as financial in nature:

lending, trust and other banking activities;

insuring, guaranteeing or indemnifying against loss or harm, or providing and issuing annuities and acting as principal, agent or broker for these purposes, in any state;

providing financial, investment or advisory services;

issuing or selling instruments representing interests in pools of assets permissible for a bank to hold directly;

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underwriting, dealing in or making a market in securities;

other activities that the Federal Reserve Board may determine to be so closely related to banking or managing or controlling banks as to be a proper incident to managing or controlling banks;

foreign activities permitted outside of the United States if the Federal Reserve Board has determined them to be usual in connection with banking operations abroad;

merchant banking through securities or insurance affiliates; and

insurance company portfolio investments.

To qualify to become a financial holding company, BancTrust and its depository institution subsidiary must be well capitalized and well managed and its depository institution subsidiary must have a Community Reinvestment Act rating of at least satisfactory. Additionally, BancTrust must file an election with the Federal Reserve Board to become a financial holding company and must provide the Federal Reserve Board with 30 days written notice prior to engaging in a permitted financial activity. BancTrust is not a financial holding company as of the date of this proxy statement/prospectus.

*Support of Subsidiary Institution.* Under Federal Reserve Board policy, BancTrust is expected to act as a source of financial strength for BankTrust and to commit resources to support it.



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*Acquisitions of Banks.* The Bank Holding Company Act requires every bank holding company to obtain the Federal Reserve Board's prior approval before taking certain actions, including:

acquiring direct or indirect ownership or control of any voting shares of any bank if, after the acquisition, the bank holding company will directly or indirectly own or control more than 5% of the bank's voting shares;

acquiring all or substantially all of the assets of any bank; or

merging or consolidating with any other bank holding company.

Additionally, the Bank Holding Company Act provides that the Federal Reserve Board may not approve any of these transactions if it would result in or tend to create a monopoly or substantially lessen competition or otherwise function as a restraint of trade, unless the anti-competitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve Board is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned, the convenience and needs of the community to be served, the effectiveness of the bank holding companies and banks in combating money-laundering activities and the import of the transaction on the stability of the U.S. financial or banking system. The Federal Reserve Board's consideration of financial resources generally focuses on capital adequacy, which is discussed below.

Under the Bank Holding Company Act, well-capitalized and well-managed bank holding companies may purchase banks located either inside or outside of BancTrust's markets in Alabama and Florida. Certain state laws, however, place restrictions on the acquisition by an out-of-state bank holding company of a bank that has only been in existence for a limited amount of time or results in specified concentrations of deposits.

*Change in Bank Control.* Subject to various exceptions, the Bank Holding Company Act and the Change in Bank Control Act, together with related regulations, require Federal Reserve Board approval prior to any person or company acquiring control of a bank or bank holding company. Under the Change in Bank Control Act, control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of the bank or bank holding company. Control is presumed to exist, subject to rebuttal, if a person or company acquires 10% or more, but less than 25%, of any class of voting securities and either:

the bank holding company has registered securities under Section 12 of the Securities Act of 1934; or

no other person owns a greater percentage of that class of voting securities immediately after the transaction.

BancTrust's common stock is registered under Section 12 of the Securities Exchange Act of 1934. The Federal Reserve Board's regulations provide a procedure for rebutting a presumption of control.

### ***BankTrust***

The deposits of BancTrust's subsidiary BankTrust are insured by the Federal Deposit Insurance Corporation, which is referred to as the FDIC, to the extent provided by law. BankTrust is also subject to numerous state and federal statutes and regulations that affect its business, activities and operations. It is a state-chartered bank subject to supervision and examination by the state banking authorities of the state of Alabama. The primary state regulator in Alabama is the Superintendent of the ABD. The FDIC and ABD regularly examine BankTrust's operations and have authority to approve or disapprove mergers, consolidations, the establishment of branches and similar corporate actions. The federal and state banking regulators also have the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law.

*Prompt Corrective Action.* The Federal Deposit Insurance Corporation Improvement Act of 1991 establishes a system of prompt corrective actions to resolve the problems of undercapitalized financial institutions. Under



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this system, the federal banking regulators have established five capital categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) in which all institutions are placed. Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the banking regulator must appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category. BancTrust and BankTrust were categorized as Well Capitalized at December 31, 2011. BankTrust has assured its regulators that it intends to maintain a Tier 1 leverage capital ratio of not less than 8.00 percent and to maintain its Tier 1 risk based capital ratio and total risk based capital ratios at well-capitalized levels of 6 percent and 10 percent, respectively. At December 31, 2011, BankTrust's capital ratios exceeded all three of these target ratios with a Tier 1 leverage capital ratio of 8.19 percent, a Tier 1 Capital to risk-weighted assets ratio of 11.98 percent and a total capital to risk-weighted assets ratio of 13.25 percent.

An institution that is categorized as undercapitalized, significantly undercapitalized or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking agency. A bank holding company must guarantee that a subsidiary depository institution meets its capital restoration plan, subject to various limitations. The controlling holding company's obligation to fund a capital restoration plan is limited to the lesser of 5 percent of an undercapitalized subsidiary's assets at the time it became undercapitalized or the amount required to meet regulatory capital requirements. An undercapitalized institution is also generally prohibited from accepting and renewing brokered deposits, increasing its average total assets, making acquisitions, establishing any branches or engaging in any new line of business, except under an accepted capital restoration plan or with FDIC approval. The regulations also establish procedures for downgrading an institution to a lower capital category based on supervisory factors other than capital.

*FDIC Insurance Assessments.* BankTrust's deposits are insured by the FDIC up to the amount permitted by law. BankTrust is thus subject to FDIC deposit insurance premium assessments. The FDIC uses a risk-based assessment system that assigns insured depository institutions to one of four risk categories, as well as a separate category for large and highly complex institutions. On February 7, 2009, the FDIC issued new rules for calculating BankTrust's deposit insurance assessment base and assessment rates that took effect April 1, 2011. As required by the Dodd-Frank Act, BankTrust's deposit insurance assessment base is defined as its average consolidated total assets less average tangible equity capital. The final rules also revised the assessment rates for insured depository institutions in various risk categories, adopted a new large-bank pricing assessment scheme and set a target size for the DIF. The rules shift the burden of paying assessments and protecting customers against bank failures toward larger and riskier financial institutions. The first premium payment under the new DIF assessment scheme was payable on September 30, 2011. The rules, as mandated by the Dodd-Frank Act, finalized a target size for the DIF at 2 percent of insured deposits. They also implement a lower assessment rate schedule when the fund reaches 1.15 percent and, in lieu of dividends, provide for a lower rate schedule when the reserve ratio reaches 2 percent and 2.5 percent. The rules lower overall assessment rates while generating the same approximate amount of revenue under the new larger base as was raised under the old base.

For institutions in the lowest risk category, the initial base assessment rate ranges from 5 to 9 basis points which, following adjustments based on the institutions' unsecured debt and brokered deposits, would range from 2.5 to 9 basis points. For institutions assigned to higher risk categories, the new total base assessment rates range from 9 to 45 basis points. These ranges reflect a possible downward adjustment for unsecured debt outstanding and possible upward adjustments for secured liabilities and, in the case of institutions outside the lowest risk category, brokered deposits.

The FDIC also collects an assessment from insured financial institutions on behalf of The Financing Corporation, which is referred to as FICO. The funds from these assessments are used to service debt issued by FICO in its capacity as a financial vehicle for the Federal Savings & Loan Insurance Corporation. The FICO assessment rate is set quarterly and equaled 0.680 basis points for the fourth quarter of 2011.

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Effective November 21, 2008 and terminating on December 31, 2010, the FDIC temporarily expanded deposit insurance limits for certain accounts under the FDIC's Temporary Liquidity Guarantee Program, which is referred to as the TLG Program. Provided an institution did not opt out of the TLG Program, the FDIC fully guaranteed funds deposited in noninterest-bearing transaction accounts, including (1) interest on Lawyer Trust Accounts or IOLTA accounts, and (2) negotiable order of withdrawal accounts, which are referred to as NOW accounts, with rates no higher than .50 percent if the institution has committed to maintain the interest rate at or below that rate. A separate assessment was imposed for this expanded coverage. BankTrust did not opt out of the TLG Program. Under the Dodd Frank Act, these expanded deposit insurance limits were further extended through December 31, 2012, with some modifications. While the expanded limit for IOLTA accounts was extended, the expanded limit for NOW accounts was not. In addition, the expanded limits now apply to accounts held at all FDIC insured institutions there is no opportunity for institutions to opt out.

*Community Reinvestment Act.* The Community Reinvestment Act requires that, in connection with examinations of financial institutions within their respective jurisdictions, the federal banking agencies evaluate the record of each financial institution in meeting the credit needs of its local community, including low and moderate-income neighborhoods. These facts are also considered in evaluating mergers, acquisitions and applications to open a branch or facility. Failure to adequately meet these criteria could impose additional requirements and limitations on BankTrust. Additionally, BancTrust must publicly disclose the terms of various Community Reinvestment Act-related agreements.

*Anti-Tying Restrictions.* Under amendments to the Bank Holding Company Act and the Federal Reserve Board's regulations, a bank is prohibited from engaging in certain tying or reciprocity arrangements with its customers. In general, a bank may not extend credit, lease, sell property, or furnish any services or fix or vary the consideration for these arrangements on the condition that (1) the customer obtain or provide some additional credit, property, or services from or to the bank, the bank holding company or subsidiaries thereof; or (2) the customer may not obtain some other credit, property or services from a competitor, except to the extent reasonable conditions are imposed to assure the soundness of the credit extended. Certain arrangements are permissible: a bank may offer combined-balance products and may otherwise offer more favorable terms if a customer obtains two or more traditional bank products; and certain foreign transactions are exempt from the general rule. A bank holding company or any bank affiliate also is subject to anti-tying requirements in connection with electronic benefit transfer services.

*Other Regulations.* Interest and other charges collected or contracted for by BankTrust are subject to state usury laws and federal laws concerning interest rates. For example, under the Servicemembers Civil Relief Act, which amended the Soldiers and Sailors Civil Relief Act of 1940, a lender is generally prohibited from charging an annual interest rate in excess of 6 percent on any obligation for which the borrower is a person on active duty with the United States military.

BankTrust's operations are also subject to federal laws applicable to credit transactions, such as the:

Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;

Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;

Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;

Fair Credit Reporting Act of 1978, governing the use of information from, and provision of information to, credit reporting agencies;

Fair Debt Collection Act, governing the manner in which consumer debts may be collected by a debt collector;

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Servicemembers Civil Relief Act, which amended the Soldiers and Sailors Civil Relief Act of 1940, governing the repayment terms of, and property rights underlying, secured obligations of persons in military service; and

the rules and regulations of the various federal agencies charged with the responsibility of implementing these federal laws. The operations of BankTrust are subject to other laws and regulations, such as:

the Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and

the Electronic Funds Transfer Act, Regulation E and Regulation II issued by the Federal Reserve Board and the Bureau of Consumer Financial Protection regarding, among other things, automatic deposits to and withdrawals from deposit accounts and customers rights and liabilities arising from the use of automated teller machines and other electronic banking services and debit interchange fees and network routing requirements for debit cards associated with deposit accounts.

***Capital Adequacy***

BancTrust is required to comply with the capital adequacy standards established by the Federal Reserve Board. The Federal Reserve Board has established a risk-based and a leverage measure of capital adequacy for bank holding companies. The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items, such as letters of credit and unfunded loan commitments, are assigned to broad risk categories, each with appropriate risk weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The minimum required ratio of total capital to risk-weighted assets is 8 percent. Total capital consists of two components, Tier 1 Capital and Tier 2 Capital. Tier 1 Capital generally consists of common stock, minority interests in the equity accounts of consolidated subsidiaries, noncumulative perpetual preferred stock and a limited amount of qualifying cumulative perpetual preferred stock, less goodwill and other specified intangible assets. Tier 1 Capital must equal at least 4 percent of risk-weighted assets. Tier 2 Capital generally consists of subordinated debt, other preferred stock and a limited amount of loan loss reserves. The total amount of Tier 2 Capital included as part of the bank holding company's total capital for purposes of the total risk-based capital ratio is limited to 100 percent of Tier 1 Capital. At March 31, 2012, BancTrust's ratio of total capital to risk-weighted assets was 11.94 percent and BancTrust's ratio of Tier 1 Capital to risk-weighted assets was 10.67 percent. Both ratios were above the minimum regulatory requirement.

In addition, the Federal Reserve Board has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum ratio of Tier 1 Capital to average total assets, less goodwill and other specified intangible assets, of 3 percent for bank holding companies that meet specified criteria, including having the highest regulatory rating and implementing the Federal Reserve Board's risk-based capital measure for market risk. All other bank holding companies generally are required to maintain a leverage ratio of at least 4 percent. At March 31, 2012, BancTrust's leverage ratio was 7.45 percent, which was above the minimum leverage ratio guidelines. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without reliance on intangible assets. The Federal Reserve Board considers the leverage ratio and other indicators of capital strength in evaluating proposals for expansion or new activities.

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Failure to meet capital guidelines could subject a bank or bank holding company to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting brokered deposits and certain other restrictions on its business. As described above, significant additional restrictions can be imposed on FDIC-insured depository institutions that fail to meet applicable capital requirements. To ensure BancTrust's capital is maintained at acceptable levels, it is currently required to obtain approval from the Federal Reserve Bank of Atlanta prior to declaring dividends on its common or preferred stock, incurring additional debt or modifying or refinancing existing debt, or reducing its capital position by purchasing or redeeming its outstanding securities.

BancTrust regularly monitors its and BankTrust's current and projected capital ratios.

### ***Payment of Dividends***

BancTrust is a legal entity separate and distinct from its subsidiary, BankTrust. BancTrust's principal source of cash flow, including cash flow to pay dividends to its common shareholders and to holders of the preferred stock it issued to Treasury, is dividends from BankTrust. There are statutory and regulatory limitations on the payment of dividends by BankTrust, and there are statutory and regulatory limitations on BancTrust's ability to pay dividends to its shareholders. BancTrust is currently required to obtain approval from the Federal Reserve Bank of Atlanta prior to declaring dividends on its common or preferred stock.

As to the payment of dividends, BankTrust is subject to the laws and regulations of the state of Alabama and to the regulations of the FDIC. Various federal and state statutory provisions limit the amount of dividends it can pay to BancTrust without regulatory approval.

Under Alabama law, a bank may not pay a dividend in excess of 90 percent of its net earnings until the bank's surplus is equal to at least 20 percent of its capital. An Alabama state bank is also required by Alabama law to obtain the prior approval of the Superintendent of the ABD for the payment of dividends if the total of all dividends declared by it in any calendar year will exceed the total of (1) its net earnings (as defined by statute) for that year, plus (2) its retained net earnings for the preceding two years, less any required transfers to surplus. In addition, no dividends may be paid from an Alabama state bank's surplus without the prior written approval of the Superintendent of the ABD.

Under Alabama law, no corporation may pay a cash dividend or other distribution to its shareholders if, after giving effect to such distribution, (1) the corporation would not be able to pay its debts as they become due in the usual course of business or (2) the corporation's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution.

If, in the opinion of a federal bank regulatory agency, an institution under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the depository institution, could include the payment of dividends), such agency may require, after notice and hearing, that such institution cease and desist from such practice. The federal banking agencies have indicated that paying dividends that deplete an institution's capital base to an inadequate level would be an unsafe and unsound banking practice. Under current federal law, an insured institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. Moreover, the Federal Reserve Board and the FDIC have issued policy statements which provide that bank holding companies and insured banks should generally pay dividends only out of current operating earnings.

In addition to the ability of BancTrust and BankTrust to pay dividends under Alabama law and FDIC and Federal Reserve Board regulations, its ability to pay dividends on its common stock is also limited by its participation in Treasury's Capital Purchase Program. If BancTrust is not current in the payment of quarterly

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dividends on the BancTrust TARP preferred stock, it cannot pay dividends on its common stock. BancTrust did not pay a dividend on its common stock in 2011 or 2010 and BancTrust deferred payment of its May 2012 TARP preferred stock dividend.

At December 31, 2011, BankTrust was unable to pay dividends without regulatory approval. BancTrust requested and received approval for BankTrust to pay \$2.1 million in dividends to BancTrust in 2011.

### ***Restrictions on Transactions with Affiliates***

BankTrust is subject to the provisions of Section 23A of the Federal Reserve Act. Section 23A places limits on the amount of:

a bank's loans or extensions of credit to affiliates;

a bank's investment in affiliates;

assets a bank may purchase from affiliates, except for real and personal property exempted by the Federal Reserve Board;

loans or extensions of credit to third parties collateralized by the securities or obligations of affiliates; and

a bank's guarantee, acceptance or letter of credit issued on behalf of an affiliate.

The total amount of the above transactions is limited in amount, as to any one affiliate, to 10 percent of a bank's capital and surplus and, as to all affiliates combined, to 20 percent of a bank's capital and surplus. In addition to the limitation on the amount of these transactions, each of the above transactions must also meet specified collateral requirements. BankTrust must also comply with other provisions designed to prevent it from acquiring low-quality assets.

BankTrust is also subject to the provisions of Section 23B of the Federal Reserve Act which, among other things, prohibit a depository institution from engaging in the above transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to, the depository institution or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies. The Dodd-Frank Act also placed additional restrictions on transactions with certain affiliates.

### ***Privacy***

Financial institutions are required to disclose their policies for collecting and protecting confidential information. Customers generally may prevent financial institutions from sharing nonpublic personal financial information with nonaffiliated third parties except under narrow circumstances, such as the processing of transactions requested by the consumer or when the financial institution is jointly sponsoring a product or service with a nonaffiliated third party. Additionally, financial institutions generally may not disclose consumer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing or other marketing to consumers.

### ***Consumer Credit Reporting***

In 2004, the Fair and Accurate Credit Transactions Act, which is referred to as the FCRA Amendments, amended the federal Fair Credit Reporting Act. The FCRA Amendments include, among other things:

requirements for financial institutions to develop policies and procedures to identify potential identity theft and, upon the request of a consumer, place a fraud alert in the consumer's credit file stating that the consumer may be the victim of identity theft or other fraud;





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consumer notice requirements for lenders that use consumer report information in connection with risk-based credit pricing programs;

requirements for entities that furnish information to consumer reporting agencies (which include BancTrust), to implement procedures and policies regarding the accuracy and integrity of the furnished information and regarding the correction of previously furnished information that is later determined to be inaccurate; and

a requirement for mortgage lenders to disclose credit scores to consumers.

The FCRA Amendments also prohibit a business that receives consumer information from an affiliate from using that information for marketing purposes unless the consumer is first provided a notice and an opportunity to direct the business not to use the information for such marketing purposes (an opt-out), subject to certain exceptions. BancTrust does not share consumer information among its affiliated companies for marketing purposes, except as allowed under exceptions to the notice and opt-out requirements. Because no affiliate of BancTrust is currently sharing consumer information with any other affiliate of BancTrust for marketing purposes, the limitations on sharing of information for marketing purposes do not have a significant impact on it.

### ***Anti-Terrorism and Money Laundering Legislation***

BankTrust is subject to the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, which is referred to as the USA PATRIOT Act, the Bank Secrecy Act and rules and regulations of the Office of Foreign Assets Control, which is referred to as the OFAC. These statutes and related rules and regulations impose requirements and limitations on specific financial transactions and account relationships and are intended to guard against money laundering and terrorism financing. BankTrust has established a customer identification program pursuant to Section 326 of the USA PATRIOT Act and the Bank Secrecy Act, and otherwise has implemented policies and procedures to comply with the foregoing rules.

### ***Effect of Governmental Monetary Policies***

BancTrust's earnings are affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. The Federal Reserve Board's monetary policies have had, and are likely to continue to have, an important impact on the operating results of commercial banks. The Federal Reserve Board has the power to implement national monetary policy in order, among other things, to curb inflation or combat a recession. The monetary policies of the Federal Reserve Board affect the levels of bank loans, investments and deposits through its control over the issuance of U.S. government securities, its regulation of the discount rate applicable to member banks and its influence over reserve requirements to which member banks are subject. BancTrust cannot predict the nature or impact of future changes in monetary and fiscal policies.

### ***Recent Laws and Regulatory Activities***

*Dodd-Frank Act.* On July 21, 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act fundamentally restructures federal banking regulation. Among other things, the Dodd-Frank Act creates a new Financial Stability Oversight Council to identify systemic risks in the financial system and gives federal regulators new authority to take control of and liquidate financial firms. The Dodd-Frank Act also creates a new independent federal regulator to administer federal consumer protection laws. Many of the provisions of the Dodd-Frank Act have delayed effective dates and the legislation requires various federal agencies to promulgate numerous and extensive implementing regulations over the next several years. Although the substance and scope of these regulations cannot be completely determined at this time, it is expected that the legislation and implementing regulations will increase BancTrust's operating and compliance costs. The following discussion summarizes certain significant aspects of the Dodd-Frank Act.

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The Dodd-Frank Act requires the Federal Reserve Board to apply consolidated capital requirements to depository institution holding companies that are no less stringent than those currently applied to depository institutions. Under these standards, trust preferred securities will be excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by a bank holding company with less than \$15 billion in assets. Because BancTrust's trust preferred securities meet these requirements, they will continue to be included in its Tier 1 capital, but any future issuances of trust preferred securities would not be included in its Tier 1 capital. The Dodd-Frank Act additionally requires capital requirements to be countercyclical so that the required amount of capital increases in times of economic expansion and decreases in times of economic contraction, consistent with safety and soundness.

The Dodd-Frank Act permanently increases the maximum deposit insurance amount for financial institutions to \$250,000 per depositor, and extends unlimited deposit insurance to noninterest bearing transaction accounts through December 31, 2012. The Dodd-Frank Act also broadens the base for FDIC insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act requires the FDIC to increase the reserve ratio of the Deposit Insurance Fund from 1.15 percent to 1.35 percent of insured deposits by 2020 and eliminates the requirement that the FDIC pay dividends to insured depository institutions when the reserve ratio exceeds certain thresholds. Effective as of July 21, 2011, the Dodd-Frank Act eliminated the federal statutory prohibition against the payment of interest on business checking accounts.

The Dodd-Frank Act requires publicly traded companies to give shareholders a non-binding vote on executive compensation at their first annual meeting taking place six months after the date of enactment and at least every three years thereafter and on golden parachute payments in connection with approvals of mergers and acquisitions unless previously voted on by shareholders. Because BancTrust participated in Treasury's Capital Purchase Program, it is required to give shareholders a non-binding vote on executive compensation at every annual meeting until the BancTrust TARP preferred stock is redeemed. The Dodd-Frank Act also directs the federal banking regulators to promulgate rules prohibiting excessive compensation paid to executives of depository institutions and their holding companies with assets in excess of \$1.0 billion, regardless of whether the institution is publicly traded or not. Additionally, the Dodd-Frank Act authorizes the SEC to promulgate rules that would allow shareholders to nominate their own candidates using a company's proxy materials and gives the SEC authority to prohibit broker discretionary voting on elections of directors and executive compensation matters.

Effective as of July 21, 2011, the Dodd-Frank Act prohibits a depository institution from converting from a state to federal charter or vice versa while it is the subject of a cease and desist order or other formal enforcement action or a memorandum of understanding with respect to a significant supervisory matter unless the appropriate federal banking agency gives notice of the conversion to the federal or state authority that issued the enforcement action and that agency does not object within 30 days. The notice must include a plan to address the significant supervisory matter. The converting institution must also file a copy of the conversion application with its current federal regulator, which must notify the resulting federal regulator of any ongoing supervisory or investigative proceedings that are likely to result in an enforcement action and provide access to all supervisory and investigative information relating hereto.

The Dodd-Frank Act authorizes national and state banks to establish branches in other states to the same extent as a bank chartered by that state would be permitted to branch. Previously, banks could only establish branches in other states if the host state expressly permitted out-of-state banks to establish branches in that state.

Effective as of July 21, 2011, the Dodd-Frank Act expands the definition of affiliate for purposes of quantitative and qualitative limitations of Section 23A of the Federal Reserve Act to include mutual funds advised by a depository institution or its affiliates. The Dodd-Frank Act will apply Section 23A and Section 22(h) of the Federal Reserve Act (governing transactions with insiders) to derivative transactions, repurchase agreements and securities lending and borrowing transactions that create credit exposure to an

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affiliate or an insider. Any such transactions with affiliates must be fully secured. The current exemption from Section 23A for transactions with financial subsidiaries will be eliminated. The Dodd-Frank Act will additionally prohibit an insured depository institution from purchasing an asset from or selling an asset to an insider unless the transaction is on market terms and, if representing more than 10 percent of capital, is approved in advance by the disinterested directors. Finally, the Dodd-Frank Act prohibits, with certain limited exceptions, banks and bank holding companies from engaging in proprietary trading or from making or holding investments in private equity or hedge funds. Neither BancTrust nor its affiliates advise mutual funds, engage in significant proprietary trading or invest or sponsor private equity or hedge funds, and BancTrust does not expect these provisions to have a material effect on its business or finances.

The Dodd-Frank Act requires that the amount of any interchange fee charged by a debit card issuer with respect to a debit card transaction must be reasonable and proportional to the cost incurred by the issuer. Effective October 1, 2011, the Federal Reserve Board set new caps on interchange fees at \$0.21 per transaction, plus an additional five basis-point charge per transaction to help cover fraud losses. An additional \$0.01 per transaction is allowed if certain fraud-monitoring controls are in place. While the restrictions on interchange fees do not apply to banks that, together with their affiliates, have assets of less than \$10 billion, such as BancTrust, the new restrictions could negatively impact bank card services income for smaller banks if the reductions that are required of larger banks cause industry-wide reduction of interchange fees. This provision of the Dodd-Frank Act and its implementing Regulation II also require that all debit cards be enabled with two or more unaffiliated networks for processing electronic debit transactions initiated by the debit card. No exemption is available from the network routing requirements and, accordingly, BankTrust has implemented the necessary requirement to ensure that its debit cards are enabled with the appropriate number of networks.

The Dodd-Frank Act creates a new, independent federal agency called the Consumer Financial Protection Bureau, which is referred to as the CFPB, which has broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Act, the Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act and certain other statutes. The CFPB will have examination and primary enforcement authority with respect to depository institutions with \$10 billion or more in assets. Depository institutions with less than \$10 billion in assets, such as BankTrust, will be subject to rules promulgated by the CFPB but will continue to be examined and supervised by federal banking regulators for consumer compliance purposes. The CFPB will have authority to prevent unfair, deceptive or abusive acts and practices in connection with the offering of consumer financial products. The Dodd-Frank Act authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower's ability to repay. In addition, the Dodd-Frank Act will allow borrowers to raise certain defenses to foreclosure if they receive any loan other than a qualified mortgage as defined by the CFPB. The Dodd-Frank Act permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

*Basel III.* The Basel Committee released in December 2010 revised final frameworks for the regulation of capital and liquidity of internationally active banking organizations. These new frameworks are generally referred to as Basel III. Although Basel III is intended to be implemented by participating countries for large, internationally active banks, it was anticipated that its provisions would be considered by U.S. banking regulators in developing new regulations applicable to other banks in the United States, including those developed pursuant to directives in the Dodd-Frank Act. On June 4, 2012, the Federal Reserve Board proposed new capital requirements that are consistent with Basel III. If adopted as proposed, the proposed rules will require, among other things, a minimum common equity tier 1 capital ratio of 4.5 percent, net of regulatory deductions, and establish a capital conservation buffer of an additional 2.5 percent of common equity to risk-weighted assets above the regulatory minimum capital requirement, establishing a minimum common equity tier 1 ratio plus capital conservation buffer at 7 percent. In addition, the proposed rules increase the minimum tier 1 capital requirement from 4 percent to 6 percent of risk-weighted assets. The proposed rules also specify that a bank with

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a capital conservation buffer of less than 2.5 percent would potentially face limitations on capital distributions and bonus payments to executives.

*Final Guidance on Incentive Compensation Policies for Banking Organizations.* In June 2010, the federal banking agencies jointly issued comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (1) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (2) be compatible with effective internal controls and risk management, and (3) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. The Federal Reserve Board will review, as part of the regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as BancTrust, that are not large, complex banking organizations. These reviews will be tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

*U.S. Treasury Capital Purchase Program.* Pursuant to Treasury's Capital Purchase Program, which is referred to as the CPP, on December 19, 2008 BancTrust issued to Treasury 50,000 shares of the BancTrust TARP preferred stock and the BancTrust TARP warrant to purchase up to 731,000 shares of BancTrust Common Stock at an exercise price of \$10.26 per share for an aggregate purchase price of \$7.5 million in cash. The securities purchase agreement pursuant to which the securities issued to Treasury under the CPP were sold under certain circumstances limits the payment of dividends on BancTrust's common stock and BancTrust's ability to repurchase shares of its common stock, grants the holders of the preferred stock, the warrant and the common stock of BancTrust to be issued under the warrants certain registration rights, and subjects BancTrust to certain executive compensation limitations included in the Emergency Economic Stabilization Act of 2008 and the American Relief and Recovery Act of 2009.

### ***Proposed Legislation and Regulatory Action.***

The Dodd-Frank Act implements far-reaching changes across the financial regulatory landscape. Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on BancTrust, its customers or the financial industry as a whole. Provisions in the legislation that affect deposit insurance assessments, payment of interest on demand deposits and interchange fees could increase the costs associated with deposits and place limitations on certain revenues those deposits may generate.

New regulations and statutes are regularly proposed that contain wide-ranging proposals for altering the structures, regulations and competitive relationships of the nation's financial institutions. BancTrust cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which its business may be affected by any new regulation or statute.

### **Available Information**

BancTrust's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and amendments of those reports filed with or furnished to the SEC are available on its website at [www.banktrustronline.com](http://www.banktrustronline.com) by following the Investor Relations tab and then clicking on the link to Financial Information. These documents are made available free of charge on BancTrust's website as soon as reasonably

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practicable after they are electronically filed with or furnished to the SEC. You may also request a copy of these filings, at no cost, by writing or telephoning BancTrust at the following address:

BancTrust Financial Group, Inc.

Attn: F. Michael Johnson

107 Saint Francis Street

Suite 3100

Mobile, Alabama 36602

(251) 431-7800

You may also read and copy any document that BancTrust files with the SEC at the SEC's public reference room at 100 F. Street NE, Washington D.C. 20549. You can also obtain copies of the documents upon payment of a duplicating fee to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC as BancTrust does. BancTrust's SEC filings are also available to the public from the SEC's website at <http://www.sec.gov>.

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**RECENT DEVELOPMENTS**

On July 2, 2012, BankTrust entered into a Final Settlement Agreement with Countrywide Home Loans, Inc. pursuant to which BankTrust paid Countrywide Home Loans \$3.520 million as full and final settlement of any and all claims and disputes related to mortgage loans sold by BankTrust or its predecessors in interest to Countrywide Home Loans prior to July 2, 2012 pursuant to loan purchase agreements between BankTrust, or its predecessors in interest, and Countrywide Home Loans. The Final Settlement Agreement contains a mutual release whereby BankTrust and Countrywide Home Loans fully, finally and completely release each other and their respective related parties from any claims and disputes related to the mortgage loans transferred by BankTrust or its predecessors in interest to Countrywide Home Loans.

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### **THE BANCTRUST SPECIAL MEETING**

This section contains information for BancTrust shareholders about the BancTrust special meeting. We are mailing this proxy statement/prospectus to you, as a BancTrust shareholder, on or about [ ], 2012. Together with this proxy statement/prospectus, we are also sending to you a notice of the BancTrust special meeting and a form of proxy card that BancTrust's board of directors is soliciting for use at the BancTrust special meeting and at any adjournments or postponements of the BancTrust special meeting.

This proxy statement/prospectus is also being furnished by Trustmark to BancTrust shareholders as a prospectus in connection with the issuance of shares of Trustmark common stock upon the effective time of the merger.

#### **Date, Time and Place of BancTrust Special Meeting**

The BancTrust special meeting will be held at BancTrust's corporate offices located at 107 Saint Francis Street, Mobile, Alabama 36602, on [ ], 2012, at [ ] local time.

#### **Matters to Be Considered**

At the BancTrust special meeting, you will be asked to consider and vote upon the following matters:

a proposal to approve the merger agreement and the transactions it contemplates;

the merger-related named executive officer compensation proposal; and

the adjournment proposal.

#### **Recommendation of the BancTrust Board of Directors**

BancTrust's board of directors has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interest of BancTrust and its shareholders and that the terms and conditions of the merger and the merger agreement are fair to its shareholders, and has unanimously approved the merger agreement and the transactions contemplated thereby. BancTrust's board of directors unanimously recommends that BancTrust shareholders vote **FOR** approval of the merger agreement, **FOR** the merger-related named executive officer compensation proposal and **FOR** the adjournment proposal. See The Merger BancTrust's Reasons for the Merger; Recommendation of the BancTrust Board of Directors on page 55 for a more detailed discussion of the BancTrust board of directors recommendation.

#### **Record Date and Quorum**

BancTrust's board of directors has fixed the close of business on [ ], 2012, as the record date for determining the holders of BancTrust common stock entitled to receive notice of and to vote at the BancTrust special meeting.

As of the record date, there were [ ] shares of BancTrust common stock outstanding and entitled to vote at the BancTrust special meeting held by approximately [ ] holders of record. Each share of BancTrust common stock entitles the holder to one vote at the BancTrust special meeting on each proposal to be considered at the BancTrust special meeting.

The presence at the BancTrust special meeting, in person or by proxy, of the holders of a majority of the stock issued and outstanding and entitled to vote thereat will constitute a quorum for the transaction of business. Shares that are present, or represented by a proxy, at the BancTrust special meeting and any postponement or adjournment thereof will be counted for quorum purposes regardless of whether the holder of the shares or proxy fails to vote on any particular matter, or abstains on any matter. If a quorum is not present at the BancTrust





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special meeting, the BancTrust special meeting will be adjourned until the holders of the number of shares required to constitute a quorum are represented.

### **Vote Required; Treatment of Abstentions and Failure to Vote**

Approval of the merger agreement requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of BancTrust common stock entitled to vote at the BancTrust special meeting. You are entitled to one vote for each share of BancTrust common stock you held as of the record date. Because approval is based on the affirmative vote of at least two-thirds of shares outstanding, your failure to vote, failure to instruct your bank or broker with respect to the proposal to approve the merger agreement, or an abstention will have the same effect as a vote against approval of the merger agreement.

Approval of the merger-related named executive officer compensation proposal requires the affirmative vote of more shares in favor of the proposal than against the proposal. Because approval of the merger-related named executive officer compensation proposal is based on the affirmative vote of shares voting at the BancTrust special meeting on this proposal, an abstention, a failure to vote or a failure to instruct your bank or broker with respect to this proposal will have no effect on this proposal.

Approval of the adjournment proposal requires the affirmative vote of the holders of a majority of shares of BancTrust common stock entitled to vote on, and voting for or against or expressly abstaining with respect to, such proposal at the BancTrust special meeting, even if less than a quorum. Because approval of the adjournment proposal is based on the affirmative vote of a majority of shares voting or expressly abstaining at the BancTrust special meeting, abstentions will have the same effect as a vote against this proposal. The failure to vote or failure to instruct your bank or broker with respect to the adjournment proposal, however, will have no effect on the adjournment proposal.

### **Shares Held by Directors and Executive Officers**

As of the record date, directors and executive officers of BancTrust and their affiliates owned and were entitled to vote [ ] shares of BancTrust common stock, representing approximately [ ] percent of the shares of BancTrust common stock outstanding on that date. BancTrust currently expects that its directors and executive officers will vote their shares in favor of the merger agreement proposal, the merger-related named executive officer compensation proposal and the adjournment proposal, although none of them has entered into any agreements obligating them to do so. As of the record date, Trustmark beneficially held no shares of BancTrust's common stock and Trustmark's directors and executive officers or their affiliates held no BancTrust common stock. See "The Merger - Interests of BancTrust's Directors and Executive Officers in the Merger" beginning on page 66.

### **Voting of Proxies; Incomplete Proxies**

Each copy of this proxy statement/prospectus mailed to holders of BancTrust common stock is accompanied by a form of proxy with instructions for voting. If you hold stock in your name as a shareholder of record, you should complete and return the proxy card accompanying this proxy statement/prospectus, or call the toll-free telephone number or use the Internet as described in the instructions included with your proxy card or voting instruction card, regardless of whether you plan to attend the BancTrust special meeting.

If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.

BancTrust shareholders should not send BancTrust stock certificates with their proxy cards. After the merger is completed, holders of BancTrust common stock will be mailed a transmittal form with instructions on how to exchange their BancTrust stock certificates for the merger consideration.

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All shares represented by valid proxies (including those given by telephone or the Internet) that we receive through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted **FOR** approval of the merger agreement, **FOR** approval of the merger-related named executive officer compensation proposal and **FOR** approval of the adjournment proposal. No matters other than the matters described in this proxy statement/prospectus are anticipated to be presented for action at the BancTrust special meeting or at any adjournment or postponement of the BancTrust special meeting.

### **Shares Held in Street Name; Broker Non-Votes**

If you hold your shares of BancTrust common stock in the name of a bank, broker or other nominee and do not provide voting instructions to the bank, broker or other nominee, your shares will not be voted on the proposal to adopt the merger agreement, the merger-related named executive officer compensation proposal or the adjournment proposal. This is called a broker non-vote. In the case of a broker non-vote, the bank, broker or other nominee can register your shares as being present at the BancTrust special meeting for purposes of determining the presence of a quorum, but will not be able to vote on any of the proposals. Therefore, if your broker, bank or other nominee holds your shares of BancTrust common stock in street name, your broker, bank or other nominee will vote your shares of BancTrust common stock only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker, bank or other nominee with this proxy statement/prospectus.

### **Revocability of Proxies and Changes to a BancTrust Shareholder's Vote**

If you hold stock in your name as a shareholder of record, you may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation letter to BancTrust's secretary, (3) voting again by telephone or the Internet, or (4) attending the BancTrust special meeting in person, notifying the secretary, and voting by ballot at the BancTrust special meeting.

Any shareholder entitled to vote in person at the BancTrust special meeting may vote in person regardless of whether a proxy has been previously given, but the mere presence (without notifying BancTrust's secretary) of a shareholder at the BancTrust special meeting will not constitute revocation of a previously given proxy.

Written notices of revocation and other communications about revoking your proxy should be addressed to:

BancTrust Financial Group, Inc.

107 Saint Francis Street

Mobile, Alabama 36602

Attention: F. Michael Johnson

If your shares are held in street name by a bank or broker, you should follow the instructions of your bank or broker regarding the revocation of proxies.

### **Solicitation of Proxies**

BancTrust will bear the entire cost of soliciting proxies from you, except that BancTrust and Trustmark will bear equally the cost of printing this proxy statement/prospectus and all filing fees paid to the SEC in connection with this proxy statement/prospectus. In addition to solicitation of proxies by mail, BancTrust will request that banks, brokers, and other record holders send proxies and proxy material to the beneficial owners of BancTrust common stock and secure their voting instructions. BancTrust will reimburse the record holders for their reasonable expenses in taking those actions. BancTrust has also made arrangements with Morrow & Co., LLC to assist it in soliciting proxies and has agreed to pay them \$[ ] plus reasonable expenses for these services. If necessary, BancTrust may use directors, officers and several of its regular employees, who will not be specially

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compensated, to solicit proxies from the BancTrust shareholders, either personally or by telephone, facsimile, letter or other electronic means.

**Attending the BancTrust Special Meeting**

All holders of BancTrust common stock, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the BancTrust special meeting. Shareholders of record can vote in person at the BancTrust special meeting. If you are not a shareholder of record, you must obtain a proxy executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the BancTrust special meeting. If you plan to attend the BancTrust special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted. BancTrust reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the BancTrust special meeting is prohibited without BancTrust's express written consent.

**Assistance**

If you have any questions concerning the merger or this proxy statement/prospectus, would like additional copies of this proxy statement/prospectus or need help voting your shares of BancTrust common stock, please contact Morrow & Co., LLC, BancTrust's proxy solicitor:

Morrow & Co., LLC

470 West Ave

Stamford, CT 06902

Banks and Brokers please call: (203) 658-9400

Shareholders please call: (877) 780-4190

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**THE BANCTRUST PROPOSALS**

**Proposal 1: Approval of the Merger Agreement**

BancTrust is asking its shareholders to approve the merger agreement. For a detailed discussion of the terms and conditions of the merger agreement, see The Merger Agreement. As discussed in the section entitled The Merger BancTrust's Reasons for the Merger; Recommendation of the BancTrust Board of Directors, after careful consideration, the BancTrust board of directors, by a unanimous vote of all directors, approved the merger agreement and declared the merger agreement and the transactions contemplated thereby, including the merger, to be advisable and in the best interest of BancTrust and the BancTrust shareholders.

**Required Vote**

The approval of the merger agreement requires the affirmative vote of the holders of at least two-thirds of the shares of BancTrust common stock outstanding and entitled to vote. Failures to vote, votes to abstain and broker non-votes, if any, will have the effect of votes AGAINST the proposal.

**The BancTrust board of directors unanimously recommends that BancTrust shareholders vote FOR the adoption of the merger agreement.**

**Proposal 2: Merger-Related Named Executive Officer Compensation Proposal**

In accordance with Section 14A of the Exchange Act, BancTrust is providing its shareholders with the opportunity to cast an advisory (nonbinding) vote on the compensation that may be paid or become payable to its named executive officers in connection with the merger and the agreements and understandings pursuant to which such compensation may be paid or become payable. As required by those rules, BancTrust is asking its shareholders to vote on the approval and adoption of the following resolution:

RESOLVED, that the compensation that may be paid or become payable to BancTrust's named executive officers in connection with the merger and the agreements or understandings pursuant to which such compensation may be paid or become payable, as disclosed in the table in the section of the proxy statement/prospectus entitled The Merger Interests of BancTrust's Directors and Executive Officers in the Merger Golden Parachute Compensation for BancTrust's Named Executive Officers, including the associated narrative discussion, are hereby APPROVED.

The vote on executive compensation payable in connection with the merger is a vote separate and apart from the vote to approve the merger agreement. Accordingly, you may vote to approve the merger agreement and vote not to approve the executive compensation or vice versa. Because the vote on executive compensation that may be paid or become payable in connection with the merger is advisory only, it will not be binding on either BancTrust or Trustmark. Accordingly, because BancTrust is contractually obligated to pay the compensation, if the merger agreement is approved and the merger is consummated, the compensation will be payable, subject only to the conditions applicable thereto, regardless of the outcome of the advisory vote.

**Required Vote**

The approval of the merger-related named executive officer compensation proposal requires the affirmative vote of more shares in favor of the proposal than against the proposal. Because approval of the merger-related named executive officer compensation proposal is based on the affirmative vote of shares voting at the BancTrust special meeting, abstentions, failures to vote and broker non-votes, if any, will have no effect on the merger-related named executive officer compensation proposal.

**The BancTrust board of directors unanimously recommends that BancTrust shareholders vote FOR the merger-related named executive officer compensation proposal.**

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### **Proposal 3: Adjournment Proposal**

BancTrust shareholders are being asked to adjourn the BancTrust special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger agreement if there are insufficient votes at the time of such adjournment to approve such proposal.

If at the BancTrust special meeting there are an insufficient number of shares of BancTrust common stock present in person or represented by proxy and voting in favor of the adoption of the merger agreement, BancTrust may move to adjourn the BancTrust special meeting in order to enable the BancTrust board of directors to solicit additional proxies for approval of such proposal. If the BancTrust shareholders approve this proposal, BancTrust could adjourn the BancTrust special meeting and use the additional time to solicit additional proxies, including the solicitation of proxies from BancTrust shareholders who have previously voted. If the adjournment is for more than 30 days or, if after the adjournment a new record date is fixed for the adjourned meeting, a new notice of the adjourned meeting will be given to each shareholder of record entitled to vote at the adjourned meeting.

### **Required Vote**

The approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares of BancTrust common stock entitled to vote and present in person or represented by proxy, whether or not a quorum is present. Abstaining will have the same effect as a vote AGAINST the proposal. Failures to vote and broker non-votes, if any, will not be voted, but this will not have an effect on the adjournment proposal.

**The BancTrust board of directors unanimously recommends that BancTrust shareholders vote FOR the adjournment proposal.**

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**THE MERGER**

*The following discussion contains material information about the merger. The discussion is subject, and qualified in its entirety by reference, to the merger agreement included as Annex A to this proxy statement/prospectus. We urge you to read carefully this entire proxy statement/prospectus, including the merger agreement included as Annex A, for a more complete understanding of the merger.*

**Terms of the Merger**

Trustmark's and BancTrust's boards of directors have each unanimously approved the merger agreement. The merger agreement provides for the acquisition of BancTrust by Trustmark through the merger of BancTrust with and into Trustmark, with Trustmark continuing as the surviving corporation. In the merger, each share of BancTrust common stock, par value \$0.01 per share, issued and outstanding immediately prior to the effective time of the merger, except for shares of BancTrust common stock held by Trustmark, BancTrust and their respective subsidiaries, will be converted into the right to receive 0.125 of a share of Trustmark common stock. No fractional shares of Trustmark common stock will be issued in connection with the merger, and holders of BancTrust common stock will be entitled to receive cash in lieu thereof.

BancTrust shareholders are being asked to approve the merger agreement. See the section entitled "The Merger Agreement" beginning on page 74 for additional and more detailed information regarding the legal documents that govern the merger, including information about the conditions to consummation of the merger and the provisions for terminating or amending the merger agreement.

**Background of the Merger**

BancTrust's board of directors and management regularly review and discuss BancTrust's financial condition, performance, prospects and business strategy, in fulfillment of their duties to oversee and direct the management of BancTrust. As a part of this regular review and discussion, and to enhance and maximize shareholder value, BancTrust's board of directors periodically considers strategic alternatives and initiatives, such as continuation of BancTrust as an independent institution, acquiring other banks or bank assets, conducting equity offerings to raise capital and enhance liquidity, and entering into business combinations with similarly-sized or larger financial institutions.

Over the last several years, as the financial crisis and economic recession have had an adverse impact on the operations of U.S. financial institutions generally and have had a similarly adverse impact on the operations of BancTrust, a number of factors have heavily influenced BancTrust's strategic direction. Those factors include, but are not limited to, significant deterioration in the asset quality experienced by BancTrust, principally, but not exclusively, in the Florida Panhandle market, limited loan growth in the BancTrust market areas, compression of net interest margin due to a flat interest rate environment, increased competition in the markets in which BancTrust operates, and increased regulatory oversight brought about by the financial crisis. While BancTrust's strong capital base has enabled it to sustain the losses it has incurred to date and to remain well-capitalized, BancTrust's high level of non-performing assets has recently made it increasingly difficult to obtain the regulatory approvals necessary for BancTrust to fund the operations of the holding company, including servicing debt obligations, through the payment of dividends by BancTrust to the holding company.

To preserve capital in light of its escalated level of nonperforming assets, BancTrust ceased paying dividends on BancTrust common stock during the third quarter of 2009, and announced that it would cease making dividend payments on its TARP preferred stock and would defer making payments on its trust preferred securities during the first quarter of 2012. Additionally, BancTrust has been required to restructure, on several occasions, a \$20 million promissory note, payable to the FDIC as receiver for Silverton Bank, N.A., due to its inability to make principal payment reductions. This note was originally due in 2009, but has been extended several times and is currently due and payable on April 16, 2013.

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As a result of its asset quality issues, BancTrust continued throughout 2009 and 2010 to investigate and pursue, with the assistance of two investment banking firms, various strategies to raise equity capital to better enable it to withstand losses related to deteriorating credit quality and to provide liquidity at the holding company level. General market conditions and the BP oil spill in the Gulf of Mexico, however, prevented the completion of all but one of these efforts, pursuant to which \$750,000 of BancTrust common stock was sold.

In early 2011, BancTrust hired KBW as its financial advisor and placement agent to assist it in raising capital by means of a private placement of BancTrust common stock to private equity firms and other institutional investors. Throughout 2011, BancTrust pursued, although not exclusively, that strategy, and BancTrust's management made presentations to a number of potential investors, and a number of potential investors conducted due diligence on BancTrust by means of a virtual data room established for the capital raise and during several on-site visits. During this time, BancTrust identified two lead investors and sought a number of smaller investors needed to complete the equity offering with limited success.

In May 2011, recognizing that an equity offering might not be successful and believing that the exploration of a second course of action would be beneficial, the executive committee of BancTrust's board of directors discussed alternatives to a recapitalization of BancTrust as a separate entity and authorized management to contact Trustmark and inquire as to whether it had any interest in discussing a strategic business combination. Following that inquiry, representatives of Trustmark and BancTrust met for preliminary discussions. On May 27, 2011, Trustmark executed a confidentiality agreement; and, during June and July of 2011, Trustmark conducted its due diligence investigation of BancTrust and was given access to the virtual data room established for the capital raise. Periodic discussions between the management teams of Trustmark and BancTrust continued during this time, but in late July discussions were called off by BancTrust in order to focus exclusively on an equity offering.

As BancTrust continued to pursue a recapitalization through an equity offering during the late summer of 2011, it became apparent to BancTrust's board of directors that the equity offering was becoming increasingly more challenging to complete in light of the then current environment, particularly due to market conditions, asset quality concerns at BancTrust and the negotiations between investors and Treasury regarding the treatment of BancTrust's TARP preferred stock in the potential equity offering. Recognizing that the recapitalization of BancTrust, whether through an equity offering or a strategic merger, was of paramount importance, BancTrust's board of directors decided to proceed on a dual path toward that end. In order to enhance opportunities for a recapitalization that would maximize value to BancTrust shareholders, the BancTrust board of directors decided to explore a potential strategic merger while continuing to pursue an equity offering.

At a meeting on September 19, 2011, the executive committee of BancTrust's board of directors asked W. Bibb Lamar, Jr., BancTrust's president and CEO, to re-establish communication with Gerard R. Host, Trustmark's president and CEO. On September 22, Mr. Lamar called Mr. Host and told him that BancTrust would be interested in resuming discussions about a possible strategic business combination. Following that conversation, KBW conveyed BancTrust's interest in resuming discussions to Mr. Host, who was receptive to the idea.

On October 3, 2011, senior executives from BancTrust and from Trustmark met with representatives from KBW and Sandler O'Neill + Partners, L.P., Trustmark's financial advisor, to discuss financial matters relating to a possible merger of BancTrust and Trustmark. On October 18, 2011, BancTrust's board of directors met and received a report from BancTrust's management regarding the October 3rd meeting.

BancTrust's board of directors met again on October 27 and October 31 to discuss pursuing a strategic merger with Trustmark, and at its October 31 meeting, authorized BancTrust's management to discuss the specific terms of a possible merger with Trustmark. On November 2, 2011, BancTrust notified the lead investors of its capital raise and others involved in discussions regarding its planned equity offering that it was pursuing another strategic alternative.

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On November 4, 2011, BancTrust's board of directors met and approved continuing discussions with Trustmark. Trustmark began its due diligence investigation of BancTrust on November 7, 2011. Over the next several days, while Trustmark conducted its due diligence investigation, senior executives from both companies met and outside counsel for both companies exchanged drafts of a potential merger agreement.

On November 14, 2011, senior executives and a representative of each of the boards of directors of Trustmark and BancTrust met in Mobile, and Trustmark informed the BancTrust representatives at this meeting that the executive committee of the Trustmark board of directors had voted to terminate merger discussions with BancTrust.

After that meeting, representatives of BancTrust contacted the lead investors in its capital raise and inquired if they would be interested in resuming efforts toward an equity offering. The lead investors expressed interest in resuming discussions, provided that BancTrust would agree in writing to negotiate exclusively with them and other potential investors toward an equity offering and would agree to pay a termination fee if BancTrust pursued other alternative strategies during the term specified in the agreement.

On November 16, 2011, BancTrust's board of directors met and voted unanimously to proceed with efforts to conduct an equity offering and authorized management and its advisors to negotiate an exclusivity arrangement within certain specified parameters with the lead investors. The executive committee of BancTrust's board of directors met on December 7, 2011 and discussed the status of the negotiations of the exclusivity arrangement. On December 19, 2011, BancTrust entered into a letter agreement with the lead investors pursuant to which BancTrust agreed to work exclusively with the lead investors in good faith until March 15, 2012 in pursuit of a definitive agreement with respect to an investment in BancTrust by such investors.

Following the execution of the letter agreement, BancTrust worked with the lead investors to structure an equity offering to raise as much as \$150 million through a private placement of common stock followed by a rights offering to all existing shareholders. BancTrust management and KBW contacted and met with numerous other potential investors, and several potential investors conducted due diligence regarding BancTrust.

In connection with the due diligence process for the potential equity offering, BancTrust completed an in-depth review of asset quality, other real estate owned carrying values, and the adequacy of its allowance for credit losses. In early March 2012, BancTrust's management undertook a careful analysis as to whether, given the recently received information generated by this review, additional provisions and write-downs should be made in the fourth quarter of 2011. BancTrust, after discussion with its independent registered public accounting firm and with the concurrence of the audit committee of its board of directors, concluded that certain asset quality indicators and the expected liquidation horizon of nonperforming assets warranted an increase in its provision for loan losses and a decrease in the carrying value of certain other real estate owned, and that these matters should be included in the results of operations for the fourth quarter of 2011. The adjustments made as a result of these conclusions resulted in a net loss to BancTrust common shareholders for the fourth quarter of 2011 of approximately \$50.48 million, and for the fiscal year ended December 31, 2011, of approximately \$50.94 million.

By mid-March 2012, it had become apparent to BancTrust's management and the board of directors of BancTrust that BancTrust would not be able to structure an equity offering that would be in the best interest of its shareholders. On March 13, 2012, BancTrust's board of directors authorized its audit committee (comprised entirely of independent directors) to serve as the principal contact with its outside advisers to oversee BancTrust's strategic initiatives to address its capital and holding company liquidity issues. On March 20, 2012, the audit committee met with KBW to review and approve a list of potential merger partners that KBW intended to contact to inquire as to their interest in participating in a confidential competitive auction process designed to achieve a business combination with BancTrust. On March 21, 2012, BancTrust announced that it was ending its efforts to recapitalize BancTrust as an independent entity and that it had engaged KBW to assist it in pursuing strategic merger opportunities. Following BancTrust's press release on March 21, KBW began contacting parties on the list to inquire as to their interest in participating in an auction process.



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KBW contacted, or was contacted by, approximately 19 financial institutions that it identified as potential strategic merger partners for BancTrust. KBW obtained indications of interest in participating in the process and signed confidentiality agreements from ten of those financial institutions, who were then allowed into the virtual data room established by KBW. The parties conducting initial due diligence were given until April 17<sup>th</sup> to submit indications of interest in continuing with the auction process and indicative pricing at which they would expect to engage in a merger transaction with BancTrust.

Following initial due diligence investigations of BancTrust through access to the virtual data room, six of the potential strategic merger partners submitted indications of interest with a price range at which they expected to be able to complete a strategic merger with BancTrust.

At a meeting of BancTrust's audit committee on April 18, 2012, KBW reported the results of the first phase of the auction process and indications of interest and potential pricing received. BancTrust's audit committee, with the advice and input of KBW and outside counsel, identified for recommendation to BancTrust's board of directors four potential strategic merger partners that could maximize value to BancTrust shareholders, one of which was Trustmark, to invite to conduct further on-site due diligence investigations of BancTrust, and approved a schedule and process for further due diligence and final bids for recommendation to BancTrust's board of directors.

At a meeting on April 19, 2012, BancTrust's board of directors approved inviting the four prospective strategic merger partners recommended by its audit committee for further on-site due diligence and approved the schedule and process for further due diligence and final bids, with May 24, 2012 being established as the deadline for submitting final offers. BancTrust's board of directors at that meeting also, on the recommendation of its audit committee, established a new committee designated as the M&A committee to oversee the auction process.

Three of the four remaining prospective strategic merger partners each conducted a week of on-site due diligence at BancTrust, beginning the week of April 23, 2012 and ending on May 11, 2012. Prior to conducting on-site due diligence, one of the four merger partner candidates notified KBW during this time that it was withdrawing from the process.

On May 25, 2012, KBW met with the M&A committee and reported on the results of the auction process. The M&A committee, with advice of counsel and KBW, determined to proceed with Trustmark, which proposed merger consideration of 0.125 of a share of Trustmark common stock for each issued and outstanding share of BancTrust common stock and to recommend to BancTrust's board of directors to select Trustmark as its potential strategic merger partner. At its May 25<sup>th</sup> meeting, the M&A committee also authorized BancTrust's management and counsel to negotiate the terms and conditions of a definitive merger agreement with Trustmark and its counsel.

From May 25 to May 28, 2012, BancTrust's management and its counsel negotiated the terms of the merger agreement with Trustmark and its counsel. On May 28, 2012, following the conclusion of the negotiations between BancTrust and Trustmark, the respective boards of directors met separately to review the proposed transaction.

At its May 28<sup>th</sup> meeting, BancTrust's board of directors received a presentation from KBW on the terms of the merger and received KBW's opinion that the merger consideration is fair, from a financial point of view, to BancTrust's shareholders. BancTrust's special counsel, DLA Piper LLP (US), made a presentation regarding the legal and structural aspects of the merger, the factors BancTrust's board of directors should consider in approving such a transaction and the board of directors' fiduciary duties. DLA Piper also reviewed the terms and conditions of the merger agreement with BancTrust's board of directors. BancTrust's board of directors, by unanimous vote, determined that the merger is fair to, and in the best interest of, BancTrust and its shareholders, approved the merger and the merger agreement, and voted to recommend that the shareholders of BancTrust approve the merger agreement and the merger.

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### **BancTrust's Reasons for the Merger; Recommendation of the BancTrust Board of Directors**

**After careful consideration, at its meeting on May 28, 2012, BancTrust's board of directors determined that the merger, the merger agreement and the transactions contemplated therein are advisable and in the best interests of BancTrust and its shareholders and that the terms and conditions of the merger and the merger agreement are fair to the shareholders of BancTrust. Accordingly, BancTrust's board of directors, by a unanimous vote, approved and adopted the merger agreement and unanimously recommends that BancTrust shareholders vote FOR approval of the merger agreement.**

In reaching its decision to approve and adopt the merger agreement and recommend the merger to its shareholders, the board of directors of BancTrust consulted with BancTrust's management, as well as its legal and financial advisors, and considered a number of factors, including:

the board of directors' understanding of the business, operations, financial condition, asset quality, earnings and prospects of BancTrust, including its prospects as an independent entity;

the board of directors' views and opinions on the current state of the financial services industry, including the current economic environment in the markets in which BancTrust operates, the interest rate environment, increased competition in the financial services industry and the effects of enhanced regulatory requirements and potential future regulatory requirements resulting from recent legislation;

the board of directors' understanding of Trustmark's business, operations, financial condition, asset quality, earnings and prospects, as well as the complementary geographic footprints of the two companies, the complementary nature of the cultures of the two companies, which BancTrust management believes should facilitate integration of the two companies and allow the combined company to take advantage of the synergies potentially available in the merger to create the opportunity for the combined company to have superior future earnings and prospects compared to BancTrust's earnings and prospects on a stand-alone basis, and Trustmark's ability to assume BancTrust's debt and trust preferred securities obligations;

the diversification of credit risk in terms of both types of lending and in geographic coverage and the minimal overlapping credits;

the board of directors' belief that the merger is more favorable to BancTrust's shareholders than the alternatives to the merger, which belief was formed based on BancTrust's unsuccessful efforts to raise capital over several years, the results of the confidential competitive auction process and the board of directors' review, with the assistance of its financial and legal advisors, of the strategic alternatives available to BancTrust;

the board of directors' belief that the merger is likely to increase value to BancTrust shareholders in part due to the opportunity BancTrust shareholders will have to participate in the future performance of the combined company resulting from the merger consideration being paid in the form of Trustmark common stock;

the understanding that the 0.125 exchange ratio was fixed and would not fluctuate and in view of the long-term strategic purposes of the merger;

the current and historical prices of BancTrust's common stock and the fact that the merger consideration represented a premium of approximately 62.2 percent to the closing share price of BancTrust common stock on May 25, 2012, the last trading day prior to the public announcement of the merger agreement, based on Trustmark's closing price on that date;

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the historical and current market prices of Trustmark's common stock and its dividend history, which indicates the potential to provide BancTrust's shareholders with increased value following the merger, including a significant quarterly dividend payment, whereas BancTrust is not currently paying a dividend on its common stock and does not expect to pay any dividends for the foreseeable future;

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the financial analyses presented by KBW, BancTrust's financial adviser, and the oral opinion of KBW delivered on May 28, 2012, subsequently confirmed by a written opinion dated the same date, to the effect that, as of the date of such opinion, and based upon and subject to the assumptions, limitations, qualifications and conditions described in KBW's opinion, the merger consideration to be received by holders of BancTrust common stock in the merger was fair, from a financial point of view, to such holders, as more fully described below under "The Merger" Opinion of Keefe, Bruyette & Woods, Inc. beginning on page 57 and which opinion is included as Annex B to this proxy statement/prospectus;

the financial and other terms of the merger agreement, including the fixed exchange ratio, tax treatment and deal protection and termination fee provisions, which it reviewed with its outside financial and legal advisors, including:

the ability of the board of directors, subject to certain conditions, including the payment of a termination fee under certain circumstances, to exercise its fiduciary duties to consider potential superior alternative transactions and to change its recommendation to BancTrust's shareholders to approve the merger agreement;

that the date in the merger agreement by which the merger must be completed allows for sufficient time to complete the merger but evidences Trustmark's intent to consummate the merger expeditiously;

the level of effort that Trustmark must use under the merger agreement to obtain required regulatory approvals, and the prospects for such approvals being obtained in a timely fashion and without the imposition of a burdensome condition of the type described in "The Merger" Regulatory Approvals Required for the Merger on page 72; and

that the merger provides for the purchase by Trustmark and cancellation in the merger of all of the BancTrust TARP preferred stock and the related warrant to purchase shares of BancTrust common stock held by Treasury;

that BancTrust shareholders are entitled to dissenters' rights in connection with the merger;

the review by the board of directors with its legal advisors, DLA Piper LLP (US) and Hand Arendall LLC, of the provisions of the merger agreement, including the provisions of the merger agreement designed to enhance the probability that the merger will be completed;

the board of directors' review and discussions with BancTrust's management and outside advisors concerning the due diligence examination of the operations, financial condition, regulatory compliance, regulatory compliance programs and prospects of Trustmark;

BancTrust's legal advisors' expectation that the merger will qualify as a transaction of a type that is generally tax-free for United States federal income tax purposes to BancTrust, Trustmark and BancTrust shareholders; and

the opportunities for cost savings resulting from economies of scale, increased efficiencies of operations and the development and availability of new products and services to customers that come from a merger with a larger institution.

The BancTrust board of directors also considered a number of potentially negative factors outlined below in its deliberations concerning the merger agreement and the merger, but concluded that the anticipated benefits of the merger were likely to outweigh substantially these potential negative factors. The potential negative factors included:

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that BancTrust will no longer exist as an independent company and that BancTrust shareholders may have less influence with Trustmark after consummation of the merger than they may have with BancTrust currently;

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the value of the merger consideration compared to historically higher prices at which BancTrust common stock traded;

the potential adverse effect on BancTrust shareholders from a decrease in the trading price of Trustmark common stock during the pendency of the merger, because the merger consideration is a fixed exchange ratio of shares of Trustmark common stock to BancTrust common stock;

the risk that, while BancTrust expects that the merger will be consummated, all conditions to the parties' obligations to complete the merger agreement may not be satisfied, including the risk that certain regulatory approvals, the receipt of which are conditions to the consummation of the merger, might not be obtained, or that a burdensome condition may be imposed in connection with such approval, and, as a result, the merger may not be consummated;

the risk that potential benefits and synergies sought in the merger may not be realized or may not be realized within the expected time period, and the risks associated with the integration of BancTrust and Trustmark;

the restrictions on the conduct of BancTrust's business prior to the consummation of the merger, which are customary for public company merger agreements involving financial institutions, but which, subject to specific exceptions, could delay or prevent BancTrust from undertaking business opportunities that may arise or any other action it would otherwise take with respect to the operations of BancTrust absent the pending consummation of the merger;

the significant risks and costs involved in connection with entering into and consummating the merger, or failing to consummate the merger in a timely manner, or at all, including as a result of any failure to obtain required regulatory approvals, such as the risks and costs relating to diversion of management and employee attention, potential employee attrition, and the potential adverse effect on business and customer relationships;

that BancTrust would be prohibited from affirmatively soliciting acquisition proposals after execution of the merger agreement, and the possibility that the \$5 million termination fee payable by BancTrust following the termination of the merger agreement under certain circumstances could discourage other potential acquirers from making a competing bid to acquire BancTrust; and

the possibility of litigation in connection with the merger.

The foregoing discussion of the factors considered by BancTrust's board of directors is not intended to be exhaustive, but is believed to include the material factors considered by BancTrust's board of directors. In view of the wide variety of the factors considered in connection with its evaluation of the merger and the complexity of these matters, BancTrust's board of directors did not find it useful, and did not attempt, to quantify, rank or otherwise assign relative weights to these factors. In considering the factors described above, the individual members of BancTrust's board of directors may have given different weight to different factors. BancTrust's board of directors conducted an overall analysis of the factors described above including thorough discussions with, and questioning of, BancTrust management and BancTrust's legal and financial advisors, and considered the factors overall to be favorable to, and to support, its determination. BancTrust's board of directors viewed its position as being based on all of the information and the factors presented to and considered by it. In addition, individual directors may have given different weights to different information and factors.

It should be noted that this explanation of BancTrust's board of directors' reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Cautionary Statement Regarding Forward-Looking Statements" on page 21.

### **Opinion of Keefe, Bruyette & Woods, Inc.**

KBW was engaged by BancTrust to provide financial advisory and investment banking services to BancTrust. KBW agreed to assist BancTrust in assessing the fairness, from a financial point of view, of the



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merger consideration in the proposed merger with Trustmark to the shareholders of BancTrust. BancTrust selected KBW because KBW is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with BancTrust and its business. As part of its investment banking business, KBW is continually engaged in the valuation of financial services companies and their securities in connection with mergers and acquisitions.

As part of its engagement, a representative of KBW attended the meeting of the BancTrust board of directors held on May 28, 2012, at which the BancTrust board of directors evaluated the proposed merger with Trustmark. At this meeting, KBW reviewed the financial aspects of the proposed merger and rendered an opinion, subsequently confirmed in writing, that, as of such date and based upon and subject to factors and assumptions set forth therein, the merger consideration offered to BancTrust shareholders in the merger was fair, from a financial point of view, to BancTrust shareholders. The BancTrust board of directors approved the merger agreement at this meeting.

The full text of KBW's written opinion, dated May 28, 2012, is attached as Annex B to this document and is incorporated herein by reference. BancTrust shareholders are encouraged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by KBW. The description of the opinion set forth herein is qualified in its entirety by reference to the full text of such opinion.

**KBW's opinion speaks only as of the date of the opinion. The opinion is directed to the BancTrust board of directors and addresses only the fairness, from a financial point of view, of the consideration offered to BancTrust shareholders. It does not address the underlying business decision to proceed with the merger and does not constitute a recommendation to any BancTrust shareholder as to how the shareholder should vote at the BancTrust special meeting on the merger or any related matter.**

In rendering its opinion, KBW reviewed, among other things:

the merger agreement;

Annual Reports to Stockholders and Annual Reports on Form 10-K for the three years ended December 31, 2011, 2010 and 2009 of BancTrust and the Annual Reports to Stockholders and Annual Reports on Form 10-K for the three years ended December 31, 2011, 2010 and 2009 of Trustmark;

certain interim reports to shareholders and Quarterly Reports on Form 10-Q of BancTrust and Trustmark and certain other communications from BancTrust and Trustmark to their respective shareholders; and

other financial information concerning the businesses and operations of BancTrust and Trustmark furnished to KBW by BancTrust and Trustmark, respectively, for purposes of KBW's analysis.

In addition, KBW held discussions with members of senior management of BancTrust and Trustmark regarding the past and current business operations, regulatory relations, financial condition and future prospects of the respective companies and such other matters that KBW deemed relevant to its inquiry.

In addition, KBW compared certain financial and stock market information for BancTrust and Trustmark with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the banking industry, and performed such other studies and analyses as KBW considered appropriate.

In conducting its review and arriving at its opinion, KBW relied upon and assumed the accuracy and completeness of all of the financial and other information provided to it or otherwise publicly available. KBW did not independently verify the accuracy or completeness of any such information or assume any responsibility for such verification or accuracy. KBW relied upon the management of BancTrust and Trustmark as to the



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reasonableness and achievability of the financial and operating forecasts and projections (and assumptions and bases therefor) provided to KBW by each of BancTrust and Trustmark, respectively, and assumed that such forecasts and projections reflect the best currently available estimates and judgments of such managements and that such forecasts and projections will be realized in the amounts and in the time periods estimated by such managements. KBW assumed, without independent verification, that the aggregate allowances for loan losses for BancTrust and Trustmark are adequate to cover those losses. KBW did not make or obtain any evaluations or appraisals of the property, assets or liabilities of BancTrust or Trustmark, nor did it examine any individual credit files.

The projections furnished to KBW and used by it in certain of its analyses were prepared by BancTrust's and Trustmark's senior management teams. BancTrust and Trustmark do not publicly disclose internal management projections of the type provided to KBW in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions, which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections.

For purposes of rendering its opinion, KBW assumed that, in all respects material to its analyses:

the merger will be completed substantially in accordance with the terms set forth in the merger agreement with no additional payments or adjustments to the merger consideration;

the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement are true and correct;

each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the consummation of the merger will be satisfied without any waivers; and

in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the merger, including the cost savings, revenue enhancements and related expenses expected to result from the merger.

KBW further assumed that the merger will be accounted for using the acquisition method under generally accepted accounting principles, and that the merger will qualify as a tax-free reorganization for United States federal income tax purposes. KBW's opinion is not an expression of an opinion as to the prices at which shares of BancTrust common stock or shares of Trustmark common stock will trade since the announcement of the merger or the actual value of the shares of common stock of the combined company when issued pursuant to the merger, or the prices at which the shares of common stock of the combined company will trade following the consummation of the merger.

In performing its analyses, KBW made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, which are beyond the control of KBW, BancTrust and Trustmark. Any estimates contained in the analyses performed by KBW are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the KBW opinion was among several factors taken into consideration by the BancTrust board of directors in making its determination to approve the merger agreement and the merger. Consequently, the analyses described below should not be viewed as

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determinative of the decision of the BancTrust board of directors with respect to the fairness of the merger consideration in the merger.

The following is a summary of the material financial analyses presented by KBW to the BancTrust board of directors on May 28, 2012, in connection with its fairness opinion. The summary is not a complete description of the analyses underlying the KBW opinion or the presentation made by KBW to the BancTrust board of directors, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, KBW did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, KBW believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of the financial analyses.

*Summary of Proposal.* Pursuant to the terms of the merger agreement, each outstanding share of common stock, par value \$0.01 per share, of BancTrust not owned by BancTrust, Trustmark or any of their respective subsidiaries other than shares owned in a fiduciary capacity or as a result of debts previously contracted, or by dissenting shareholders, will be converted into the right to receive 0.125 of a share of common stock, no par value per share, of Trustmark. Based on Trustmark's closing price on May 25, 2012, of \$24.66, the merger consideration represented a price of \$3.08 per share to BancTrust's shareholders.

*Selected Companies Analysis.* Using publicly available information, KBW compared the financial performance, financial condition and market performance of BancTrust to institutions traded on the New York Stock Exchange, NYSE Amex Equities or NASDAQ, and headquartered in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina or Tennessee, and with assets between \$1.5 billion and \$4.0 billion, and excluded announced merger targets as of May 25, 2012. Companies included in this group were:

Ameris Bancorp

Bank of the Ozarks, Inc.

BNC Bancorp

Capital City Bank Group, Inc.

CenterState Banks, Inc.

Fidelity Southern Corporation

First Bancorp

First Financial Holdings, Inc.

First M&F Corporation

FNB United Corp.

NewBridge Bancorp

Seacoast Banking Corporation of Florida

Simmons First National Corporation

State Bank Financial Corporation

Yadkin Valley Financial Corporation

Using publicly available information, KBW compared the financial performance, financial condition and market performance of Trustmark to institutions traded on the New York Stock Exchange, NYSE Amex Equities or NASDAQ, and headquartered in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina,

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South Carolina, Tennessee or Texas, and with assets between \$5.0 billion and \$20.0 billion. Companies included in this group were:

BancorpSouth, Inc.

BankUnited, Inc.

EverBank Financial Corp

Hancock Holding Company

IBERIABANK Corporation

International Bancshares Corporation

Prosperity Bancshares, Inc.

Texas Capital Bancshares, Inc.

United Community Banks, Inc.

To perform this analysis, KBW used financial information as of or for the three-month period ended March 31, 2012. Market price information was as of May 25, 2012. Earnings estimates for 2012 and 2013 were taken from a nationally recognized earnings estimate consolidator for selected companies. Certain financial data prepared by KBW, and as referenced in the tables presented below, may not correspond to the data presented in BancTrust's and Trustmark's historical financial statements as a result of the different periods, assumptions and methods used by KBW to compute the financial data presented.

KBW's analysis showed the following concerning BancTrust's and Trustmark's financial performance:

	<b>BancTrust</b>	<b>Peer Group Minimum</b>	<b>Peer Group Maximum</b>
Return on Average Assets	0.13%	(1.82%)	1.91%
Return on Average Equity	2.21%	(34.26%)	16.75%
Net Interest Margin	3.30%	2.82%	7.03%
Efficiency Ratio	85%	48%	129%

	<b>Trustmark</b>	<b>Peer Group Minimum</b>	<b>Peer Group Maximum</b>
Return on Average Assets	1.25%	0.36%	1.74%
Return on Average Equity	9.93%	3.13%	17.36%
Net Interest Margin	4.19%	0.75%	5.99%
Efficiency Ratio	64%	42%	84%

KBW's analysis showed the following concerning BancTrust's and Trustmark's financial condition and results of operations:

	<b>BancTrust</b>	<b>Peer Group Minimum</b>	<b>Peer Group Maximum</b>
Tangible Common Equity / Tangible Assets	3.01%	3.73%	15.00%
Leverage Ratio	7.45%	6.22%	15.06%
Loan Loss Reserve / Gross Loans <sup>(1)</sup>	3.43%	1.55%	3.18%

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Loan Loss Reserve / Nonperforming Loans <sup>(1)</sup>	40.5%	24.6%	334.1%
Nonperforming Assets / Loans + OREO <sup>(1)</sup>	12.68%	0.64%	15.68%
Net Charge-Offs / Average Loans <sup>(1)</sup>	0.84%	0.03%	5.79%

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	<b>Trustmark</b>	<b>Peer Group Minimum</b>	<b>Peer Group Maximum</b>
Tangible Common Equity / Tangible Assets	9.68%	5.27%	12.98%
Leverage Ratio	10.55%	7.68%	13.41%
Loan Loss Reserve / Gross Loans <sup>(1)</sup>	1.50%	0.80%	2.74%
Loan Loss Reserve / Nonperforming Loans <sup>(1)</sup>	85.6%	29.7%	536.0%
Nonperforming Assets / Loans + OREO <sup>(1)</sup>	2.96%	0.44%	6.87%
Net Charge-Offs / Average Loans <sup>(1)</sup>	0.13%	0.01%	1.55%

*(1) Asset quality ratios were adjusted to exclude loans and OREO covered by the FDIC as a result of FDIC-assisted acquisitions*

KBW's analysis showed the following concerning BancTrust's and Trustmark's market performance:

	<b>BancTrust</b>	<b>Peer Group Minimum</b>	<b>Peer Group Maximum</b>
Market Capitalization (\$ Million)	\$ 34	\$ 38	\$ 996
1-Year Stock Price Change	(22%)	(59%)	31%
1-Year Total Return	(22%)	(59%)	31%
Stock Price / Book Value per Share	54%	41%	335%
Stock Price / Tangible Book Value per Share	56%	43%	373%
Stock Price / 2012 Estimated EPS <sup>(1)</sup>	NA	7.8x	59.8x
Stock Price / 2013 Estimated EPS <sup>(1)</sup>	NA	5.5x	26.3x
Dividend Yield	0.0%	0.0%	3.5%

	<b>Trustmark</b>	<b>Peer Group Minimum</b>	<b>Peer Group Maximum</b>
Market Capitalization (\$ Million)	\$1,597	\$ 488	\$ 2,476
1-Year Stock Price Change	5%	(19%)	59%
1-Year Total Return	10%	(19%)	59%
Stock Price / Book Value per Share	129%	89%	225%
Stock Price / Tangible Book Value per Share	171%	104%	308%
Stock Price / 2012 Estimated EPS <sup>(1)</sup>	13.8x	11.3x	17.8x
Stock Price / 2013 Estimated EPS <sup>(1)</sup>	13.8x	10.8x	15.3x
Dividend Yield	3.7%	0.0%	3.2%

*(1) Earnings estimates are consensus of Wall Street analysts' estimates as compiled by FactSet Research Systems, Inc.*

**Recent Transaction Analysis.** KBW reviewed publicly available information related to selected acquisitions of Southeast banks and thrifts announced between December 31, 2009 and May 25, 2012, with target total assets greater than \$200 million. The Southeast, as defined by KBW, includes the following states: Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee. The transactions included in the group were:

**Acquiror**

Park Sterling Corporation  
Capital Bank Financial Corporation  
IBERIABANK Corporation  
BNC Bancorp  
SCBT Financial Corporation  
Trustmark Corporation  
1st United Bancorp, Inc.  
PNC Financial Services Group, Inc.

**Target**

Citizens South Banking Corporation  
Southern Community Financial Corporation  
Florida Gulf Bancorp, Inc.  
KeySource Financial, Inc.  
Peoples Bancorporation, Inc.  
Bay Bank & Trust Co.  
Anderen Financial, Inc.  
RBC Bank (USA)



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Park Sterling Corporation  
 Home Bancorp, Inc.  
 IBERIABANK Corporation  
 IBERIABANK Corporation  
 Hancock Holding Company  
 American National Bankshares Inc.  
 Trustmark Corporation <sup>(1)</sup>  
 Toronto-Dominion Bank

Community Capital Corporation  
 GS Financial Corp.  
 Cameron Bancshares, Inc.  
 Omni Bancshares, Inc.  
 Whitney Holding Corporation  
 MidCarolina Financial Corporation  
 Cadence Financial Corporation  
 South Financial Group, Inc.

*(1) Transaction terminated; Community Bancorp LLC announced private-equity backed acquisition of Cadence Financial Corporation on October 6, 2010.*

Transaction multiples for the merger were derived from an offer price of \$3.08 per share for BancTrust. For each transaction referred to above, KBW derived and compared, among other things, the implied ratio of price per common share paid for the acquired company to:

- book value per share of the acquired company based on the latest publicly available financial statements of the company prior to the announcement of the acquisition;
- tangible book value per share of the acquired company based on the latest publicly available financial statements of the company prior to the announcement of the acquisition;
- tangible common equity premium to core deposits (total deposits less time deposits greater than \$100,000) based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition; and
- market premium based on the latest closing price one-day prior to the announcement of the acquisition.

The results of the analysis are set forth in the following table:

<b>Transaction Price to:</b>	<b>BancTrust/ Trustmark Merger</b>	<b>Comparable Bank Transactions Minimum</b>	<b>Comparable Bank Transactions Maximum</b>
Book Value	87%	10%	172%
Tangible Book Value	92%	17%	172%
Core Deposit Premium	(0.4%)	(8.2%)	11.5%
Market Premium <sup>(1)</sup>	62.2%	16.8%	46.5%

*(1) Based on BancTrust's closing price of \$1.90 on May 25, 2012.*

No company or transaction used as a comparison in the above analysis is identical to BancTrust, Trustmark or the merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved.



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*Contribution Analysis.* KBW analyzed the relative contribution of each of BancTrust and Trustmark to the pro forma balance sheet of the combined entity, including assets, gross loans, deposits, tangible common equity, nonperforming assets, market capitalization and pro forma ownership. This analysis excluded any acquisition accounting adjustments and was based on BancTrust's and Trustmark's closing prices on May 25, 2012 of \$1.90 and \$24.66, respectively. To perform this analysis, KBW used financial information as of the three-month period ended March 31, 2012. The results of KBW's analysis are set forth in the following table:

	<b>Trustmark as % of Total</b>	<b>BancTrust as % of Total</b>
<b>Balance Sheet</b>		
Assets	83.2	16.8
Gross Loans	83.1	16.9
Deposits	81.9	18.1
Tangible Common Equity	93.9	6.1
Nonperforming Assets <sup>(1)</sup>	52.3	47.7
Market Capitalization	97.9	2.1
Pro Forma Ownership		
100% Common Stock	96.6	3.4

*(1) Nonperforming assets include nonaccrual loans, accruing restructured loans and OREO; Trustmark's nonperforming assets exclude loans and OREO covered by loss-share agreements with the FDIC.*

*Financial Impact Analysis.* KBW performed pro forma merger analyses that combined projected income statement and balance sheet information of BancTrust and Trustmark. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the merger would have on certain projected financial results of Trustmark. In the course of this analysis, KBW used earnings estimates for Trustmark for 2012 and 2013 from consensus Wall Street earnings estimates, compiled by FactSet Research Systems Inc. KBW used earnings estimates for BancTrust for 2012 from BancTrust's management and earnings estimates for 2013 from Trustmark's management. This analysis indicated that the merger is expected to be accretive to Trustmark's estimated earnings per share in 2013. The analysis also indicated that the merger is expected to be accretive to book value per share and dilutive to tangible book value per share for Trustmark and that Trustmark would maintain well capitalized capital ratios. For all of the above analyses, the actual results achieved by Trustmark following the merger will vary from the projected results, and the variations may be material.

*Discounted Cash Flow Analysis.* KBW performed a discounted cash flow analysis to estimate a range of the present values of after-tax cash flows that BancTrust could provide to equity holders through 2017, assuming a \$110.0 million common equity offering in the fourth quarter of 2012 at a price of \$0.50 per share, per BancTrust management guidelines. The analysis assumed a 5.0 percent underwriting discount. In performing the discounted cash flow analyses described herein, KBW did not express an opinion as to the feasibility of a capital raise as an independent entity. In performing this analysis, KBW used earnings projections for BancTrust for 2012 through 2017 and included \$150.0 million of remaining losses on loans and other real estate owned, which is referred to as OREO, per BancTrust management guidelines. The range of values was determined by adding (1) the present value of the projected cash flows to BancTrust shareholders from 2012 to 2017 and (2) the present value of the terminal value of BancTrust's common stock. In calculating the terminal value of BancTrust, KBW applied multiples ranging from 9.0 times to 14.0 times 2017 forecasted earnings. In determining cash flows available to shareholders, KBW assumed balance sheet growth per BancTrust management and assumed that BancTrust would maintain a tangible common equity / tangible asset ratio of 7.0 percent and would retain sufficient earnings to maintain that level. Any earnings in excess of what would need to be retained represented dividendable cash flows for BancTrust. These cash flows were then discounted to present value using discount rates ranging from 11.0 percent to 16.0 percent. This resulted in a range of values from \$0.17 per share to \$0.49 per share.

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In addition, KBW also considered and discussed with the BancTrust board of directors how the above analysis would be impacted by changes in the underlying assumptions of the capital raise, including variations with respect to the amount raised and the offer price per share. To illustrate this impact, KBW performed a similar discounted cash flow analysis to that described above assuming capital raises ranging from \$80.0 million to \$130.0 million at offer prices ranging from \$0.20 per share to \$0.95 per share utilizing a 13.0 percent discount rate and a terminal multiple of 12.0 times 2017 forecasted earnings. This resulted in a range of values from \$0.13 per share to \$0.64 per share.

KBW further considered and discussed with the BancTrust board of directors how the discounted cash flow analysis would be impacted by changes in the underlying assumptions of remaining losses on loans and OREO. To illustrate this impact, KBW performed a discounted cash flow analysis assuming a \$110.0 million common equity offering in the fourth quarter of 2012 at a price of \$0.50 per share (per BancTrust management guidelines) and assuming a 5.0 percent underwriting discount; assumed the remaining losses ranged from \$100.0 million to \$225.0 million and applied terminal multiples ranging from 9.0 times to 14.0 times 2017 forecasted earnings utilizing a 13.0 percent discount rate. This resulted in a range of values from \$0.04 per share to \$0.54 per share.

The discounted cash flow present value analysis is a widely used valuation methodology that relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. The analysis does not purport to be indicative of the actual values or expected values of BancTrust.

Moreover, the analysis relates only to potential values achieved by BancTrust as a stand-alone entity on the basis of the assumptions described herein. It is not intended to, and does not purport to, reflect values that may be achieved on a post-merger basis with Trustmark.

The BancTrust board of directors retained KBW as financial adviser to BancTrust regarding the merger. As part of its investment banking business, KBW is continually engaged in the valuation of bank and bank holding company securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for various other purposes. As specialists in the securities of banking companies, KBW has experience in, and knowledge of, the valuation of banking enterprises. In the ordinary course of its business as a broker-dealer, KBW may, from time to time, purchase securities from, and sell securities to, BancTrust and Trustmark. As a market maker in securities, KBW may from time to time have a long or short position in, and buy or sell, debt or equity securities of BancTrust or Trustmark for KBW's own account and for the accounts of its customers.

BancTrust paid KBW a fee of \$250,000 upon the execution of the merger agreement. In addition, BancTrust has agreed to pay KBW at the time of consummation of the merger a cash fee (the Contingent Fee) equal to \$1,925,000. Pursuant to the KBW engagement agreement, BancTrust also agreed to reimburse KBW for reasonable out-of-pocket expenses and disbursements incurred in connection with its retention and to indemnify KBW against certain liabilities, including liabilities under the federal securities laws. During the two years preceding the date of its opinion to BancTrust, KBW did not receive any compensation for investment banking services from BancTrust or Trustmark.

### **Trustmark's Reasons for the Merger**

Trustmark believes that the acquisition of BancTrust provides an excellent opportunity to expand into attractive Alabama markets and increase scale in its existing Florida franchise. In particular, the acquisition provides entry to a number of Alabama markets, including Mobile, Montgomery and Selma, as well as enhances Trustmark's existing franchise in the Florida Panhandle. The acquisition also provides Trustmark a significant opportunity to generate additional revenue by providing its full suite of banking, mortgage banking, wealth management and insurance services to BancTrust's markets as well as leverage Trustmark's operating platform. The board of directors of Trustmark approved the merger agreement after Trustmark's senior management discussed with the board of directors a number of factors, including those described above and the business,

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assets, liabilities, results of operations, financial performance, strategic direction and prospects of BancTrust. Trustmark's board of directors did not consider it practicable, and did not attempt, to quantify or otherwise assign relative weights to the specific factors it considered in reaching its determination. Trustmark's board of directors viewed its position as being based on all of the information and the factors presented to and considered by it. In addition, individual directors may have given different weights to different information and factors.

### **Management and Board of Directors of Trustmark After the Merger**

The directors and officers of Trustmark immediately prior to the effective time of the merger will continue as the directors and officers of Trustmark as the surviving corporation of the merger. As of the effective time of the merger, two current directors of BancTrust who are mutually selected by BancTrust and Trustmark will be appointed as directors of Trustmark National Bank. Information about the current Trustmark directors and executive officers can be found in the documents listed under [Where You Can Find More Information](#) beginning on page 160.

### **Interests of BancTrust's Directors and Executive Officers in the Merger**

When considering the recommendation of BancTrust's board of directors that BancTrust shareholders vote for the adoption of the merger agreement, BancTrust shareholders should be aware that some of BancTrust's directors and executive officers may have interests in the merger and have arrangements that may be different from, or in addition to, those of BancTrust shareholders generally. These interests and arrangements may create potential conflicts of interest. BancTrust's board of directors was aware of these interests and considered them, among other matters, when making its decision to approve the merger agreement and recommend that BancTrust shareholders vote in favor of approval of the merger agreement. For purposes of all of the BancTrust agreements and plans described below, the completion of the transactions contemplated by the merger agreement will constitute a change of control.

### ***Change in Control Severance Agreements***

BancTrust entered into change in control severance agreements with its executive officers, designed to retain the executives in the event of a change in control transaction. The agreements provide a severance benefit if an executive officer's employment is terminated at any time within two years following a change in control under the following circumstances: (1) BancTrust terminates the executive officer's employment for reasons other than for cause or as a result of the executive officer's death or permanent disability; or (2) the executive officer terminates employment within 120 days following the occurrence of any of the following events: (a) a material reduction in the executive officer's base salary from his or her base salary immediately prior to the change in control; (b) a reduction in the executive officer's total annual compensation paid by BancTrust as reported by BancTrust on Form W-2, such that the executive officer's W-2 compensation is materially less than the average of the executive officer's annual W-2 compensation from BancTrust for the three most recently completed years prior to the change in control; or (c) a material change in the geographic location at which the executive officer must perform his or her services without the executive officer's consent, meaning the transfer of executive officer, without his or her consent, to a location requiring a change in his or her residence or a material increase in the amount of travel normally required of executive officer in connection with his or her employment. The executive officer must provide BancTrust with notice of the occurrence of an event described in (b) within 90 days after the occurrence of such event, and BancTrust would have 30 days thereafter to remedy the condition.

In these circumstances, the executive officer will be entitled to receive upon termination one lump sum cash severance payment equal to a multiple of the executive officer's annualized compensation for the prior year (as described in the table below). For purposes of determining the amount of severance, annualized compensation is defined as amounts earned for personal service as reportable on the executive officer's Form W-2, including bonuses, and excluding moving and education expenses, income included under Section 79 of the Internal

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Revenue Code, and income imputed to the executive officer from personal use of employer-owned automobiles and employer-paid club dues. Earnings do not include any income attributable to grants of and dividends on shares awarded under any equity incentive compensation plans. In addition, as part of the executive officer's severance benefit, BancTrust will reimburse the executive officer's COBRA payments for continued group health coverage until the earlier of the expiration of COBRA coverage or the date the executive officer is employed by another employer with group health coverage. The benefits described above cannot exceed the highest amount that can be paid without triggering excise taxes or penalties under the Code.

The change in control severance agreements contain certain restrictive covenants. The executive officer has agreed that he will not, directly or indirectly, on his own behalf or in the service or on behalf of others, whether as a consultant, independent contractor, employee, owner, partner, joint venturer or otherwise, solicit, contact, attempt to divert or appropriate any person or entity who was a customer, account or prospect of BancTrust or a subsidiary, or perform services for customers or accounts in a manner that is competitive with BancTrust or any subsidiary. In addition, the executive officer has agreed not to recruit any employee of BancTrust or a subsidiary to leave employment with BancTrust or its subsidiaries. These covenants continue, in most cases, for a period of 12 months following the termination of the executive officer's employment. If the executive officer violates these covenants, BancTrust may refuse to pay any further severance (including any COBRA reimbursements) and may demand repayment of amounts already paid.

The following table sets forth the estimated cash payments and benefits payable to BancTrust's executive officers pursuant to their change in control severance agreements assuming a termination of employment under circumstances that would trigger their right to severance occurred on July 5, 2012. The actual amounts that would be paid to an executive officer would be reduced to the extent required to avoid the imposition of excise taxes under Section 4999 of the Code and can only be determined at the time of the executive officer's termination of employment. Therefore, the actual amounts, if any, to be received by an executive officer may differ from the amounts set forth below.

Name and Principal Position	Annualized Compensation	Multiplier	Cash Severance	COBRA Reimbursement
W. Bibb Lamar, Jr., CEO & President	\$ 350,000	3 x	\$ 1,050,000	\$ 20,286
F. Michael Johnson, CFO, EVP & Secretary	\$ 178,000	3 x	\$ 534,000	\$ 20,286
Michael D. Fitzhugh, EVP & AL President	\$ 188,000	3 x	\$ 564,000	\$ 20,286
Bruce C. Finley, Jr., EVP Sr. Credit Officer	\$ 165,000	3 x	\$ 495,000	\$ 9,018
Edward T. Livingston, EVP, Central Division	\$ 175,000	2 x	\$ 350,000	\$ 20,286

President, Acting FL

President

***Accelerated Vesting and Payment of Equity Compensation***

**Stock Options.** In connection with the merger, each outstanding and unvested option to purchase shares of BancTrust common stock will vest in full and become exercisable no less than 30 days prior to the effective time of the merger. Any BancTrust stock options that are not exercised on or before the effective time of the merger will terminate and be cancelled for no consideration. Because all options held by BancTrust's executive officers and directors have an exercise price that is significantly higher than the average closing price per share of BancTrust's common stock for the first five days following the public announcement of the merger, the stock options are underwater and therefore are not expected to be exercised prior to the effective time of the merger.

**Restricted Stock.** In connection with the merger, each outstanding share of BancTrust restricted stock will vest in full and become free of restrictions immediately prior to the effective time of the merger, and at the

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effective time of the merger will be converted into the right to receive 0.125 of a share of Trustmark common stock, less applicable tax withholding (if any). All shares of restricted stock held by BancTrust's executive officers are already fully vested.

*Deferred Stock.* In connection with the merger, the deferred stock rights in respect of BancTrust common stock under BancTrust's amended and restated directors deferred compensation plan will be converted into the right to receive the number of shares of Trustmark common stock equal to the number of shares of BancTrust common stock underlying the deferred stock right multiplied by the exchange ratio, with distributions to be made in accordance with the terms of the plan. Pursuant to the terms of the plan, if a director's service terminates within two years after the effective time of the merger, then amounts under the plan that were not earned and vested as of January 1, 2005 will be paid in a lump sum within 30 days after the director's termination, and amounts under the plan that were earned and vested as of January 1, 2005 may be paid out in a lump sum if the director elects payment in accordance with procedures established under the plan. Pursuant to the merger agreement, if requested by Trustmark and not prohibited by applicable tax law, the directors deferred compensation plan will terminate in connection with the merger and amounts thereunder will be paid in a lump sum.

The following table sets forth the number and value of the deferred shares under the directors deferred compensation plan held by each of BancTrust's non-employee directors as of June 7, 2012, all of which are fully vested and non-forfeitable.

<b>Directors:</b>	<b>Number of Deferred Shares</b>	<b>Value of Deferred Shares (1)</b>
Robert M. Dixon, Jr.	31,630	\$ 91,410
Broox G. Garrett, Jr.	13,504	\$ 39,028
Barry E. Gritter	31,834	\$ 92,002
Clifton C. Inge, Jr.	19,777	\$ 57,156
Harris V. Morrisette	40,468	\$ 116,951
Paul D. Owens, Jr.	31,385	\$ 90,701
Peter C. Sherman	17,951	\$ 51,877
Dennis A. Wallace	2,666	\$ 7,706

(1) Calculated by multiplying the number of deferred shares by the market value of BancTrust's stock as of June 7, 2012.

***Golden Parachute Compensation for BancTrust's Named Executive Officers***

The following table sets forth the information required by Item 402(t) of Regulation S-K promulgated by the SEC, regarding certain compensation which each of BancTrust's named executive officers may receive that is based on or that otherwise relates to the merger. The amounts are calculated assuming that the effective date of the merger and a qualifying termination of employment occurred on July 5, 2012. The merger-related compensation payable to BancTrust's named executive officers is subject to a non-binding advisory vote of BancTrust's shareholders, as described under The BancTrust Proposals Proposal 2: Merger-Related Named Executive Officer Compensation Proposal beginning on page 49.

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Name	Cash (\$)(1)	Equity (\$)(2)	Pension/ NQDC (\$)	Perquisites / Benefits (\$)(3)	Tax Reimbursement (\$)	Other (\$)	Total (\$)(4)
W. Bibb Lamar, Jr.	\$ 1,050,000			\$ 20,286			\$ 1,070,286
F. Michael Johnson	\$ 534,000			\$ 20,286			\$ 554,286
Michael D. Fitzhugh	\$ 564,000			\$ 20,286			\$ 584,286
Bruce C. Finley, Jr.	\$ 495,000			\$ 9,018			\$ 504,018
Edward T. Livingston	\$ 350,000			\$ 20,286			\$ 370,286

- (1) This amount represents the aggregate cash severance payable upon BancTrust's termination of the executive officer without cause or the executive officer's constructive termination as described above under "Change in Control Severance Agreements" in either case within two years after the merger (a "double-trigger arrangement"). The cash severance is payable in one lump sum within 15 days after the executive officer's termination. The executive officer is subject to nonsolicitation and noncompetition covenants for 12 months after termination. If the executive officer violates these covenants, BancTrust may refuse to pay any further severance and may demand repayment of amounts already paid.
- (2) None of the executive officers' stock options are in-the-money. All of the executive officers' restricted stock awards are already fully vested.
- (3) This amount represents the estimated total maximum COBRA reimbursement that BancTrust would provide as part of the executive officer's double-trigger arrangements under the executive officer's change in control severance agreement with BancTrust described above under "Change in Control Severance Agreements."
- (4) Pursuant to the BancTrust Financial Group, Inc. Change in Control Compensation Agreements, the total amounts in this column will be reduced to the extent required to avoid imposition of the 280G "golden parachute" excise tax under Section 4999 of the Code. Assuming a qualifying termination of employment occurred on July 5, 2012, it is estimated that total payments to the following executive officers would be reduced to the following amounts: approximately \$536,000 for Mr. Johnson, \$561,000 for Mr. Fitzhugh, and \$476,000 for Mr. Finley, Jr.

**Indemnification and Insurance**

The merger agreement provides that for six years after the effective time of the merger, Trustmark will indemnify, defend and hold harmless the present and former directors and officers of BancTrust and its subsidiaries against all liabilities arising out of actions or omissions arising out of such person's services in such capacities to the fullest extent permitted by applicable law and BancTrust's governing documents in effect on the date of the merger agreement (including any provisions relating to the advancement of expenses incurred in the defense of any litigation).

The merger agreement requires Trustmark to use its reasonable best efforts to maintain for a period of six years after the effective time of the merger BancTrust's existing directors' and officers' liability insurance policy, or policies of at least the same coverage and amounts and containing terms and conditions which are substantially no less advantageous than the current policy (or, with the consent of BancTrust prior to the effective time of the merger, any other policy), with respect to claims arising from facts or events that occurred prior to the effective time of the merger, and covering such individuals who are currently covered by such insurance. However, Trustmark is not required to incur annual premium payments greater than 350 percent of BancTrust's current annual directors' and officers' annual liability insurance premium. In lieu of the insurance described in the preceding sentence, prior to the effective time of the merger, Trustmark, or BancTrust, with Trustmark's consent, may obtain a six-year "tail" prepaid policy providing coverage equivalent to such insurance. See "The Merger Agreement Covenants and Agreements D&O Indemnification and Insurance" on page 84.

**Public Trading Markets**

## Edgar Filing: TRUSTMARK CORP - Form S-4

Trustmark common stock is listed and traded on NASDAQ under the symbol TRMK. BancTrust common stock is listed and traded on NASDAQ under the symbol BTFG. Upon the effective time of the merger, the

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BancTrust common stock will be delisted from NASDAQ and deregistered under the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act. The newly issued Trustmark common stock issuable pursuant to the merger agreement will be listed on NASDAQ and freely transferable under the Securities Act of 1933, as amended, which is referred to as the Securities Act.

### **Dissenters Appraisal Rights**

If the merger is consummated, holders of record of BancTrust common stock who follow the procedures specified by Article 13 of the ABCL will be entitled to determination and payment in cash of the fair value of their stock (as determined immediately before the effective time of the merger), excluding any appreciation or depreciation resulting from the anticipation of the merger, unless such exclusion would be inequitable, but including interest from the effective date of the merger until the date of payment. BancTrust shareholders who elect to follow these procedures are referred to as dissenting shareholders.

**A vote in favor of the merger agreement by a holder of BancTrust common stock will result in a waiver of the shareholder's right to demand payment for his or her shares.**

*The following summary of the provisions of Article 13 of the ABCL is not intended to be a complete statement of such provisions, the full text of which is attached as Annex C to this proxy statement/prospectus, and is qualified in its entirety by reference thereto.*

A holder of BancTrust common stock electing to exercise dissenters' rights (1) must deliver to BancTrust at 107 Saint Francis Street, Mobile, Alabama 36602, Attention: F. Michael Johnson, before the vote at the BancTrust special meeting, written notice of his or her intent to demand payment for his or her shares if the merger is effectuated, and (2) must not vote in favor of the merger agreement. The requirement of written notice is in addition to and separate from the requirement that such shares not be voted in favor of the merger agreement, and the requirement of written notice is not satisfied by voting against the merger agreement either in person or by proxy. The requirement that shares not be voted in favor of the merger agreement will be satisfied if no proxy is returned and the shares are not voted in person. Because a properly executed and delivered proxy which is left blank will, unless revoked, be voted FOR approval of the merger agreement, in order to be assured that his, her or its shares are not voted in favor of the merger agreement, the dissenting shareholders who vote by proxy must not leave the proxy blank but must (1) vote AGAINST the approval of the merger agreement or (2) affirmatively ABSTAIN from voting. Neither a vote against approval of the merger agreement nor an abstention will satisfy the requirement that a written notice of intent to demand payment be delivered to BancTrust before the vote on the merger agreement.

A record shareholder may assert dissenters' rights as to fewer than all of the shares registered in his or her name only if he or she dissents with respect to all shares beneficially owned by any one person and notifies BancTrust in writing of the name and address of each person on whose behalf he or she asserts dissenters' rights. A beneficial shareholder of BancTrust common stock may assert dissenters' rights as to shares held on his or her behalf only if he or she submits to BancTrust the record shareholder's written consent to the dissent prior to or contemporaneously with such assertion and he or she does so with respect to all shares of which he, she or it is the beneficial shareholder or over which he, she or it has the power to vote. **Where no number of shares is expressly mentioned, the notice of intent to demand payment will be presumed to cover all shares held in the name of the record holder.**

No later than 10 days after the merger, Trustmark, as surviving corporation of the merger, will send a written dissenters' notice to each dissenting shareholder who did not vote in favor of the merger and who duly filed a written notice of intent to demand payment in accordance with the foregoing. The dissenters' notice will specify, among other things, the deadline by which time Trustmark must receive a payment demand from such dissenting shareholders and will include a form for demanding payment. The deadline will be no fewer than 30 days and no more than 60 days after the date the dissenters' notice is delivered. **It is the obligation of any dissenting**



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**shareholder to initiate all necessary action to perfect his or her dissenters' rights within the time periods prescribed in Article 13 of the ABCL and the dissenters' notice. If no payment demand is timely received from a dissenting shareholder, all dissenters' rights of said dissenting shareholder will be lost, notwithstanding any previously submitted written notice of intent to demand payment.** Each dissenting shareholder who demands payment retains all other rights of a shareholder unless and until those rights are cancelled or modified by the merger. A dissenting shareholder who demands payment in accordance with the foregoing may not thereafter withdraw that demand and accept the terms offered under the merger agreement unless Trustmark consents thereto.

Within 20 days of a formal payment demand, a dissenting shareholder who has made a demand must submit his or her share certificate or certificates to Trustmark so that a notation to that effect may be placed on such certificate or certificates and the shares may be returned to the dissenting shareholder with the notation thereon. **A shareholder's failure to submit shares for notation will, at Trustmark's option, terminate the holder's rights as a dissenter, unless a court of competent jurisdiction determines otherwise.**

Promptly after the merger, or upon receipt of a payment demand, Trustmark shall offer to pay each dissenting shareholder who complied with Article 13 of the ABCL the amount Trustmark estimates to be the fair value of such dissenting shareholder's shares plus accrued interest. Each dissenting shareholder who agrees to accept the offer of payment in full satisfaction of his or her demand must surrender to Trustmark the certificate or certificates representing his or her shares in accordance with the terms of the dissenters' notice. Upon receiving the certificate or certificates, Trustmark will pay each dissenting shareholder the fair value of his or her shares, plus accrued interest. Upon receiving payment, each dissenting shareholder ceases to have any interest in the shares.

Each dissenting shareholder who has made a payment demand may notify Trustmark in writing of his or her own estimate of the fair value of his or her shares and the amount of interest due, and demand payment of his or her estimate, or reject the offer made to such shareholder and demand payment of the fair value of his or her shares and interest due, if: (1) the dissenting shareholder believes that the amount offered is less than the fair value of the shares or that the interest due is incorrectly calculated; (2) Trustmark fails to make an offer as required by Article 13 of the ABCL within 60 days after the date set for demanding payment; or (3) BancTrust, having failed to consummate the merger, does not release the transfer restrictions imposed on the shares within 60 days after the date set for demanding payment; provided, however, that a dissenting shareholder waives the right to demand payment different from that offered unless he or she notifies Trustmark of his or her demand in writing within 30 days after Trustmark offered payment for the shares.

If a demand for payment remains unsettled, Trustmark will commence a proceeding within 60 days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If the proceeding is not commenced within the 60-day period, each dissenting shareholder whose demand remains unsettled shall be entitled to receive the amount demanded. Such a proceeding will be filed in the Circuit Court of Mobile County, Alabama. Each dissenting shareholder made a party to the proceeding is entitled to judgment for the amount the court finds to be the fair value of the shares, plus accrued interest. Upon payment of the judgment and surrender to Trustmark of the certificate or certificates representing the judicially appraised shares, a dissenting shareholder will cease to have any interest in the shares. The Court may assess costs incurred in such a proceeding against Trustmark or may assess the costs against all or some of the dissenting shareholders, in amounts the court finds equitable, to the extent the Court finds that such dissenting shareholders acted arbitrarily, vexatiously or not in good faith in demanding payment different from that initially offered by Trustmark. The Court may also assess the reasonable fees and expenses of counsel and experts against Trustmark, if the Court finds that it did not substantially comply with its requirements regarding providing notice of dissenters' rights and the procedures associated therewith under Article 13 of the ABCL or against either Trustmark or all or some of the dissenting shareholders if the Court finds that the party against whom the fees and expenses are assessed acted arbitrarily, vexatiously or not in good faith with respect to the rights provided in Article 13 of the ABCL. If the Court finds that services of counsel for any dissenter were of substantial benefit to

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other similarly situated dissenters, and that fees for such services should not be assessed against Trustmark, then the Court may award reasonable fees to such counsel that will be paid out of the amounts awarded to dissenters who benefited from such services.

### **Regulatory Approvals Required for the Merger**

Trustmark and BancTrust have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement; provided that in no event will Trustmark be required to raise common equity capital at the holding company level in an amount which would reduce the economic benefits of the transactions contemplated by the merger agreement to Trustmark to such a degree that Trustmark would not have entered into the merger agreement had such condition to raise common equity capital been known to it at the date of the merger agreement, which is referred to as a burdensome condition. These approvals include approval from the Federal Reserve Board, among others. Trustmark and BancTrust have filed, or are in the process of filing, applications and notifications to obtain the required regulatory approvals.

*Federal Reserve Board.* The transactions contemplated by the merger agreement are subject to approval by the Federal Reserve Board pursuant to Section 3 of the Bank Holding Company Act of 1956, as amended, which is referred to as the BHC Act. In considering the approval of a transaction such as the merger, the BHC Act requires the Federal Reserve Board to review, with respect to the bank holding companies and the banks concerned: (1) the competitive impact of the transaction; (2) the financial condition and future prospects, including capital positions and managerial resources; (3) the convenience and needs of the communities to be served and the record of the insured depository institution subsidiaries of the bank holding companies under the Community Reinvestment Act; (4) the effectiveness of the companies and the depository institutions concerned in combating money-laundering activities and (5) the extent to which the proposal would result in greater or more concentrated risks to the stability of the United States banking or financial system. In connection with its review, the Federal Reserve Board will provide an opportunity for public comment on the application and is authorized to hold a public meeting or other proceeding if they determine that would be appropriate.

*Office of the Comptroller of the Currency.* Immediately following the merger, Trustmark intends to merge BankTrust with and into Trustmark National Bank, with Trustmark National Bank surviving. Consummation of the bank subsidiary merger is subject to receipt of the approval of the OCC under the Bank Merger Act. Application for approval of the bank merger will be subject to a 30-day public notice and comment period, as well as review and approval by the OCC. In evaluating an application filed under the Bank Merger Act, the OCC generally considers the financial and managerial resources of the banks, the convenience and needs of the community to be served, the banks' effectiveness in combating money-laundering activities as well as the import of the transaction on financial stability. In connection with its review, the OCC will provide an opportunity for public comment on the application for the bank merger, and is authorized to hold a public meeting or other proceeding if they determine that would be appropriate.

*United States Department of the Treasury.* The purchase of the BancTrust TARP preferred stock and the BancTrust TARP warrant requires the approval and cooperation of Treasury, in addition to approval of the Federal Reserve Board. BancTrust and Trustmark have notified Treasury and the Federal Reserve Board of Trustmark's intent to purchase. When all consultations among the regulatory agencies have been completed, Treasury and the Federal Reserve will advise BancTrust and Trustmark concerning the completion of the purchase.

*Additional Regulatory Approvals and Notices.* Under Alabama state law, Trustmark must also obtain the approval of the ABD to merge with BancTrust and to acquire indirect control of its subsidiary, BankTrust. Additionally, Trustmark must provide the ABD with notice of the proposed interstate merger of BankTrust with and into Trustmark National Bank, as well as a copy of the application filed with the OCC under the Bank Merger Act.

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We note that the regulatory agencies may also request that we provide additional information or filings for purposes of their review and approval of the proposed transactions.

*Timing.* We cannot assure you that all of the regulatory approvals described above will be obtained and, if obtained, we cannot assure you as to the timing of any such approvals, our ability to obtain the approvals on satisfactory terms or the absence of any litigation challenging such approvals. We also cannot assure you that any third party will not attempt to challenge the merger on antitrust grounds, and, if such a challenge is made, we cannot assure you as to its result.

Trustmark and BancTrust believe that the merger does not raise substantial antitrust or other significant regulatory concerns and that we will be able to obtain all requisite regulatory approvals on a timely basis without the imposition of any condition that would have a material adverse effect on Trustmark or BancTrust. The parties' obligation to complete the merger is conditioned upon the receipt of all required regulatory approvals.

We are not aware of any material governmental approvals or actions that are required for consummation of the merger other than those described above. It is presently contemplated that if any such additional governmental approvals or actions are required, those approvals or actions will be sought. There can be no assurance, however, that any additional approvals or actions will be obtained.

**NASDAQ Listing of Trustmark Common Stock; Delisting and Deregistration of BancTrust Common Stock**

Before the effective time of the merger, Trustmark has agreed to use its reasonable best efforts to cause the shares of Trustmark common stock to be issued in the merger to be approved for listing on NASDAQ. The listing of the shares of Trustmark common stock is also a condition to the consummation of the merger. If the merger is completed, BancTrust common stock will cease to be listed on NASDAQ and BancTrust common stock will be deregistered under the Exchange Act.

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**THE MERGER AGREEMENT**

*The following describes certain material provisions of the merger agreement, but does not describe all of the terms of the merger agreement and may not contain all of the information about the merger agreement that is important to you. The following description of the merger agreement is subject to, and qualified in its entirety by reference to, the merger agreement, which is attached to this proxy statement/prospectus as Annex A and is incorporated by reference into this proxy statement/prospectus. We urge you to read the merger agreement carefully and in its entirety, as it is the legal document governing this merger.*

**Structure of the Merger**

Each of the BancTrust board of directors and the Trustmark board of directors has approved the merger agreement, which provides for the merger of BancTrust with and into Trustmark, with Trustmark continuing as the surviving corporation.

*Merger Consideration*

Each share of BancTrust common stock issued and outstanding immediately prior to the effective time of the merger, except for shares of BancTrust common stock held by Trustmark, BancTrust and their respective subsidiaries, will be converted into the right to receive 0.125 of a share of Trustmark common stock. If the number of shares of Trustmark common stock changes before the merger is completed as a result of a stock split, stock dividend or similar recapitalization with respect to such stock, and the record or effective date with respect to such change is prior to the effective time of the merger, then the exchange ratio will be equitably and proportionately adjusted to reflect such change.

*Fractional Shares*

Trustmark will not issue any fractional shares of Trustmark common stock in the merger. Instead, a BancTrust shareholder who otherwise would have been entitled to receive a fraction of a share of Trustmark common stock will receive, in lieu thereof, an amount in cash rounded to the nearest cent. This cash amount will be determined by multiplying the fraction of a share of Trustmark common stock to which the holder would otherwise be entitled by the last reported sale price of Trustmark common stock on NASDAQ on the last trading day preceding the date on which the merger is completed.

*Surviving Corporation, Governing Documents and Directors*

At the effective time of the merger, Trustmark's articles of incorporation and bylaws in effect immediately prior to the effective time will be the articles of incorporation and bylaws of Trustmark as the surviving corporation of the merger, until thereafter amended in accordance with their respective terms and applicable law. At the effective time of the merger, the board of directors of Trustmark immediately prior to the effective time of the merger will be the board of directors of Trustmark as the surviving corporation of the merger. As of the effective time of the merger, two current directors of BancTrust who are mutually selected by BancTrust and Trustmark will be appointed as directors of Trustmark National Bank.

**Treatment of BancTrust Stock Options and Other Equity-Based Awards**

Each outstanding and unvested option to purchase shares of BancTrust common stock shall vest in full and becomes exercisable not less than 30 days prior to the effective time of the merger. Any BancTrust stock options that are not exercised on or before the effective time of the merger will terminate and be cancelled for no consideration. Because all currently outstanding BancTrust stock options have an exercise price that is significantly higher than the average closing price per share of BancTrust's common stock, the stock options are underwater and therefore are not expected to be exercised prior to the effective time of the merger.

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Each outstanding share of BancTrust restricted stock will vest in full and become free of restrictions immediately prior to the effective time of the merger, and at the effective time of the merger will be converted into the right to receive 0.125 of a share of Trustmark common stock, less applicable tax withholding (if any).

Additionally, the deferred stock rights in respect of BancTrust common stock under BancTrust's amended and restated director deferred compensation plan will be converted into the right to receive the number of shares of Trustmark common stock equal to the number of shares of BancTrust common stock underlying the deferred stock right multiplied by the exchange ratio, with distributions to be made in accordance with the terms of the plan.

### **Treatment of BancTrust TARP Preferred Stock and TARP Warrant**

Trustmark intends to purchase from Treasury or other holders thereof each issued and outstanding share of BancTrust TARP preferred stock issued and outstanding immediately prior to the effective time of the merger. In addition, Trustmark intends to purchase from Treasury the BancTrust TARP warrant.

### **Bank Subsidiary Merger**

Immediately after the merger is effective, BankTrust, an Alabama banking corporation and wholly owned subsidiary of BancTrust, will merge with and into Trustmark National Bank, a national banking organization and wholly owned subsidiary of Trustmark, with Trustmark National Bank continuing as the surviving corporation of the merger.

### **Closing and Effective Time of the Merger**

The merger will be completed only if all conditions to the merger discussed in this proxy statement/prospectus and set forth in the merger agreement are either satisfied or waived (subject to applicable laws). See "Conditions to Consummation of the Merger" beginning on page 87.

The merger will become effective on the date and at the time specified in the articles of merger to be filed with the Secretary of State of the State of Alabama and in the articles of merger to be filed with the Secretary of State of the State of Mississippi. In the merger agreement, we have agreed to cause the effective time of the merger to occur on the fifth business day following the satisfaction or waiver (subject to applicable laws) of the last of the conditions specified in the merger agreement, or on another mutually agreed date. It currently is anticipated that the effective time of the merger will occur in the fourth quarter of 2012, subject to the receipt of regulatory approvals and other customary closing conditions, but we cannot guarantee when or if the merger will be completed.

### **Conversion of Shares; Exchange of Certificates**

The conversion of BancTrust common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. Promptly after the effective time of the merger, the exchange agent will exchange certificates or book-entry shares representing shares of BancTrust common stock for the merger consideration to be received pursuant to the terms of the merger agreement.

### *Letter of Transmittal*

Promptly after the effective time of the merger, the exchange agent will mail appropriate transmittal materials and instructions to those persons who were holders of record of BancTrust common stock immediately prior to the effective time of the merger. These materials will contain instructions on how to surrender shares of BancTrust common stock in exchange for the merger consideration the holder is entitled to receive under the merger agreement.

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If a certificate for BancTrust common stock has been lost, stolen, mislaid or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of (1) an affidavit of that fact from the claimant, (2) such bond, security or indemnity as Trustmark and the exchange agent may reasonably require and (3) any other documents reasonably requested by the exchange agent to evidence and effect the bona fide exchange thereof.

After the effective time of the merger, there will be no further transfers on the stock transfer books of BancTrust.

### *Withholding*

Trustmark and the exchange agent will be entitled to deduct and withhold from the consideration otherwise payable pursuant to the merger agreement to any BancTrust shareholder the amounts, if any, it is required to deduct and withhold under the Code or any provision of state, local or foreign tax law. To the extent that any amounts are so withheld, these amounts will be treated for all purposes of the merger agreement as having been paid to the shareholders in respect of which such deduction and withholding was made.

### *Dividends and Distributions*

Whenever a dividend or other distribution is declared by Trustmark on Trustmark common stock, the record date for which is at or after the effective time of the merger, the declaration will include dividends or other distributions on all shares of Trustmark common stock issuable pursuant to the merger agreement, but such dividends or other distributions will not be paid to the holder thereof until such holder has duly surrendered its BancTrust stock certificates or book-entry shares in accordance with the merger agreement.

Prior to the effective time of the merger, neither BancTrust nor its subsidiaries may, except with Trustmark's prior written consent, declare or pay any dividend or distribution on its capital stock, other than with respect to the BancTrust TARP preferred stock, or repurchase any shares of its capital stock.

## **Representations and Warranties**

In the merger agreement, BancTrust has made customary representations and warranties to Trustmark with respect to, among other things:

the due organization, valid existence, good standing and corporate power and authority of BancTrust and its subsidiaries;

BancTrust's authority to enter into the merger agreement and to complete the transactions contemplated by the merger agreement (subject to receipt of the vote of the holders of at least two-thirds of the outstanding shares of BancTrust common stock) and the enforceability of the merger agreement against BancTrust in accordance with its terms;

the absence of conflicts with or breaches of BancTrust's or its subsidiaries' governing documents, certain agreements or applicable laws as a result of entering into the merger agreement and the consummation of the merger and the other transactions contemplated by the merger agreement;

the required consents of regulatory authorities in connection with the transactions contemplated by the merger agreement;

BancTrust's capitalization, including in particular the number of shares of BancTrust common stock issued and outstanding;

BancTrust's SEC filings since December 31, 2008, including financial statements contained therein;

internal controls and compliance with the Sarbanes-Oxley Act of 2002;

the absence of undisclosed liabilities;

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the absence since March 31, 2012 of a material adverse effect on BancTrust and the conduct by BancTrust and its subsidiaries of their respective businesses in the ordinary and usual course of business consistent with past practice since March 31, 2012;

tax matters;

the assets of BancTrust and its subsidiaries;

intellectual property matters;

environmental matters;

compliance with laws, orders and permits;

compliance with the Community Reinvestment Act of 1977, which is referred to as the Community Reinvestment Act, and the regulations promulgated thereunder;

compliance with the Foreign Corrupt Practices Act of 1977, as amended;

labor relations;

matters relating to employee benefit plans and ERISA;

matters with respect to certain of BancTrust's contracts;

derivative transactions entered into for the account of BancTrust and its subsidiaries;

legal proceedings;

reports filed with regulatory authorities other than the SEC since December 31, 2008;

the accuracy of the information supplied by BancTrust in this proxy statement/prospectus;

the inapplicability of state anti-takeover statutes;

receipt by the BancTrust board of the KBW fairness opinion;



loan matters;

insurance matters;

the trust businesses of BancTrust and its subsidiaries;

the absence of undisclosed brokers' fees and expenses; and

affiliate transactions.

In the merger agreement, Trustmark made customary representations and warranties to BancTrust with respect to, among other things:

the due organization, valid existence, good standing and corporate power and authority of Trustmark;

Trustmark's authority to enter into the merger agreement and to complete the transactions contemplated by the merger agreement and the enforceability of the merger agreement against Trustmark in accordance with its terms;

the absence of conflicts with or breaches of Trustmark's governing documents, certain agreements or applicable laws as a result of entering into the merger agreement and the consummation of the merger and the other transactions contemplated by the merger agreement;

the required consents of regulatory authorities in connection with the transactions contemplated by the merger agreement;

Trustmark's capitalization, including in particular the number of shares of Trustmark common stock issued and outstanding;

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Trustmark's SEC filings since December 31, 2008, including financial statements contained therein;

internal controls and compliance with the Sarbanes-Oxley Act of 2002;

the absence of undisclosed liabilities;

the absence since March 31, 2012 of a material adverse effect on Trustmark and the conduct by Trustmark of its business in the ordinary and usual course of business consistent with past practice since March 31, 2012;

tax matters;

environmental matters;

compliance with laws, orders and permits;

legal proceedings;

matters with respect to Trustmark's material contracts;

reports filed with regulatory authorities other than the SEC since December 31, 2008;

the accuracy of the information supplied by Trustmark in this proxy statement/prospectus; and

the absence of undisclosed brokers' fees and expenses.

Many of the representations and warranties in the merger agreement made by BancTrust and Trustmark are qualified by a materiality or material adverse effect standard (that is, they will not be deemed to be untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, would, as the case may be, be material or have a material adverse effect on BancTrust or Trustmark, as applicable).

Under the merger agreement, a material adverse effect is defined, with respect to a party, as any fact, circumstance, event, change, effect, development or occurrence that, individually or in the aggregate together with all other facts, circumstances, events, changes, effects, developments or occurrences, (1) has had or would reasonably be expected to result in a material adverse effect on the financial condition, results of operations or business of such party and its subsidiaries, taken as a whole, but does not include facts, circumstances, events, changes, effects, developments or occurrences resulting from the following:

changes after the date of the merger agreement in U.S. generally accepted accounting principles, which is referred to as GAAP, or regulatory accounting requirements;

changes after the date of the merger agreement in laws of general applicability to companies in the financial services industry;

changes after the date of the merger agreement in global, national or regional political conditions or general economic or market conditions in the United States (and with respect to BancTrust, the States of Alabama and Florida), including changes in prevailing interest rates, credit availability and liquidity, currency exchange rates and price levels or trading volumes in the United States or foreign securities markets affecting other companies in the financial services industry;

after the date of the merger agreement, general changes in the credit markets or general downgrades in the credit markets; or

any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism;  
except, in each case listed above, to the extent that the effects of such change disproportionately affect such party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which such party and its subsidiaries operate; or

failure, in and of itself, to meet earnings projections or internal financial forecasts, but not including any underlying causes thereof unless separately excluded under the merger agreement, or changes in

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the trading price of a party's common stock, in and of itself, but not including any underlying causes unless separately excluded under the merger agreement;

any discounts from current book value (net of existing reserves) or specific or general reserves taken (or contemplated to be taken) with respect to any loan portfolio or other owned real estate generally, or any specific loans or other owned real estate publicly disclosed by Trustmark, or with respect to any bank-owned premises up to \$6,500,000;

the public disclosure of the merger agreement and the impact thereof on relationships with customers or employees; or

actions or omissions taken with the prior written consent of the other party or expressly required by the merger agreement; or (2) prevents or materially impairs the ability of such party to timely consummate the transactions contemplated by the merger agreement.

The representations and warranties in the merger agreement do not survive the effective time of the merger and, as described below under Effect of Termination, if the merger agreement is validly terminated, the merger agreement will become void and have no effect (except with respect to designated provisions of the merger agreement, including those related to payment of fees and expenses and the confidential treatment of information), unless a party breached the merger agreement.

This summary and the copy of the merger agreement attached to this proxy statement/prospectus as Annex A are included solely to provide investors with information regarding the terms of the merger agreement. They are not intended to provide factual information about the parties or any of their respective subsidiaries or affiliates. The foregoing discussion is qualified in its entirety by reference to the merger agreement. The merger agreement contains representations and warranties by Trustmark and BancTrust, which were made only for purposes of that agreement and as of specific dates. The representations, warranties and covenants in the merger agreement were made solely for the benefit of the parties to the merger agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the merger agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those generally applicable to investors. Investors are not third-party beneficiaries under the merger agreement, and in reviewing the representations, warranties and covenants contained in the merger agreement or any descriptions thereof in this summary, it is important to bear in mind that such representations, warranties and covenants or any descriptions thereof were not intended by the parties to the merger agreement to be characterizations of the actual state of facts or condition of Trustmark, BancTrust or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in Trustmark's and BancTrust's public disclosures. For the foregoing reasons, the representations, warranties and covenants or any descriptions of those provisions should not be read alone and should instead be read in conjunction with the other information contained in the reports, statements and filings that Trustmark and BancTrust publicly file with the SEC. For more information regarding these documents, see the section entitled Where You Can Find More Information beginning on page 160.

**Covenants and Agreements**

*Conduct of Businesses Prior to the Effective Time of the Merger.* BancTrust has agreed that, prior to the effective time of the merger or termination of the merger agreement, unless the prior written consent of Trustmark has been obtained, it will, and will cause its subsidiaries to, (1) operate its business only in the usual, regular and ordinary course, consistent with past practice, (2) use its reasonable best efforts to preserve intact its

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business organization and maintain its rights, authorizations, franchises, advantageous business relationships with customers, vendors, strategic partners, suppliers, distributors and others doing business with it, and the services of its officers and key employees and (3) take no action that would reasonably be expected to adversely affect or delay the receipt of any required regulatory approvals or the consummation of the transactions contemplated by the merger agreement.

Additionally, BancTrust has agreed that prior to the effective time of the merger or termination of the merger agreement, unless the prior written consent of Trustmark has been obtained and except for certain exceptions and as otherwise expressly contemplated in the merger agreement, BancTrust will not, and will not permit any of its subsidiaries to, undertake the following actions or commit to undertake the following actions:

amend BancTrust's articles of incorporation or bylaws or other governing documents of any of its subsidiaries;

incur or guarantee any additional debt obligation or other obligation for borrowed money (other than indebtedness of BancTrust or a wholly owned subsidiary of BancTrust to another wholly owned subsidiary of BancTrust), except in the ordinary course of business consistent with past practice;

except for BancTrust common stock to be purchased on the open market by the trust associated with BancTrust's amended and restated director deferred compensation plan or purchases on the open market under BancTrust's 401(k) plan, repurchase, redeem or otherwise acquire or exchange (other than in accordance with the terms of the merger agreement), directly or indirectly, any shares or any securities convertible into or exchangeable or exercisable for any shares, of the capital stock of BancTrust or any of its subsidiaries, or make, declare, pay or set aside for payment any dividend or set any record date for or declare or make any other distribution in respect of BancTrust's capital stock or other equity interests (other than with respect to the BancTrust TARP preferred stock);

except pursuant to the exercise of stock options or other equity rights outstanding as of the date of the merger agreement and pursuant to the terms thereof in existence on the date of the merger agreement, (1) issue, sell, pledge, dispose of, encumber, authorize or propose the issuance of, enter into any contract to issue, sell, pledge, dispose of, encumber or authorize or propose the issuance of, or otherwise permit to become outstanding, any additional shares of BancTrust's common stock or any other capital stock of BancTrust or any of its subsidiaries or any stock appreciation rights, or any option, warrant or other equity right or (2) permit any additional shares of BancTrust's common stock to become subject to new grants or equity rights, except for issuances under BancTrust's dividend reinvestment plan as in effect on the date of the merger agreement;

directly or indirectly adjust, split, combine or reclassify any capital stock or other equity interest of BancTrust or any of its subsidiaries or issue or authorize the issuance of any other securities in respect of or in substitution for shares of BancTrust common stock, or sell, transfer, lease, mortgage, permit any lien on, or otherwise dispose of, discontinue or otherwise encumber, (1) any shares of capital stock of BancTrust or any of its subsidiaries (unless any such shares of stock are sold or otherwise transferred to BancTrust or a wholly owned subsidiary of BancTrust) or (2) any asset with a value in excess of \$100,000 other than pursuant to contracts in force at the date of the merger agreement;

(1) purchase any securities or make any acquisition of or investment in, either by purchase of stock or other securities or equity interests, contributions to capital, asset transfers, purchase of any assets (including any investments or commitments to invest in real estate or any real estate development project) or other business combination, or by formation of any joint venture or other business organization or by contributions to capital (other than by way of foreclosures or acquisitions of control in a fiduciary or similar capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business), any person other than a wholly owned subsidiary of BancTrust, or otherwise acquire direct or indirect control over any person or (2) enter into a plan of consolidation, merger, share exchange, share acquisition, reorganization or complete or partial liquidation with any person (other than consolidations, mergers or reorganizations solely among wholly



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owned subsidiaries of BancTrust), or a letter of intent, memorandum of understanding or agreement in principle with respect thereto;

(1) grant any increase in compensation or benefits to the employees or officers of BancTrust or any of its subsidiaries, except (a) in the case of any employee with a base salary of less than \$50,000 as of the date of the merger agreement, for any increases in base salary in the ordinary course of business consistent with past practice, not to exceed three percent in the case of any individual employee or three percent in the aggregate for all employees, which amount may not exceed \$100,000 in the aggregate for all employees on an annualized basis, or (b) as required by law; (2) pay any (x) severance or termination pay or (y) any bonus, in either case other than pursuant to the BancTrust employee benefit plan in effect on the date of the merger agreement, and in the case of (x) subject to receipt of an effective release of claims from the employee, and in the case of (y) to the extent required under the terms of the plan without the exercise of any upward discretion; (3) enter into or amend any severance agreements with employees or officers of BancTrust or any of its subsidiaries; (4) subject to certain exceptions, grant any increase in fees or other increases in compensation or other benefits to directors of BancTrust or any of its subsidiaries or (5) waive any stock repurchase rights, accelerate, amend or change the period of exercisability of any equity rights or restricted stock, or reprice equity rights granted under a BancTrust compensation plan or authorize cash payments in exchange for any equity rights;

enter into, amend or renew any employment contract between BancTrust or any of its subsidiaries and any person having a salary thereunder in excess of \$50,000 per year (unless such amendment is required by law) that BancTrust or its subsidiary does not have the unconditional right to terminate without liability (other than liability for services already rendered), at any time on or after the effective time of the merger;

except as required by law and subject to certain exceptions, (1) adopt any new employee benefit plan of BancTrust or any of its subsidiaries or terminate or withdraw from, or amend, any BancTrust employee benefit plan, (2) make any distributions from such employee benefit plans, except as required by the terms of such plans or (3) fund or in any other way secure the payment of compensation or benefits under any BancTrust employee benefit plan;

make any change in any tax or accounting principles, practices or methods or systems of internal accounting controls, except as may be required to conform to changes in tax laws or regulatory accounting requirements or GAAP;

commence any litigation other than in the ordinary course of business consistent with past practice, or settle, waive or release or agree or consent to the issuance of any order in connection with any litigation (1) involving any liability of BancTrust or any of its subsidiaries for money damages in excess of \$100,000 or (2) arising out of or relating to the transactions contemplated by the merger agreement;

enter into, renew, extend, modify, amend or terminate specified contracts;

enter into any new line of business or change in any material respect its lending, investment, risk and asset-liability management, interest rate or fee pricing with respect to depository accounts of BancTrust or any of its subsidiaries, or other material banking or operating policies, or waive any material fees with respect thereto, except as required by law or by rules or policies imposed by a regulatory authority;

make, or commit to make, any capital expenditures in excess of \$100,000 individually or \$500,000 in the aggregate;

except as required by law or applicable regulatory authorities, make any material changes in its policies and practices with respect to (1) underwriting, pricing, originating, acquiring, selling, servicing, or buying or selling rights to service loans, or (2) its hedging practices and policies;

cancel or release any material indebtedness owed to any person or any claims held by any person, except for (1) sales of loans and sales of investment securities, in each case in the ordinary course of



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business consistent with past practice, or (2) as expressly required by the terms of any contracts in force at the date of the merger agreement;

permit the commencement of any construction of new structures or facilities upon, or purchase or lease any real property in respect of any branch or other facility, or make any application to open, relocate or close any branch or other facility;

materially change its investment securities portfolio policy or its policies with respect to the classification or reporting of such portfolios, or invest in any mortgage-backed or mortgage-related securities which would be considered high-risk securities under applicable regulatory pronouncements;

subject to certain exceptions, make, change or revoke any material tax election, change any material method of tax accounting, adopt or change any taxable year or period, file any amended material tax returns, agree to an extension or waiver of any statute of limitations with respect to the assessment or determination of taxes, settle or compromise any material tax liability of BancTrust or any of its subsidiaries, enter into any closing agreement with respect to any material tax or surrender any right to claim a material tax refund;

take any action, or knowingly fail to take any action, which action or failure to act prevents or impedes, or could reasonably be expected to prevent or impede, the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code;

knowingly take any action that is reasonably likely to result in any of the conditions described under Conditions to Consummation of the Merger not being satisfied or materially impair its ability to perform its obligations under the merger agreement or to consummate the transactions contemplated by the merger agreement, except as required by applicable law;

enter into any securitizations of any loans or create any special purpose funding or variable interest entity other than on behalf of clients;

foreclose upon or take a deed or title to any commercial real estate without first conducting a Phase I environmental assessment (except where such an assessment has been conducted in the preceding 12 months) of the property or foreclose upon any commercial real estate if such environmental assessment indicates the presence of hazardous material;

make or acquire any loan or issue a commitment (including a letter of credit) or renew or extend an existing commitment for any loan, or amend or modify in any material respect any loan, except (1) new unsecured loans not in excess of \$250,000 to any person, (2) new secured loans not in excess of \$500,000 to a person who is not an existing borrower or an affiliate of an existing borrower, (3) new secured loans not in excess of \$750,000 to a person who is an existing borrower or an affiliate of an existing borrower (unless such person is an existing borrower or an affiliate of an existing borrower under an existing loan rated special mention or worse by Trustmark, in which case such new secured loan may not be in excess of \$250,000), (4) renewals or extensions of existing loans or commitments for any loan not in excess of \$500,000 to a person who is an existing borrower or an affiliate of an existing borrower with aggregate outstanding debt of at least \$1,000,000 (however, if such person is an existing borrower or an affiliate of an existing borrower under an existing loan rated special mention or worse by Trustmark, such renewal or extension may not be in excess of \$250,000; and any such renewals or extensions must be granted on similar terms to those of the matured debt), (5) with respect to amendments or modifications that have previously been approved by BancTrust prior to the date of the merger agreement, amend or modify in any material respect any existing loan rated special mention or worse by Trustmark, with total credit exposure not in excess of \$250,000, and (6) with respect to any such actions that have previously been approved by BancTrust prior to the date of the merger agreement, modify or amend any loan in a manner that would result in any additional extension of credit, principal forgiveness, or effect any uncompensated release of collateral (at a value below the fair market value thereof as determined by BancTrust), in each case not in excess of \$100,000; or



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agree to take, make any commitment to take or adopt any resolutions of the board of directors of BancTrust in support of any of the above prohibited actions.

Trustmark has agreed that, prior to the effective time of the merger or termination of the merger agreement, unless the prior written consent of BancTrust has been obtained, it will, and will cause its subsidiaries to, (1) operate its business only in the usual, regular and ordinary course, consistent with past practice, (2) use its reasonable best efforts to preserve intact its business organization and maintain its rights, authorizations, franchises, advantageous business relationships with customers, vendors, strategic partners, suppliers, distributors and others doing business with it, and the services of its officers and key employees, and (3) take no action that would reasonably be expected to adversely affect or delay the receipt of any required regulatory approvals or the consummation of the transactions contemplated by the merger agreement.

Additionally, Trustmark has agreed that prior to the effective time of the merger or termination of the merger agreement, unless the prior written consent of BancTrust has been obtained and except as otherwise expressly contemplated in the merger agreement, Trustmark will not, and will not permit any of its subsidiaries to, among other things, undertake the following actions:

amend Trustmark's articles of incorporation or bylaws or other governing documents of Trustmark or its significant subsidiaries in a manner that would adversely affect BancTrust or its shareholders relative to other holders of Trustmark common stock;

take any action, or knowingly fail to take any action, which action or failure to act prevents or impedes, or could reasonably be expected to prevent or impede, the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code;

take any action that could reasonably be expected to impede or delay consummation of the transactions contemplated by the merger agreement; or

agree to take, make any commitment to take or adopt any resolutions of Trustmark's board of directors in support of, any of the above prohibited actions.

*Regulatory Matters.* Trustmark and BancTrust have agreed to cooperate and to use their respective reasonable best efforts to prepare and file all documents, to obtain all permits, consents, approvals and authorizations of third parties and regulatory authorities necessary to consummate the transactions contemplated by the merger agreement. Trustmark has agreed to use its reasonable best efforts to resolve any objections asserted with respect to the merger under any applicable law or order, including agreeing to divest any assets, deposits, lines of business or branches; provided that in no event will Trustmark be required to accept a burdensome condition. Each party will consult with the other party with respect to obtaining all material permits, consents, approvals and authorizations of any regulatory authority necessary or advisable to complete the transactions contemplated by the merger agreement, and will keep such other party apprised of the status of material matters relating to completion of the transactions contemplated by the merger agreement, including certain communications from regulatory authorities.

*Tax Matters.* Trustmark and BancTrust have agreed to use their respective reasonable best efforts to cause the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code, and to take no action that would cause the merger not to so qualify.

*Employee Matters.* The merger agreement provides that employees of BancTrust or its subsidiaries generally will be eligible to receive benefits that are, as a whole, substantially similar to those provided to similarly situated Trustmark employees, including severance benefits (although employees of BancTrust or its subsidiaries who are party to individual agreements will receive the severance benefits provided under the applicable agreements); however, employees of BancTrust or its subsidiaries may continue to participate in BancTrust benefit plans after the closing of the merger while Trustmark integrates the employees of BancTrust or its subsidiaries into its own benefit plans. Also, employees of BancTrust or its subsidiaries will receive service

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credit based on their service with BancTrust or its subsidiaries for purposes of participation in the Trustmark benefit plans, and Trustmark will use its reasonable best efforts to give credit for covered expenses incurred prior to the effective time of the merger for purposes of satisfying deductibles and out-of-pocket expenses under health care plans.

Trustmark will honor BancTrust's compensation and benefit plans, including change in control severance agreements, in accordance with the terms of those plans and agreements, and acknowledges that the merger constitutes a change in control under such plans and agreements.

Prior to the effective time of the merger, BancTrust will terminate the BancTrust stock plans, and, if requested by Trustmark, BancTrust will (1) terminate the BancTrust 401(k) plan, (2) terminate or freeze BancTrust's amended and restated directors deferred compensation plan, and (3) freeze the BancTrust pension plan and supplemental retirement benefit plan agreements (other than as prohibited by ERISA).

*D&O Indemnification and Insurance.* The merger agreement provides that for six years after the effective time of the merger, Trustmark will indemnify, defend and hold harmless each of the present and former directors and officers of BancTrust and its subsidiaries against all liabilities arising out of actions or omissions arising out of such person's services in such capacities to the fullest extent permitted by applicable law and BancTrust's governing documents in effect on the date of the merger agreement (including any provisions relating to the advancement of expenses incurred in the defense of any litigation).

The merger agreement requires Trustmark to use its reasonable best efforts to maintain for a period of six years after the effective time of the merger BancTrust's existing directors' and officers' liability insurance policy, or policies of at least the same coverage and amounts and containing terms and conditions which are substantially no less advantageous than the current policy (or, with the consent of BancTrust prior to the effective time of the merger, any other policy), with respect to claims arising from facts or events that occurred prior to the effective time of the merger, and covering such individuals who are currently covered by such insurance. However, Trustmark is not required to incur annual premium payments greater than 350 percent of BancTrust's current directors' and officers' annual liability insurance premium. In lieu of the insurance described in the preceding sentence, prior to the effective time of the merger, Trustmark, or BancTrust, with Trustmark's consent, may obtain a six-year tail prepaid policy providing coverage equivalent to such insurance.

*TARP Purchase.* BancTrust is required to use its reasonable best efforts to facilitate the purchase by Trustmark or one of its subsidiaries of the BancTrust TARP preferred stock and the BancTrust TARP warrant. In furtherance of the foregoing, BancTrust is required to provide, and to cause its subsidiaries and its and their representatives to provide, all reasonable cooperation and to take all reasonable actions as may be requested by Trustmark in connection with such purchase, including by (1) furnishing all information concerning BancTrust and its subsidiaries that Trustmark or any applicable regulatory authority may request in connection with such purchase or with respect to the effects of such purchase on Trustmark or its pro forma capitalization, (2) assisting with the preparation of any analyses or presentations Trustmark deems necessary or advisable in its reasonable judgment in connection with such purchase or the effects thereof and (3) entering into any agreement with such holder (including any letter agreement among BancTrust, Trustmark and such holder) to effect the purchase of such shares as Trustmark may reasonably request (provided that neither BancTrust nor any of its subsidiaries will be required to agree to any obligation that is not contingent upon the consummation of the merger).

*Certain Additional Covenants.* The merger agreement also contains additional covenants, including covenants relating to the filing of this proxy statement/prospectus, obtaining required consents, the listing of the shares of Trustmark common stock to be issued in the merger and public announcements with respect to the transactions contemplated by the merger agreement.

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**Agreement Not to Solicit Other Offers**

BancTrust has agreed that it and its subsidiaries will not, and will cause their respective representatives not to, directly or indirectly:

solicit, initiate, encourage (including by providing information or assistance), facilitate or induce any acquisition proposal;

participate in any discussions or negotiations regarding, or furnish or cause to be furnished to any third party any nonpublic information with respect to, or take any other action to facilitate any inquiries or the making of any offer or proposal that constitutes, or may reasonably be expected to lead to, an acquisition proposal;

approve, agree to, accept, endorse or recommend any acquisition proposal; or

approve, agree to, accept, endorse or recommend, or propose to approve, agree to, accept, endorse or recommend any acquisition agreement contemplating or otherwise relating to any acquisition transaction.

However, if prior to the BancTrust special meeting, BancTrust receives an unsolicited written acquisition proposal by any third party that did not result from or arise in connection with a breach of the non-solicitation provisions described above, BancTrust and its representatives may, prior to (but not after) the BancTrust special meeting, take the following actions if the board of directors of BancTrust (or any committee thereof) has (1) determined, in its good faith judgment (after consultation with BancTrust's financial advisors and outside legal counsel), that such acquisition proposal constitutes or could reasonably be expected to lead to a superior proposal and that the failure to take such actions would be inconsistent with the directors' exercise of their fiduciary duties under applicable law, and (2) obtained from such third party an executed confidentiality agreement containing terms at least as restrictive with respect to such third party as the terms of BancTrust's confidentiality agreement with Trustmark is with respect to Trustmark: (A) furnish information to, and (B) enter into discussions and negotiations with, such third party with respect to such written acquisition proposal.

BancTrust has also agreed to promptly (but in no event more than 24 hours) following the receipt of any acquisition proposal, or any request for nonpublic information or any inquiry that could reasonably be expected to lead to an acquisition proposal, provide Trustmark with written notice of its receipt of such acquisition proposal, request or inquiry, and the terms and conditions of such acquisition proposal, request or inquiry (including the identity of the person making the acquisition proposal, request or inquiry), and to provide Trustmark as promptly as practicable with a copy of such acquisition proposal, if in writing, or a written summary of the material terms of such acquisition proposal, if oral. In addition, BancTrust has agreed to simultaneously provide to Trustmark any nonpublic information concerning BancTrust or any of its subsidiaries that may be provided to any third party in accordance with the terms of the merger agreement, to the extent not previously provided to Trustmark, and to keep Trustmark informed on a current basis in all material respects of all communications regarding (including any material amendments or proposed material amendments to) any such acquisition proposal, request or inquiry.

BancTrust has agreed to, and to direct its representatives to, immediately cease and cause to be terminated any existing activities, discussions or negotiations with any third party conducted prior to May 28, 2012, with respect to any offer or proposal that constitutes, or may reasonably be expected to lead to, an acquisition proposal, to request the prompt return or destruction of all confidential information previously furnished to any third party that has made or indicated an intention to make an acquisition proposal and not to waive or amend any standstill provision or provisions of similar effect to which it is a party or of which it is a beneficiary, and to strictly enforce any such provisions.

The merger agreement provides that the above-described restrictions on BancTrust do not prohibit BancTrust or its board of directors from issuing a stop, look and listen communication pursuant to Rule

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14d-9(f) under the Exchange Act or from complying with Rules 14d-9 and 14e-2(a) under the Exchange Act with respect to an acquisition proposal or from making any disclosure to BancTrust's shareholders if BancTrust's board of directors (after consultation with its outside legal counsel) concludes that its failure to do so would be inconsistent with its fiduciary duties under applicable law. Issuance of any such communication will be deemed a change in BancTrust's recommendation (as described below) unless the communication includes a reaffirmation of BancTrust's recommendation in favor of approval by BancTrust's shareholders of the merger agreement.

For purposes of the merger agreement,

an acquisition proposal means any offer, inquiry, proposal or indication of interest (whether communicated to BancTrust or publicly announced to BancTrust's shareholders and whether binding or nonbinding) by any third party for an acquisition transaction;

an acquisition transaction means any transaction or series of related transactions (other than the transactions contemplated by the merger agreement) involving: (1) any acquisition or purchase from BancTrust by any third party of 20 percent or more in interest of the total outstanding voting securities of BancTrust or any of its subsidiaries, or any tender offer or exchange offer that if consummated would result in any third party beneficially owning 20 percent or more in interest of the total outstanding voting securities of BancTrust or any of its subsidiaries, or any merger, consolidation, business combination or similar transaction involving BancTrust or any of its subsidiaries pursuant to which the shareholders of BancTrust immediately preceding such transaction hold less than 80 percent of the equity interests in the surviving or resulting entity (which includes the parent corporation of any constituent corporation to any such transaction) of such transaction; (2) any sale, lease, exchange, transfer, license, acquisition or disposition of 20 percent or more of the assets of BancTrust and its subsidiaries, taken as a whole; or (3) any liquidation or dissolution of BancTrust; and

superior proposal means any unsolicited bona fide written acquisition proposal with respect to which the board of directors of BancTrust determines in its good faith judgment (based on, among other things, the advice of outside legal counsel and a financial advisor) to be more favorable, from a financial point of view, to BancTrust's shareholders than the merger and the other transactions contemplated by the merger agreement (as it may be proposed to be amended by Trustmark), taking into account all relevant factors (including the acquisition proposal and the merger agreement (including any proposed changes to the merger agreement that may be proposed by Trustmark in response to such acquisition proposal)); provided, that for purposes of the definition of superior proposal, the references to 20 percent and 80 percent in the definitions of acquisition proposal and acquisition transaction are deemed to be references to 100 percent.

**BancTrust Shareholder Meeting and Recommendation of BancTrust's Board of Directors**

BancTrust has agreed to hold a meeting of its shareholders for the purpose of voting upon approval of the merger agreement as promptly as reasonably practicable after the registration statement of which this proxy statement/prospectus is a part is declared effective by the SEC. BancTrust will use its reasonable best efforts to obtain from its shareholders the requisite shareholder approval of the merger agreement, including by recommending that its shareholders approve and adopt the merger agreement (subject to the provisions governing the BancTrust board of directors' ability to make a change in BancTrust's recommendation, as described below).

The board of directors of BancTrust has agreed to recommend that BancTrust's shareholders vote in favor of approval of the merger agreement and to not withdraw, qualify or modify (or publicly propose to withdraw, qualify or modify) such recommendation in any manner adverse to Trustmark, or take any action or make any public statement, filing or release inconsistent with such recommendation (which is referred to as a change in BancTrust's recommendation), except that, prior to the BancTrust special meeting, BancTrust's board of directors may effect a change in BancTrust's recommendation if:

BancTrust has received a superior proposal (after giving effect to the terms of any revised offer by Trustmark), if the board of directors of BancTrust has determined in good faith, after consultation with

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outside legal counsel, that the failure to take such action would be inconsistent with the directors' exercise of their fiduciary duties under applicable law;

BancTrust has complied in all material respects with the non-solicitation provisions described above;

BancTrust has given at least three business days' written notice to Trustmark, which is referred to as the notice period, of its intention to effect a change in BancTrust's recommendation, which notice must advise Trustmark that the board of directors of BancTrust has received a superior proposal and must include a copy of such superior proposal;

BancTrust has negotiated, and has caused its representatives to negotiate, with Trustmark in good faith (to the extent Trustmark desires to so negotiate) during the notice period to make adjustments in the terms and conditions of the merger agreement so that the superior proposal ceases to constitute (in the judgment of the board of directors of BancTrust) a superior proposal; and

BancTrust's board of directors determines in good faith, after considering the results of such negotiations and giving effect to any proposals, amendments or modifications made or agreed to by Trustmark, if any, that such superior proposal remains a superior proposal.

In the event of any revisions to the superior proposal during the notice period, BancTrust will be required to deliver a new written notice to Trustmark and to comply with the other requirements described above with respect to such new written notice.

The merger agreement requires BancTrust to submit the merger agreement to a shareholder vote even if its board of directors effects a change in BancTrust's recommendation. If the board of directors of BancTrust has effected a change in BancTrust's recommendation, then the board of directors of BancTrust is required to submit the merger agreement to BancTrust's shareholders without recommendation (although the resolutions of the board of directors of BancTrust adopting the merger agreement may not be rescinded), in which event the board of directors of BancTrust may communicate the basis for its lack of a recommendation to BancTrust's shareholders in this proxy statement/prospectus or an appropriate amendment or supplement hereto. In addition to the foregoing, BancTrust is not permitted to submit to the vote of its shareholders any acquisition proposal other than the merger contemplated by the merger agreement.

**Conditions to Consummation of the Merger**

Our respective obligations to consummate the merger are subject to the fulfillment or waiver of the following conditions:

the approval by BancTrust's shareholders of the merger agreement and the transactions contemplated thereby;

the receipt of all regulatory approvals required from the Federal Reserve Board, the OCC and the Superintendent of the ABD, and any other required regulatory approvals or consents, the failure of which to obtain would reasonably be expected to have a material adverse effect on Trustmark or BancTrust (considered as a consolidated entity), in each case required to consummate the transactions contemplated by the merger agreement, and expiration of all related statutory waiting periods; provided that no such required regulatory approval may impose a burdensome condition on Trustmark;

the absence of any rule, regulation, law, judgment, injunction or order (whether temporary, preliminary or permanent) by any court or regulatory authority of competent jurisdiction prohibiting, restricting or making illegal consummation of the transactions contemplated by the merger agreement;

the effectiveness of the registration statement of which this proxy statement/prospectus is a part under the Securities Act and the absence of any stop order, action, suit, proceeding or investigation by the SEC to suspend the effectiveness of the registration

statement;



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the approval of the listing on NASDAQ of the Trustmark common stock to be issued in the merger;

the accuracy of the representations and warranties of the other party in the merger agreement as of the date of the merger agreement and as of the effective time of the merger, subject to the materiality standards provided in the merger agreement, and the performance by the other party in all material respects of all agreements and covenants of such party under the merger agreement prior to the effective time of the merger (and the receipt by each party of a certificate from the other party to such effect); and

receipt by each of Trustmark and BancTrust of an opinion of legal counsel as to certain tax matters.

We cannot provide assurance as to when or if all of the conditions to the merger can or will be satisfied or waived by the appropriate party. As of the date of this proxy statement/prospectus, we have no reason to believe that any of these conditions will not be satisfied.

### **Termination of the Merger Agreement**

The merger agreement can be terminated at any time prior to the effective time of the merger by mutual consent, or by either party in the following circumstances:

any regulatory authority denies a requisite regulatory approval and this denial has become final and nonappealable, or a regulatory authority has issued a final and nonappealable rule, regulation, law, judgment, injunction or order permanently restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by the merger agreement, so long as the party seeking to terminate the merger agreement has used its reasonable best efforts to contest, appeal and change or remove such denial, law or order;

the BancTrust shareholders fail to approve the merger agreement and the transactions contemplated thereby at the BancTrust special meeting;

the merger has not been completed by December 31, 2012, which is referred to as the outside date, if the failure to consummate the transactions contemplated by the merger agreement by that date is not caused by the terminating party's breach of the merger agreement;

any of the conditions precedent described above to the obligations of the terminating party to consummate the merger cannot be satisfied or fulfilled by the outside date, if the failure of such condition to be satisfied or fulfilled by such date is not a result of the terminating party's failure to perform, in any material respect, any of its material covenants or agreements contained in the merger agreement, or the material breach of any of its material representations or warranties contained in the merger agreement, and, in the case of BancTrust, is not a result of BancTrust's breach of its non-solicitation obligations, obligations with respect to other acquisition proposals or obligations to call, give notice of, convene and/or hold a shareholders' meeting or to use its reasonable best efforts to obtain the approval of its shareholders in accordance with the terms of the merger agreement.

In addition, Trustmark may terminate the merger agreement if BancTrust's board of directors:

effects a change in BancTrust's recommendation;

fails to recommend the merger and approval of the merger agreement by the BancTrust shareholders;

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breaches its non-solicitation obligations and obligations with respect to other acquisition proposals in any respect adverse to Trustmark; or

breaches its obligations to call, give notice of, convene and/or hold a shareholders meeting or to use reasonable best efforts to obtain the approval of BancTrust shareholders.

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### **Effect of Termination**

If the merger agreement is terminated, it will become void, except that (1) designated provisions of the merger agreement will survive the termination, including those relating to payment of fees and expenses and the confidential treatment of information and (2) both Trustmark and BancTrust will remain liable for any liability resulting from breaches by such party of the merger agreement.

### **Termination Fee**

BancTrust will pay Trustmark a \$5 million termination fee if:

either Trustmark or BancTrust terminates the merger agreement as a result of (1) denial of a requisite regulatory approval, (2) a law or order permanently restraining, enjoining or otherwise prohibiting consummation of the transactions contemplated by the merger agreement, (3) the shareholders of BancTrust failing to vote their approval of the merger agreement and the transactions contemplated thereby at the BancTrust special meeting, or (4) the merger having not been consummated by December 31, 2012, and at the time of such termination a third party has made and not withdrawn, or has publicly announced an intention to make and has not withdrawn, an acquisition proposal, and within 12 months of such termination BancTrust either consummates an acquisition transaction or enters into an acquisition agreement with respect to an acquisition transaction; or

Trustmark terminates the merger agreement because BancTrust's board of directors has effected a change in BancTrust's recommendation, has approved, adopted or recommended an acquisition proposal by a third-party, has failed to recommend the merger and approval of the merger agreement by the BancTrust shareholders, has breached its non-solicitation obligations and obligations with respect to other acquisition proposals in any respect adverse to Trustmark, or has breached its obligations to call, give notice of, convene and/or hold a shareholders' meeting or to use reasonable best efforts to obtain the approval of the BancTrust shareholders.

If the termination fee becomes payable in the absence of an acquisition proposal and BancTrust is unable to pay the termination fee in cash without violating applicable bank regulations, the termination fee may instead be paid pursuant to a promissory note secured by all of the capital stock of BancTrust, which note would bear a market rate of interest, subordinated to existing indebtedness for borrowed money to the extent required by the terms of such indebtedness, and payable upon the earlier of (1) five years and (2) the date of consummation of an acquisition transaction or the date of execution of an acquisition agreement with respect to an acquisition transaction.

### **Expenses and Fees**

Each of Trustmark and BancTrust will be responsible for all direct costs and expenses incurred by it in connection with the transactions contemplated by the merger agreement. The costs and expenses of printing this proxy statement/prospectus, and all filing fees paid to the SEC in connection with this proxy statement/prospectus, will be borne equally by BancTrust and Trustmark.

### **Amendment, Waiver and Extension of the Merger Agreement**

To the extent permitted by law, the merger agreement may be amended by a subsequent writing signed by each of the parties upon the approval of each of the parties, whether before or after BancTrust's shareholders have approved the merger agreement; however, after obtaining the BancTrust shareholder approval, no amendment may require further approval by such shareholders.

At any time prior to the effective time of the merger, each party, acting through its board of directors, chief executive officer or other authorized officer, may waive any default in the performance of any term of the merger

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agreement by the other party, waive or extend the time for the performance of any of the obligations of the other party, or waive any or all conditions precedent to the other party's obligations under the merger agreement, except any condition which, if not satisfied, would result in a violation of law.

**ACCOUNTING TREATMENT**

The merger will be accounted for as an acquisition by Trustmark using the acquisition method of accounting in accordance with FASB ASC Topic 805, Business Combinations. Accordingly, the assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of BancTrust as of the effective time of the merger will be recorded at their respective fair values and added to those of Trustmark. Any excess of purchase price over the fair values is recorded as goodwill. Consolidated financial statements of Trustmark issued after the merger would reflect these fair values and would not be restated retroactively to reflect the historical financial position or results of operations of BancTrust.

**MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER**

The following is a general discussion of certain material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of BancTrust common stock that exchange their shares of BancTrust common stock for shares of Trustmark common stock in the merger. The following discussion is based upon the Code, the U.S. Treasury regulations promulgated thereunder and judicial and administrative authorities, rulings, and decisions, all as in effect on the date of this proxy statement/prospectus. These authorities may change, possibly with retroactive effect, and any such change could affect the accuracy of the statements and conclusions set forth in this discussion. This discussion does not address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010, nor does it address any tax consequences arising under the laws of any state, local or foreign jurisdiction, or under any U.S. federal laws other than those pertaining to the income tax.

The following discussion applies only to U.S. holders of shares of BancTrust common stock who hold such shares as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). Further, this discussion does not purport to consider all aspects of U.S. federal income taxation that might be relevant to U.S. holders in light of their particular circumstances and does not apply to U.S. holders subject to special treatment under the U.S. federal income tax laws (such as, for example, dealers or brokers in securities, commodities or foreign currencies, traders in securities that elect to apply a mark-to-market method of accounting, banks and certain other financial institutions, insurance companies, mutual funds, tax-exempt organizations, holders subject to the alternative minimum tax provisions of the Code, partnerships, S corporations or other pass-through entities or investors in partnerships, regulated investment companies, real estate investment trusts, controlled foreign corporations, passive foreign investment companies, former citizens or residents of the United States, U.S. expatriates, holders whose functional currency is not the U.S. dollar, holders who hold shares of BancTrust common stock as part of a hedge, straddle, constructive sale or conversion transaction or other integrated investment, holders who acquired BancTrust common stock pursuant to the exercise of employee stock options, through a tax qualified retirement plan, or otherwise as compensation, holders who exercise appraisal rights, or holders who actually or constructively own more than 5 percent of BancTrust common stock).

For purposes of this discussion, the term U.S. holder means a beneficial owner of BancTrust common stock that is for U.S. federal income tax purposes (1) an individual citizen or resident of the United States, (2) a corporation (or entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any state thereof or the District of Columbia, (3) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) such trust has made a valid

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election to be treated as a U.S. person for U.S. federal income tax purposes or (4) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

If an entity or an arrangement treated as a partnership for U.S. federal income tax purposes holds BancTrust common stock, the tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Any entity treated as a partnership for U.S. federal income tax purposes that holds BancTrust common stock, and any partners in such partnership, should consult their own tax advisors.

**Determining the actual tax consequences of the merger to you may be complex and will depend on your specific situation and on factors that are not within our control. You should consult with your own tax advisor as to the specific tax consequences of the merger in your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local, foreign and other tax laws and of changes in those laws.**

### **Tax Consequences of the Merger Generally**

The parties intend for the merger to qualify as a reorganization for U.S. federal income tax purposes. It is a condition to the obligation of Trustmark to complete the merger that Trustmark receive an opinion from Wachtell, Lipton, Rosen & Katz, in form reasonably satisfactory to Trustmark, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to the obligation of BancTrust to complete the merger that BancTrust receive an opinion from DLA Piper LLP (US), in form reasonably satisfactory to BancTrust, to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. These opinions will be based on representation letters provided by Trustmark and BancTrust and on customary factual assumptions. Neither of the opinions described above will be binding on the Internal Revenue Service, which is referred to as the IRS, or any court. Trustmark and BancTrust have not sought and will not seek any ruling from the IRS regarding any matters relating to the merger, and as a result, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below. In addition, if any of the representations or assumptions upon which those opinions are based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected.

Provided the merger qualifies as a reorganization within the meaning of Section 368(a) of the Code, upon exchanging your BancTrust common stock for Trustmark common stock, you generally will not recognize gain or loss, except with respect to cash received instead of fractional shares of Trustmark common stock (as discussed below). The aggregate tax basis of the Trustmark common stock that you receive in the merger, including any fractional shares deemed received and redeemed for cash as described below, will equal your aggregate adjusted tax basis in the shares of BancTrust common stock that you surrender in the merger. Your holding period for the shares of Trustmark common stock that you receive in the merger (including any fractional share deemed received and redeemed for cash as described below) will include your holding period for the shares of BancTrust common stock that you surrender in the merger. If you acquired different blocks of BancTrust common stock at different times or at different prices, the Trustmark common stock you receive will be allocated pro rata to each block of BancTrust common stock, and the basis and holding period of each block of Trustmark common stock you receive will be determined on a block-for-block basis depending on the basis and holding period of the blocks of BancTrust common stock exchanged for such block of Trustmark common stock.

### **Cash Instead of Fractional Shares**

If you receive cash instead of a fractional share of Trustmark common stock, you will be treated as having received such fractional share of Trustmark common stock pursuant to the merger and then as having received cash in exchange for such fractional share of Trustmark common stock. As a result, you generally will recognize gain or loss equal to the difference between the amount of cash received and the basis in your fractional share of

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Trustmark common stock as set forth above. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if, as of the effective date of the merger, the holding period for such fractional share (including the holding period of shares of BancTrust common stock surrendered therefor) exceeds one year. Long-term capital gains of individuals are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

## **Information Reporting and Backup Withholding**

If you are a non-corporate holder of BancTrust common stock, you may be subject, under certain circumstances, to information reporting and backup withholding (currently at a rate of 28 percent) on any cash payments you receive. You generally will not be subject to backup withholding, however, if you:

furnish a correct taxpayer identification number, certify that you are not subject to backup withholding and otherwise comply with all the applicable requirements of the backup withholding rules; or

provide proof that you are otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules are not an additional tax and will generally be allowed as a refund or credit against your U.S. federal income tax liability, provided you timely furnish the required information to the IRS.

**This discussion of certain material U.S. federal income tax consequences is for general information purposes only and is not tax advice. Holders of BancTrust common stock are urged to consult their tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.**

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**Table of Contents****UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed combined financial statements are based on the separate historical financial statements of Trustmark and BancTrust after giving effect to the merger and the issuance of Trustmark common stock in connection therewith, and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined consolidated financial statements. The unaudited pro forma condensed combined consolidated balance sheet as of March 31, 2012 is presented as if the merger with BancTrust had occurred on March 31, 2012. The unaudited pro forma condensed combined consolidated income statements for the year ended December 31, 2011 and the three months ended March 31, 2012 are presented as if the merger had occurred on January 1, 2011. The historical consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the merger and, with respect to the income statements only, expected to have a continuing impact on consolidated results of operations.

The unaudited pro forma condensed combined consolidated financial information has been prepared using the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States. Trustmark is the acquirer for accounting purposes. Trustmark has not had sufficient time to completely evaluate the significant identifiable long-lived tangible and identifiable intangible assets of BancTrust. Accordingly, the unaudited pro forma adjustments, including the allocations of the purchase price, are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined consolidated financial information.

A final determination of the acquisition consideration and fair values of BancTrust's assets and liabilities, which cannot be made prior to the completion of the merger, will be based on the actual net tangible and intangible assets of BancTrust that exist as of the date of completion of the transaction. Consequently, amounts preliminarily allocated to goodwill and identifiable intangibles could change significantly from those allocations used in the unaudited pro forma condensed combined consolidated financial statements presented below and could result in a material change in amortization of acquired intangible assets.

In connection with the plan to integrate the operations of Trustmark and BancTrust following the consummation of the merger, Trustmark anticipates that nonrecurring charges, such as costs associated with systems implementation, severance, and other costs related to exit or disposal activities, could be incurred. Trustmark is not able to determine the timing, nature, and amount of these charges as of the date of this proxy statement/prospectus. However, these charges could affect the results of operations of Trustmark and BancTrust, as well as those of the combined company following the completion of the merger, in the period in which they are recorded. The unaudited pro forma condensed combined consolidated financial statements do not include the effects of the costs associated with any restructuring or integration activities resulting from the transaction, as they are nonrecurring in nature and not factually supportable at the time that the unaudited pro forma condensed combined consolidated financial statements were prepared.

The actual amounts recorded as of the completion of the merger may differ materially from the information presented in these unaudited pro forma condensed combined consolidated financial statements as a result of:

changes in the trading price for Trustmark's common stock;

net cash used or generated in BancTrust's operations between the signing of the merger agreement and completion of the merger;

the timing of the consummation of the merger;

other changes in BancTrust's net assets that occur prior to completion of the merger, which could cause material differences in the information presented below; and

changes in the financial results of the combined company, which could change the future discounted cash flow projections.

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The following pro forma financial statements should be read in conjunction with:

the accompanying notes to the unaudited pro forma condensed combined consolidated financial statements;

the separate historical consolidated financial statements of Trustmark, for the year ended December 31, 2011, included in Trustmark's Form 10-K and incorporated by reference into this document;

the separate historical unaudited condensed consolidated interim financial statements of Trustmark, as of and for the three months ended March 31, 2012, included in Trustmark's Form 10-Q and incorporated by reference into this document;

the separate historical consolidated financial statements of BancTrust for the year ended December 31, 2011, included elsewhere in this proxy statement/prospectus;

the separate historical unaudited condensed consolidated interim financial statements of BancTrust as of and for the three months ended March 31, 2012, included elsewhere in this proxy statement/prospectus; and

the other information contained in or incorporated by reference into this document.



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(\$ in thousands)

<b>BALANCE SHEET</b>	<b>Trustmark Corporation</b>	<b>BancTrust</b>	<b>Pro Forma Adjustments</b>		<b>Pro Forma Combined</b>
<b>ASSETS</b>					
Cash and due from banks	\$ 213,500	\$ 135,472	\$ (60,178)	<b>A</b>	\$ 288,794
Federal funds sold and reverse repos	6,301				6,301
Securities (AFS & HTM)	2,647,674	479,497			3,127,171
Loans held for sale	227,449	2,465			229,914
Loans	5,949,841	1,254,025	(184,800)	<b>B,C</b>	7,019,066
Less allowance for loan losses	91,652	43,085	(43,085)	<b>B</b>	91,652
Net loans	5,858,189	1,210,940	(141,715)		6,927,414
Premises and equipment	156,158	70,543	(6,500)	<b>B,D</b>	220,201
Mortgage servicing rights	45,893				45,893
Goodwill	291,104		79,986	<b>B,E</b>	371,090
Identifiable intangible assets	18,821	3,293	27,282	<b>B,F</b>	49,396
Other real estate	81,566	60,765	(16,500)	<b>B,G</b>	125,831
Other assets	384,938	45,792	63,992	<b>B,H</b>	494,722
<b>TOTAL ASSETS</b>	<b>\$ 9,931,593</b>	<b>\$ 2,008,767</b>	<b>\$ (53,633)</b>		<b>\$ 11,886,727</b>
<b>LIABILITIES</b>					
Deposits	\$ 8,090,746	\$ 1,791,456	\$ 3,000	<b>B,I</b>	\$ 9,885,202
Federal funds purchased & repos	254,878				254,878
Other borrowings	82,023	56,455	750	<b>B,J,K</b>	139,228
Subordinated notes	49,847				49,847
Junior subordinated debt securities	61,856	34,021		<b>K</b>	95,877
Other liabilities	150,723	14,202	6,300	<b>B,L</b>	171,225
<b>TOTAL LIABILITIES</b>	<b>8,690,073</b>	<b>1,896,134</b>	<b>10,050</b>		<b>10,596,257</b>
<b>STOCKHOLDERS EQUITY</b>					
Preferred stock		48,884	(48,884)	<b>M</b>	-
Common stock	13,494	182	286	<b>N</b>	13,962
Surplus	282,388	194,643	(139,008)	<b>N</b>	338,023
Retained earnings	944,101	(123,924)	116,771	<b>N</b>	936,948
Accum other comprehensive income net of tax	1,537	(7,152)	7,152	<b>N</b>	1,537
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>1,241,520</b>	<b>112,633</b>	<b>(63,683)</b>		<b>1,290,470</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 9,931,593</b>	<b>\$ 2,008,767</b>	<b>\$ (53,633)</b>		<b>\$ 11,886,727</b>

**Table of Contents****UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT****TRUSTMARK CORPORATION AND BANCTRUST****FOR THE YEAR ENDED DECEMBER 31, 2011**

(\$ in thousands except share data)

<b>INCOME STATEMENT</b>	<b>Trustmark Corporation</b>	<b>BancTrust</b>	<b>Pro Forma Adjustments</b>		<b>Pro Forma Combined</b>
<b>Total Interest Income</b>	\$ 391,979	\$ 80,520	\$ (2,200)	<b>O</b>	\$ 470,299
<b>Total Interest Expense</b>	43,036	18,311	(3,642)	<b>P</b>	57,705
<b>Net Interest Income</b>	348,943	62,209	1,442		412,594
<b>Provision for Loan Losses</b>	30,328	32,100			62,428
<b>Net Interest Income After Provision for Loan Losses</b>	318,615	30,109	1,442		350,166
<b>Total Noninterest Income</b>	159,854	20,424			180,278
<b>Total Noninterest Expenses</b>	329,850	91,013	5,559	<b>Q</b>	426,422
<b>Income (Loss) before Income Taxes</b>	148,619	(40,480)	(4,117)		104,022
<b>Income Taxes</b>	41,778	7,366	(1,575)	<b>R</b>	47,569
<b>Net Income (Loss)</b>	106,841	(47,846)	(2,542)		56,453
<b>Preferred stock dividends/discount accretion</b>		3,090	(3,090)	<b>S</b>	
<b>Net Income (Loss) available to Common Shareholders</b>	\$ 106,841	\$ (50,936)	\$ 548		\$ 56,453
<b>Net Income (Loss) per share-Basic</b>	\$ 1.67	\$ (2.85)			\$ 0.85
<b>Net Income (Loss) per share-Diluted</b>	\$ 1.66	\$ (2.85)			\$ 0.85
<b>Book value per common share</b>	\$ 18.94	\$ 3.65			\$ 19.04
<b>Weighted average shares outstanding-Basic</b>	64,066,599	17,903,000	2,245,923	<b>T</b>	66,312,522
<b>Weighted average shares outstanding-Diluted</b>	64,261,145	17,903,000	2,245,923	<b>T</b>	66,507,068
<b>Period end shares outstanding</b>	64,142,498	17,954,000	2,245,923	<b>T</b>	66,388,421

**Table of Contents****UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT****TRUSTMARK CORPORATION AND BANCTRUST****FOR THE THREE MONTHS ENDED MARCH 31, 2012**

(\$ in thousands except share data)

INCOME STATEMENT	Trustmark Corporation	BancTrust	Pro Forma Adjustments		Pro Forma Combined
<b>Total Interest Income</b>	\$ 95,882	\$ 18,461	\$ (550)	<b>O</b>	\$ 113,793
<b>Total Interest Expense</b>	8,938	3,388	(108)	<b>P</b>	12,218
<b>Net Interest Income</b>	86,944	15,073	(442)		101,575
<b>Provision for Loan Losses</b>	3,099	3,600			6,699
<b>Net Interest Income After Provision for Loan Losses</b>	83,845	11,473	(442)		94,876
<b>Total Noninterest Income</b>	43,785	5,440			49,225
<b>Total Noninterest Expenses</b>	85,774	16,249	1,251	<b>Q</b>	103,274
<b>Income before Income Taxes</b>	41,856	664	(1,693)		40,827
<b>Income Taxes</b>	11,536	28	(648)	<b>R</b>	10,916
<b>Net Income</b>	30,320	636	(1,045)		29,911
<b>Preferred stock dividends/discount accretion</b>		778	(778)	<b>S</b>	
<b>Net Income (Loss) available to Common Shareholders</b>	\$ 30,320	\$ (142)	\$ (267)		\$ 29,911
<b>Net Income (Loss) per share-Basic</b>	\$ 0.47	\$ (0.01)			\$ 0.45
<b>Net Income (Loss) per share-Diluted</b>	\$ 0.47	\$ (0.01)			\$ 0.45
<b>Book value per share</b>	\$ 19.17	\$ 3.55			\$ 19.26
<b>Weighted average shares outstanding-Basic</b>	64,297,038	17,954,000	2,245,923	<b>T</b>	66,542,961
<b>Weighted average shares outstanding-Diluted</b>	64,477,277	17,954,000	2,245,923	<b>T</b>	66,723,200
<b>Period end shares outstanding</b>	64,765,581	17,954,000	2,245,923	<b>T</b>	67,011,504

See accompanying notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Statements

**Table of Contents****Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Statements**

A.	Adjustment to record estimated changes in cash balances for the impact of:		
	Non-routine merger related expense for BancTrust, net of applicable taxes		\$ (2,542)
	Non-routine merger related expense for Trustmark, net of applicable taxes		(7,153)
	Payoff of BancTrust preferred stock (including accrued dividends)		(50,483)
	Net change in cash		\$ (60,178)
B.	Adjustment to record estimated purchase accounting adjustments for BancTrust:		
	Fair value adjustment for loans		\$ (184,800)
	Elimination of BancTrust allowance for loan and lease losses		43,085
	Fair value adjustment for premises and equipment, net		(6,500)
	Record change to goodwill resulting from these purchase accounting adjustments		83,491
	Adjustments related to core deposit intangible:		
	Estimated core deposit intangible	30,575	
	Elimination of BancTrust existing core deposit intangible	(3,293)	
	Net adjustments for core deposit intangible		27,282
	Fair value adjustment for other real estate		(16,500)
	Adjustments related to other assets:		
	Record deferred tax asset created from fair value adjustments	66,292	
	Fair value adjustment for other assets	(2,300)	
	Net adjustments for other assets		63,992
	Fair value adjustment for time deposits		(3,000)
	Fair value adjustment for assumed borrowings		(750)
	Fair value adjustment for defined benefit plans and other liabilities		(6,300)
	Net purchase accounting adjustments		\$ 0
C.	Estimated fair value adjustment for loans. The fair value of acquired loans was 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. Estimated credit losses are included in the determination of fair value; therefore, an allowance for loan losses is not recorded on the acquisition date.		
D.	Estimated fair value adjustment for premises and equipment which comes primarily from land and buildings acquired. The estimated fair value of each property was derived by using internal estimates with comparable properties in each geographical location. Upon closing of the Merger, an independent valuation of premises and equipment will be conducted.		
E.	Additional impact to goodwill of \$(3,505) resulting from pro forma adjustments created as a result of the Merger.		
F.	Estimated fair value of core deposit intangible ( CDI ) of \$30,575 representing the estimated future economic benefit resulting from the acquired customer balances and relationships. For pro forma purposes, Trustmark is amortizing the CDI using the sum-of-the-years digits method and an estimated life of ten years. Upon closing of the Merger, an independent valuation of the CDI will be conducted. Offset by elimination of existing BancTrust CDI of \$3,293 which cannot be carried over.		
G.	Estimated fair value adjustment for other real estate owned ( OREO ) based on the estimated net realizable values of the portfolio.		
H.	Net deferred tax asset of \$66,292 resulting from the fair value adjustments related to the acquired assets and assumed liabilities, which was calculated using an effective tax rate of 38.25%. Fair value adjustment for other assets of \$(2,300) was determined by reviewing a detail of accounts which comprise other assets and ascertaining those assets that have no fair value at acquisition.		

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- I. The estimated fair value adjustment for time deposits of \$3,000 is calculated using current market rates for similar products with similar remaining lives. This adjustment will be amortized into interest expense over the estimated lives of the deposits, which has been calculated as 0.75 years. Estimated amortization in the pro forma was computed using the sum-of-the-years digits method, which approximates a level yield.
- J. Estimated fair value adjustment of FHLB advances of \$750 is calculated using current market rates for similar products with similar remaining lives.
- K. While not illustrated as a pro forma adjustment, Trustmark has agreed to pay-off the junior subordinated debt securities and the \$20,000 loan with the FDIC as receiver for Silverton Bank, N.A., concurrently with or immediately after the consummation of the Merger.
- L. Estimated fair value adjustment for defined benefits plans of \$2,300 was determined by providing the necessary information for BancTrust's pension and SERP plans to a third-party actuary who calculated the projected benefit obligation for each plan. For other liabilities, the estimated fair value adjustment is \$4,000 related to pre-acquisition contingencies.
- M. Trustmark has agreed to purchase all of the issued and outstanding shares of BancTrust Series A Preferred Stock and BancTrust Warrant from the Treasury or other holders thereof concurrently with or immediately after (in the case of the Warrant Purchase only) the consummation of the Merger.
- N. Elimination of BancTrust stockholders' equity as part of the acquisition accounting adjustments representing the conversion of all BancTrust common stock into Trustmark common stock. BancTrust common stock will be exchanged in the Merger at a ratio of 0.125 Trustmark shares for each common share of BancTrust. Also includes Trustmark nonroutine merger related expenses of \$7,153 which are net of taxes.
- |  |           |             |
|--|-----------|-------------|
| Issuance of Trustmark common stock (stated par value of \$0.2083 per share)          | \$ 468    |             |
| Elimination of common stock of BancTrust   | (182)     |             |
| Net impact to common stock   |           | \$ 286      |
| Issuance of Trustmark common stock surplus   | 55,635    |             |
| Elimination of surplus of BancTrust  | (194,643) |             |
| Net impact to surplus  |           | (139,008)   |
| Elimination of retained earnings of BancTrust  | 123,924   |             |
| Nonroutine merger related expense for Trustmark                                      | (7,153)   |             |
| Net impact to retained earnings  |           | 116,771     |
| Elimination of accumulated other comprehensive loss of BancTrust                     |           | 7,152       |
| Elimination of BancTrust stockholders' equity and issuance of Trustmark common stock |           | \$ (14,799) |
- O. The impact of the fair value adjustment for loans was to lower interest income equal to the fair value of loans at the estimated discount rate of 5.65%. The result was to decrease interest income by \$2,200 for the year ended December 31, 2011 and \$550 for the three months ended March 31, 2012.
- P. Accretion of fair value adjustments for deposits of \$3,000 for the year ended December 31, 2011. Estimated amortization period was 0.75 years. Also includes accretion of fair value adjustments for FHLB advances of \$642 for the year ended December 31, 2011 and \$108 for the three months ended March 31, 2012. Estimated amortization period was 1.15 years.
- Q. Amortization of CDI for BancTrust. CDI will be amortized using sum-of-the-years digits method over a ten year period. The amortization expense is \$5,559 for the year ending December 31, 2011 and \$ 1,251 for the three months ended March 31, 2012.
- R. Reflects the tax impact of the pro forma transaction adjustments at Trustmark's statutory marginal income tax rate of 38.25%.
- S. Reversal of dividends on BancTrust Series A Preferred Stock.
- T. Common stock issued in exchange for BancTrust common stock was 2,245,923.

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**DESCRIPTION OF CAPITAL STOCK OF TRUSTMARK**

*As a result of the merger, BancTrust shareholders who receive shares of Trustmark common stock in the merger will become shareholders of Trustmark. Your rights as shareholders of Trustmark will be governed by Mississippi law and the articles of incorporation and the bylaws, as amended, of Trustmark.*

*The following briefly summarizes the material terms of Trustmark's common stock and preferred stock. We urge you to read the applicable provisions of the Mississippi Business Corporation Act, which is referred to as the MBCA, Trustmark's articles of incorporation and bylaws and federal law governing bank holding companies carefully and in their entirety. Copies of Trustmark's governing documents have been filed with the SEC. To find out where copies of these documents can be obtained, see *Where You Can Find More Information* beginning on page 160.*

**General**

Trustmark has authorized two classes of stock: (1) 250,000,000 authorized shares of Trustmark common stock, no par value, 64,775,694 shares of which were issued and outstanding as of June 29, 2012; and (2) 20,000,000 authorized shares of preferred stock, no par value, none of which are issued and outstanding. Trustmark's common stock is listed on NASDAQ. The following summary is qualified in its entirety by reference to the MBCA and the articles of incorporation and bylaws of Trustmark.

**Trustmark Common Stock**

Except in the election of directors (in which shareholders have cumulative voting rights), the holders of Trustmark common stock are entitled to one vote for each share of Trustmark common stock owned. Except as expressly provided by law and except for any voting rights that may be conferred on any shares of preferred stock issued by the Trustmark board, all voting power is in Trustmark common stock. Holders of Trustmark common stock do not have preemptive rights to acquire any additional or unissued shares of Trustmark common stock or securities of Trustmark convertible into or carrying a right to subscribe to or acquire shares of Trustmark common stock.

Holders of Trustmark common stock will be entitled to receive dividends out of funds legally available therefore, if and when properly declared by the Trustmark board of directors. However, if any of Trustmark's preferred stock is outstanding, there may be restrictions on the ability of the Trustmark board of directors to declare or pay cash dividends on Trustmark common stock, and the Trustmark board of directors may be prohibited from purchasing shares of Trustmark common stock, unless full dividends on outstanding preferred stock for all past dividend periods and for the current dividend period, if any, have been declared and paid.

On liquidation of Trustmark, the holders of Trustmark common stock are entitled to share pro rata in any distribution of the assets of Trustmark, after the holders of any shares of preferred stock have received the liquidation preference of their shares, plus any accumulated but unpaid dividends, whether or not earned or declared, if any, and after all other indebtedness of Trustmark has been retired.

**Trustmark Preferred Stock**

The Trustmark preferred stock is available for issuance from time to time for various purposes as determined by the Trustmark board of directors, including making future acquisitions, raising additional equity capital and financing. Subject to certain limits set by the Trustmark articles of incorporation and applicable bank holding company regulatory approval, the preferred stock may be issued on such terms and conditions, and at such times and in such situations, as the Trustmark board of directors in its sole discretion determines to be appropriate, without any further approval or action by the shareholders, unless otherwise required by laws, rules, regulations or agreements applicable to Trustmark.

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**Anti-Takeover Provisions Under Trustmark's Articles of Incorporation and Bylaws**

Trustmark's articles of incorporation and bylaws contain provisions that may delay, deter or inhibit a future acquisition of Trustmark not approved by Trustmark's board of directors. Such a result could occur even if Trustmark's shareholders are offered an attractive value for their shares or even if a majority of Trustmark's shareholders believe the takeover is in their best interest.

For example, as described above, Trustmark's articles of incorporation authorize its board of directors to issue a series of preferred stock without any further approval from Trustmark's shareholders, with the designations, preferences and relative rights, qualifications, limitations or restrictions, as the board of directors determines in its discretion.

Trustmark's bylaws include restrictions on the ability of a shareholder to call a special shareholder meeting and also establish advance notice procedures for the nomination of candidates for election to Trustmark's board of directors by persons other than the board of directors and require that such a shareholder provide detailed information about the nominee and satisfy certain other conditions.

These provisions could limit the price that investors might be willing to pay in the future for shares of Trustmark common stock. These provisions are intended to encourage any person interested in acquiring Trustmark to negotiate with and obtain the approval of Trustmark's board of directors in connection with any such transaction.

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**COMPARISON OF SHAREHOLDERS RIGHTS**

*If the merger is completed, holders of BancTrust common stock will receive shares of Trustmark common stock for their shares of BancTrust common stock. BancTrust is organized under the laws of the State of Alabama, and Trustmark is organized under the laws of the State of Mississippi. The following is a summary of the material differences between (1) the current rights of BancTrust shareholders under the ABCL and BancTrust's articles of incorporation and bylaws, and (2) the current rights of Trustmark shareholders under the MBCA and Trustmark's articles of incorporation and bylaws.*

*The following summary is not a complete statement of the rights of shareholders of the two companies or a complete description of the specific provisions referred to below. This summary is qualified in its entirety by reference to the ABCL and the MBCA and BancTrust's and Trustmark's governing documents, which we urge BancTrust shareholders to read. Copies of the respective companies' governing documents have been filed with the SEC. To find out where copies of these documents can be obtained, see *Where You Can Find More Information* beginning on page 160.*

	<b>BancTrust</b>	<b>Trustmark</b>
<b>Capitalization:</b>	The articles of incorporation of BancTrust authorize the issuance of up to 100,000,000 shares of common stock, \$0.01 par value per share, and up to 500,000 shares of preferred stock.	The articles of incorporation of Trustmark authorize the issuance of up to 250,000,000 shares of common stock, no par value per share, and up to 20,000,000 shares of preferred stock, no par value.
	<p>BancTrust's articles of incorporation give its board of directors the authority to determine (1) what preferences, if any, BancTrust preferred stock, or any particular class thereof, will have over BancTrust common stock relative to the payment or setting aside for payment of dividends; (2) what, if any, voting rights will accompany any particular class of BancTrust preferred stock; and (3) the rights, if any, of the holders of any class or series of BancTrust preferred stock upon the voluntary or involuntary liquidation of BancTrust. Neither BancTrust's articles of incorporation nor its bylaws address the issue of what classes of stock, if any, vote upon an increase or decrease in the authorized stock of any class or classes of BancTrust common or preferred stock.</p>	
<b>Corporate Governance:</b>	The rights of BancTrust shareholders are governed by Alabama law and the articles of incorporation and bylaws of BancTrust.	The rights of Trustmark shareholders are governed by Mississippi law and the articles of incorporation and bylaws of Trustmark.
<b>Board of Directors:</b>	BancTrust's bylaws state that the minimum size of the board of directors is three and the maximum size is 25. The current size of the board of directors is 17.	Trustmark's bylaws state that the minimum size of the board of directors is five and the maximum size is 25. The current size of the board of directors is 10.



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**BancTrust**

BancTrust's articles of incorporation provide that there will be not less than 3 nor more than 30 directors. BancTrust's bylaws provide that there will be not less than 3 nor more than 25 directors. The exact number of directors is determined by resolution of BancTrust's board of directors, subject to the limitations of Section 10A-2-8.03(b) of the ABCL, which provides that the directors may not increase or decrease the number of directors by more than 30 percent of the number of directors last approved by the shareholders.

**Trustmark**

The number of directors is fixed, from time to time, by a majority vote of the board of directors or by resolution of the shareholders at any meeting thereof.

**Election of Directors:**

Under Alabama law, unless otherwise provided in the articles of incorporation, directors are elected by a majority of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present when the vote is taken.

Under Mississippi law, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting of shareholders at which a quorum is present, unless otherwise provided in the articles of incorporation.

BancTrust's shareholders are not permitted to cumulate their votes for directors.

Trustmark's bylaws permit shareholders to cumulate their votes for directors. Each shareholder is entitled to multiply the number of votes they are entitled to cast by the number of directors for whom they are entitled to vote and cast the product for a single candidate or distribute the product among two or more candidates.

The entire board is elected at each annual meeting of the shareholders and each director elected holds office until his successor is elected and qualified, unless sooner displaced.

Each director of Trustmark is elected for a one-year term or until his successor shall have been elected and qualified. This means that the entire board is elected at each annual meeting of the shareholders.

Alabama law provides that the shareholders may remove one or more directors with or without cause unless the articles of incorporation provide that a director may only be removed for cause. BancTrust's articles of incorporation contain no limitations on removal of directors. A director may be removed by votes of the shareholders favoring removal exceeding votes against removal at a shareholders meeting called for the purpose of removing the director or directors.

Mississippi law provides that the shareholders may remove one or more directors with or without cause unless the articles of incorporation provide that a director may only be removed for cause. A director may be removed by the majority vote of the shareholders at a shareholders meeting called for the purpose of removing the director or directors, unless the number of votes sufficient to elect the director is cast against removal. The meeting notice for the shareholders meeting must state that the purpose, or one of the purposes, of the meeting is the removal of the director.

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**BancTrust**

**Trustmark**

**Board Vacancies:**

Under Alabama law, any vacancies existing on the board of directors may be filled by: (1) the shareholders; (2) the board of directors, except that the directors shall have the power to fill a vacancy resulting from an increase in the number of directors only if expressly provided for in the articles of incorporation; or (3) if the directors remaining in office constitute fewer than a quorum of the board, if the vacancy is one that the directors are authorized to fill, by the affirmative vote of a majority of all the directors remaining in office.

BancTrust's articles of incorporation permit the board of directors to fill vacancies and newly created board seats by a majority vote of those directors then in office, even though less than a quorum, and directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced.

Trustmark's bylaws provide that the shareholders may remove one or more directors with or without cause. The executive committee of the board of directors has the authority to recommend the removal of a director for cause to the shareholders. Cause is defined as: (1) embezzlement or fraud; (2) failure to pay any obligation owed to the corporation or an affiliate of the corporation; (3) breaching a fiduciary duty or deliberately disregarding any rule of the corporation or its affiliates; (4) conviction of a felony; (5) declaration of unsound mind by court order; (6) adjudication of bankruptcy; (7) nonacceptance of office or intentional failure to perform stated duties; (8) willful violation of any final cease and desist order; or (9) any conduct prejudicial to the interests of the corporation, including the disclosure of confidential information of the corporation or its affiliates.

Under Mississippi law, any vacancies existing on the board of directors may be filled by: (1) the shareholders entitled to vote thereon; (2) the board of directors; or (3) if the directors remaining in office constitute less than a quorum, then the remaining directors by the vote of a majority of the directors remaining in office. A director elected to fill a vacancy will hold office for the remainder of the term of his or her predecessor in office.

Trustmark's bylaws state that unless otherwise provided in the articles of incorporation (which are currently silent on this subject), all vacancies on the board of directors, whether caused by resignation, removal, death, increase in the number of directors or otherwise, may be filled through appointment by a majority of the remaining directors then in office at an annual or special meeting called for that purpose; provided, however, should a vacancy cause the number of directors to be less than the number required for a quorum, then the majority of the remaining directors then

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	<b>BancTrust</b>	<b>Trustmark</b>
<b>Vote Required for Certain Shareholder Actions and Quorum Requirement:</b>	<p>Alabama law provides that an action on matters other than the election of directors is approved, provided a quorum is present when the vote is taken, if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Constitution of Alabama of 1901, the articles of incorporation, or the ABCL require a greater number of affirmative votes.</p> <p>Alabama law provides that an amendment to the articles of incorporation that adds, changes, or deletes a greater quorum or voting requirement must meet the same quorum requirement and be adopted by the same vote and voting groups required to take action under the quorum and voting requirements then in effect or proposed to be adopted, whichever is greater.</p> <p>Unless the ABCL or the articles of incorporation require a greater or lesser vote or a vote by voting groups, or the board of directors requires a greater vote or a vote by voting groups, a plan of merger or share exchange to be authorized must be approved by each voting group entitled to vote separately on the plan by two thirds of all the votes entitled to be cast on the plan by that voting group; but in no case may the vote required for shareholder approval be set at less than a majority of the votes entitled to be cast on the plan by each voting group. Neither BancTrust's articles of incorporation nor its bylaws alter the vote required for approval of a plan of merger or share exchange.</p>	<p>in office will appoint at least the number of directors necessary to constitute a quorum at an annual or special meeting called for that purpose. A director thus appointed to fill any vacancy will hold office until the next annual meeting of the shareholders or until his successor is elected and qualified.</p> <p>Mississippi law provides that an action on matters other than the election of directors is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless a greater number of affirmative votes is required by law or the articles of incorporation.</p> <p>Trustmark's bylaws provide that the affirmative vote of the holders of a majority of the shares of Trustmark common stock represented at a meeting at which a quorum is present and who are entitled to vote on a matter will be the act of the shareholders, with each shareholder having one vote per share of common stock.</p> <p>Trustmark's bylaws provide that a majority of the outstanding shares entitled to vote, represented in person or by proxy, constitutes a quorum at any meeting of shareholders, unless otherwise provided by law.</p>

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**BancTrust**

**Trustmark**

BancTrust's bylaws provide that if a quorum is present when a vote is taken at any meeting, an action is approved if the votes cast in favor of the action exceed the votes cast opposing the action, unless a different vote is required by express provision of the bylaws, Section 234 or any other provision of the Constitution of Alabama of 1901, the statutes of Alabama or the articles of incorporation.

BancTrust's bylaws provide that the holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the shareholders, except as otherwise provided in the bylaws, by the statutes of Alabama or by the articles of incorporation.

BancTrust's articles of incorporation provide that the vote of 75 percent or more of the shares entitled to vote will be required to approve (1) any merger or consolidation of BancTrust with or into any other related corporation, (2) the sale, lease, exchange or other disposition of a substantial part (20 percent or more) of BancTrust's assets to such a related corporation if the related corporation or its affiliates are the beneficial owners of 5 percent or more of the outstanding capital stock of BancTrust, or (3) the issuance of any stock or other securities of BancTrust in exchange for payment for any property or assets of such a related corporation. This 75 percent vote requirement does not apply if (i) a 75 percent vote of the directors is obtained or (ii) BancTrust owns 50 percent or more of the voting stock of such related corporation. For purposes of this provision, related corporation means any other corporation, or its affiliates that beneficially own, directly or indirectly, more than 5 percent of the total voting power of all outstanding shares of voting stock of BancTrust.

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**Amendment of Articles of Incorporation:**

**BancTrust**

Alabama law provides that a corporation's board of directors may adopt one or more amendments to the corporation's articles of incorporation without shareholder action to: (1) extend the duration of the corporation if it was incorporated at a time when limited duration was required by law; (2) delete the names and addresses of the initial directors; (3) delete the name and address of the initial registered agent or registered office, if a statement of change is on file with the Secretary of State; (4) change each issued and unissued authorized share of an outstanding class into a greater number of whole shares if the corporation has only shares of that class outstanding; (5) change the corporate name by substituting the word "corporation," or "incorporated," an abbreviation of one of the words for a similar word or abbreviation in the name, or by adding, deleting, or changing a geographical attribution for the name; or (6) make any other change expressly permitted by the ABCL to be made without shareholder action.

BancTrust's articles of incorporation require an affirmative vote of the shareholders holding not less than 75 percent of the outstanding stock of the corporation to change any of those sections of its articles of incorporation relating to (a) mergers with related corporations, (b) actions by shareholders by written consent, (c) calling a special meeting of the shareholders, or (d) nomination of a director for election or proposal of new business at an annual or special meeting of the shareholders; provided, however, that this 75 percent vote requirement does not apply if the amendment in question receives the affirmative vote of not less than 75 percent of the directors. Otherwise, BancTrust's articles of incorporation may be amended in accordance with the ABCL.

**Trustmark**

Mississippi law provides that a corporation's articles of incorporation may be amended by the board of directors without shareholder approval to: (1) if the corporation has only one class of shares outstanding, (a) change each issued and unissued authorized share of the class into a greater number of whole shares of that class or (b) increase the number of authorized shares of the class to the extent necessary to permit the issuance of shares as a share dividend; or (2) accomplish certain ministerial tasks.

Mississippi law requires that all other amendments to the articles of incorporation be: (1) approved by the board of directors and recommended to the shareholders, and (2) approved by a majority of the votes of the shareholders entitled to be cast on the amendment.

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**BancTrust**

**Trustmark**

Alabama law generally requires that an amendment to the articles of incorporation be adopted as follows: (1) the board of directors must recommend the amendment to the shareholders unless the board of directors determines that because of conflict of interest or other special circumstances it should make no recommendation and communicates the basis for its determination to the shareholders with the amendment; and (2) the shareholders entitled to vote on the amendment must approve the amendment by: (a) a majority of the votes entitled to be cast on the amendment by any voting group with respect to which the amendment would create dissenters' rights; and (b) the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Constitution of Alabama of 1901, the articles of incorporation, or the ABCL require a greater number of affirmative votes.

**Amendment of Bylaws:**

Alabama law provides that a corporation's board of directors may amend or repeal the corporation's bylaws unless: (1) the articles of incorporation or the ABCL reserve this power exclusively to the shareholders in whole or part; or (2) the shareholders in amending or repealing a particular bylaw provide expressly that the board of directors may not amend or repeal that bylaw. A corporation's shareholders may amend or repeal the corporation's bylaws even though the bylaws may also be amended or repealed by its board of directors.

A bylaw that fixes a greater quorum or voting requirement for the board of directors may be amended or repealed: (1) if originally adopted by the shareholders, only by the shareholders; and (2) if originally adopted by the board of directors, either by the shareholders or by the board of directors. A bylaw adopted or amended by the shareholders that fixes a greater quorum or voting requirement for the board of directors

Mississippi law provides that a corporation's shareholders may amend or repeal the corporation's bylaws, and that a board of directors may amend or repeal the corporation's bylaws, unless the articles of incorporation reserve that power exclusively to the corporation's shareholders in whole or in part or the shareholders in amending, repealing or adopting a bylaw expressly provided that the board of directors may not amend, repeal or reinstate that bylaw.

A bylaw that increases a quorum or voting requirement for the board of directors may be amended or repealed: (1) if adopted by the shareholders, only by the shareholders, unless the bylaw otherwise provides, or (2) if adopted by the board of directors, either by the shareholders or by the board of directors.

A bylaw adopted or amended by the shareholders that increases a quorum or voting requirement for the board of directors may provide that it can be

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	<b>BancTrust</b>	<b>Trustmark</b>
	<p>may provide that it may be amended or repealed only by a specified vote of either the shareholders or the board of directors. Action by the board of directors to adopt or amend a bylaw that changes the quorum or voting requirement for the board of directors must meet the same quorum requirement and be adopted by the same vote required to take action under the quorum and voting requirement then in effect or proposed to be adopted, whichever is greater.</p>	<p>amended or repealed only by a specified vote of either the shareholders or the board of directors.</p> <p>Trustmark's bylaws provide that the bylaws may be altered, amended, or repealed or new bylaws adopted by the board of directors.</p>
	<p>BancTrust's bylaws provide that they may be altered, amended or repealed or new bylaws may be adopted by BancTrust's shareholders or by its board of directors at any regular or special meeting of either the shareholders or the board of directors.</p>	
<b>Special Meetings of Shareholders:</b>	<p>Alabama law provides that a special meeting of shareholders may be called by: (1) the board of directors or the person or persons authorized to do so by the articles of incorporation or bylaws; or (2) the holders of at least 10 percent of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting.</p> <p>BancTrust's articles of incorporation provide that special meetings of shareholders may be called for any purpose at any time by (a) the board of directors; (b) a majority of the members of the board of directors; (c) a committee of the board which has been given such authority by the board; or (d) shareholders who hold, in the aggregate, at least 10 percent of the votes entitled to be cast at any such special meeting.</p>	<p>Mississippi law provides that a special meeting of the shareholders may be called by: (1) the board of directors or the person or persons authorized to do so by the articles of incorporation or bylaws, or (2) unless the articles of incorporation provide otherwise, the holders of at least 10 percent of all the votes entitled to be cast on any issue proposed to be considered at a proposed special meeting. Only business within the purposes described in the meeting notice may be conducted at a special shareholders meeting.</p> <p>Trustmark's bylaws provide that special meetings of shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by a majority of the board of directors and will be called at any time by the President or the board of directors upon the request of shareholders owning ten percent (10 percent) of the outstanding shares of the corporation entitled to vote at such meetings. Business transacted at all special meetings must be confined to the objects stated in the call.</p>

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	<b>BancTrust</b>	<b>Trustmark</b>
<b>Nomination of Directors:</b>	<p>BancTrust’s articles of incorporation provide that in order for a shareholder to nominate a director for election at an annual shareholders’ meeting, the shareholder must give BancTrust’s secretary notice of such nomination no less than 30 and no more than 60 days prior to such meeting. The notice must contain: (1) the name, age, business address and, if known, residence address of each nominee; (2) the principal occupation or employment of each nominee; and (3) the number of shares of BancTrust stock beneficially owned by the nominee.</p>	<p>Trustmark’s bylaws state that nominations for election to the board of directors may be made by the board of directors or by any shareholder of any outstanding class of capital stock of the corporation entitled to vote for election of directors.</p> <p>Nominations, other than those made by or on behalf of the existing management of the corporation, must be made in writing and delivered or mailed to the Chairman of the board of directors not less than 14 days nor more than 50 days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than 21 days’ notice of the meeting is given to shareholders, such nomination must be mailed or delivered to the Chairman of the board of directors not later than the close of business on the 7th day following the day on which the notice of the meeting was mailed.</p> <p>Shareholder nominations must contain the following information to the extent known to the notifying shareholder: (1) the name and address of each proposed nominee; (2) the principal occupation of each proposed nominee; (3) the total number of shares of capital stock of the corporation that will be voted for each proposed nominee; (4) the name and residence address of the notifying shareholder; and (5) the number of shares of capital stock of the corporation owned by the notifying shareholder. Nominations not made in accordance with the foregoing may, in the discretion of the chairman of the meeting, be disregarded by the chairman of the meeting, and upon the notifying shareholder’s instructions the vote tellers may disregard all votes cast for each such nominee.</p>
<b>Shareholder Proposal of Business:</b>	<p>BancTrust’s articles of incorporation provide that the board of directors or any shareholder entitled to vote generally in the election of directors may propose any new business to be</p>	<p>Shareholders may submit proposals to be considered at an annual meeting of shareholders if they do so in accordance with applicable regulations of the SEC. Any shareholder intending to propose a</p>



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**BancTrust**

taken up at any annual or special meeting of shareholders. If a shareholder desires to make such a proposal, he or she must give notice in writing, by mailing such notice to the secretary of BancTrust, not less than 30 or more than 60 days prior to the date at which the meeting is to be held. The notice must include: (1) a brief description of the business to be brought before the meeting and the reasons for conducting such business at the meeting; (2) the name and address, as they appear on BancTrust's books, of the shareholder proposing such business; (3) the class and number of shares of BancTrust that are beneficially owned by the shareholder; and (4) any material interest of the shareholder in such business.

**Trustmark**

matter for consideration at an annual meeting of shareholders must submit such proposal in writing to the principal executive offices of Trustmark not less than 120 calendar days before the date that the corporation's proxy statement was released to shareholders in connection with the previous year's annual meeting. A proposal for a meeting of shareholders other than a regularly scheduled annual meeting must be submitted in writing to Trustmark a reasonable time period before the corporation begins to print and send its proxy materials. All proposals must meet the requirements of Rule 14a-8 under the Exchange Act. Trustmark generally has the burden to demonstrate to the SEC that it is entitled to exclude a shareholder proposal.

**Indemnification; Limitation of Director Liability:**

Alabama law provides that a corporation may indemnify an individual made a party to a proceeding because he or she is or was a director against liability incurred in the proceeding if: (1) the individual conducted himself or herself in good faith; and (2) he or she reasonably believed: (a) in the case of conduct in his or her official capacity with the corporation, that the conduct was in its best interests; and (b) in all other cases, that the conduct was at least not opposed to its best interests; and (3) in the case of any criminal proceeding, the individual had no reasonable cause to believe his or her conduct was unlawful.

Mississippi law provides that a corporation may indemnify a director: (1) if the director acted in good faith; (2) reasonably believed (a) that his conduct in an official capacity was in the best interests of the corporation, and (b) that his conduct in all other cases was at least not opposed to the best interests of the corporation; and (3) in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful; or (4) if the director engaged in conduct for which broader indemnification has been made permissible or obligatory under a provision of the articles of incorporation as authorized by law.

Under Alabama law, a corporation may not indemnify a director: (1) in connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation; or (2) in connection with any other proceeding charging improper personal benefit to the director, whether or not involving action in his or her official capacity, in which the director was adjudged liable on the basis that personal benefit was improperly received by him or her.

Under Mississippi law, in the absence of a court order, a corporation may not indemnify a director in connection with a proceeding: (1) by or in the right of the corporation (except for reasonable expenses if it is determined that the director met the relevant standard of conduct described above); or (2) for which the director was adjudged liable on the basis that the director received a financial benefit to which he was not entitled, whether or not involving action in his official capacity.

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**BancTrust**

Alabama law states that a corporation must indemnify a director who was successful, on the merits or otherwise, in the defense of any proceeding where he or she was a party because he or she is or was a director of the corporation, against reasonable expenses incurred in connection with the proceeding.

BancTrust's articles of incorporation provide that BancTrust will indemnify any person who was or is a party or is threatened to be made a party to any suit or proceeding by reason of the fact that he or she was a director or officer of BancTrust or is or was serving at the request of BancTrust as a director, officer or partner of another corporation, partnership, joint venture, trust or other enterprise, against reasonable expenses incurred in connection with such proceeding, if he or she acted in good faith and in a manner he or she reasonably believed to be in or, if not acting in his or her official capacity, not opposed to the best interests of BancTrust, and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. For actions by or in the right of BancTrust, no indemnification shall be given if the person has been adjudged liable to BancTrust, unless and only to the extent that the court in which the proceeding was brought or another court of competent jurisdiction determines that, despite the finding of liability but in view of all of the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

Under Alabama law, a shareholder is entitled to dissent from, and obtain payment of the fair value of his or her shares in the event of, any of the following corporate actions: (1) consummation of a plan of merger to which the corporation is a party (a) if shareholder approval is required for the merger and the shareholder is entitled to

**Trustmark**

Mississippi law states that a corporation must indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he was a party because he was a director of the corporation against reasonable expenses incurred by him in connection with the proceeding.

Trustmark's bylaws provide that any person, his heirs, executors, or administrators, may be indemnified or reimbursed by the corporation for reasonable expenses actually incurred in connection with any action, suit, or proceeding, civil or criminal, to which he or they are made a party or potential party by reason of his being or having been a director, an honorary or advisory director, officer, or employee of the corporation or of any firm, corporation or organization for which he served in any such capacity at the request of the corporation; provided, however, that no person will be so indemnified or reimbursed in relation to any matter in such action, suit, or proceeding as to which he is finally adjudged to have been guilty of or liable for negligence or willful misconduct in the performance of his duties to the corporation; and provided further, that no person will be so indemnified or reimbursed in relation to any administrative proceeding or action instituted by an appropriate bank regulatory agency which proceeding or action results in a final order assessing civil money penalties or requiring affirmative action by an individual or individuals in the form of payments to the corporation.

Section 79-4-13.02(b)(2) of the MBCA provides that no dissenters' rights are available for corporations whose shares are publicly traded.

**Shareholders' Rights of Dissent and Appraisal:**

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<b>BancTrust</b>	<b>Trustmark</b>
<p>vote on the merger or (b) if the corporation is a subsidiary that is merged with its parent without shareholder approval; (2) consummation of a plan of share exchange to which the corporation is a party as the corporation whose shares will be acquired, if the shareholder is entitled to vote on the plan; (3) subject to limited exceptions, consummation of a sale or exchange of all, or substantially all, of the property of the corporation other than in the usual and regular course of business, if the shareholder is entitled to vote on the sale or exchange; (4) to the extent that the articles of incorporation of the corporation so provide, an amendment of the articles of incorporation that materially and adversely affects rights in respect to a dissenter's shares because it: (a) alters or abolishes a preferential right of the shares; (b) creates, alters, or abolishes a right in respect of redemption, including a provision respecting a sinking fund for the redemption or repurchase of the shares; (c) alters or abolishes a preemptive right of the holder of the shares to acquire shares or other securities; (d) excludes or limits the right of the shares to vote on any matter, or to cumulate votes, other than a limitation by dilution through issuance of shares or other securities with similar voting rights; or (e) reduces the number of shares owned by the shareholder to a fraction of a share if the fractional share so created is to be acquired for cash; or (5) any corporate action taken pursuant to a shareholder vote to the extent the articles of incorporation, bylaws, or a resolution of the board of directors provides that voting or nonvoting shareholders are entitled to dissent and obtain payment for their shares.</p>	<p>A shareholder entitled to dissent and obtain payment for shares under the ABCL may not challenge the corporate action creating his or her entitlement unless the action is unlawful or fraudulent with respect to the shareholder or the corporation.</p>

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF BANCTRUST**

The following table sets forth, as of July 2, 2012, the number of shares and percentage of the outstanding BancTrust common stock beneficially owned by (1) each director of BancTrust; (2) each executive officer of BancTrust; and (3) the directors and executive officers of BancTrust as a group. No director or executive officer owns any shares of preferred stock. As of the record date there were no known 5 percent shareholders of BancTrust.

Director	Number of Shares owned(1)	Right to Acquire(2)	Total Beneficial Ownership	Percentage of Beneficial Ownership(3)
Tracy T. Conerly	11,062		11,062	0.06%
Stephen G. Crawford	174,100		174,100	0.97%
David C. DeLaney	81,458		81,458	0.45%
Robert M. Dixon, Jr.	48,504		48,504	0.27%
Broox G. Garrett, Jr.	103,308		103,308	0.57%
Carol F. Gordy	4,136		4,136	0.02%
Barry E. Gritter	56,948		56,948	0.32%
James M. Harrison, Jr.	33,585		33,585	0.19%
Clifton C. Inge, Jr.	40,051		40,051	0.22%
Kenneth S. Johnson	77,874		77,874	0.43%
W. Bibb Lamar, Jr.	80,803	10,000	90,803	0.51%
John H. Lewis, Jr.	28,288		28,288	0.16%
Harris V. Morrisette	139,757		139,757	0.78%
Paul D. Owens, Jr.	412,195		412,195	2.29%
Mary Ann Patterson	332,105		332,105	1.85%
Peter C. Sherman	40,660		40,660	0.23%
Dennis A. Wallace	23,794		23,794	0.13%

Executive Officer	Number of Shares owned(1)	Right to Acquire(2)	Total Beneficial Ownership	Percentage of Beneficial Ownership(3)
Bruce C. Finley, Jr.	22,415	4,000	26,415	0.15%
Michael D. Fitzhugh	9,027	4,000	13,027	0.07%
F. Michael Johnson	42,190	4,000	46,190	0.26%
Edward T. Livingston	14,268	15,000	29,268	0.16%
Henry F. O Connor, III	0		0	0.00%
All Directors and Officers as a Group	1,776,528	37,000	1,813,528	10.09%

1 Includes shares of common stock for which the named person has sole voting and investment power, has shared voting and investment power with a spouse or children, holds in an IRA or other retirement plan program, or holds in our dividend reinvestment plan, unless otherwise indicated in these footnotes.

2 Includes shares of common stock that may be acquired upon the exercise of stock options that are or become exercisable within 60 days of the date of this amendment to BancTrust's Annual Report on Form 10-K.

3 For each individual, this percentage is determined by assuming the named person exercises all options which he or she has the right to acquire within 60 days, but that no other persons exercise any options. For the directors and executive officers as a group, this percentage

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is determined by assuming that each director and executive officer exercises all options which he or she has the right to acquire within 60 days, but that no other persons exercise any options. The calculations are based on 17,967,788 shares of common stock outstanding on April 19, 2012.

- 4 Mr. Inge and Mr. Morrissette are first cousins. Mr. O Connor s wife is Mr. Inge s sister and Mr. Morrissette s first cousin.
- 5 Mr. Kenneth S. Johnson has pledged 47,100 shares to secure a loan from the Bank.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

**Introduction**

Management's discussion and analysis of financial condition and results of operations is intended to provide the reader with information that will assist in understanding BancTrust's financial statements and the reasons for changes in certain key components of BancTrust's financial statements from period to period. The purpose of this discussion is to focus on information about BancTrust that is not otherwise apparent from the consolidated financial statements and the notes to the consolidated financial statements appearing elsewhere in this proxy statement/prospectus. Reference should be made to those financial statements and the selected financial data presented elsewhere in this proxy statement/prospectus for an understanding of the following discussion and analysis. Historical results of operations and any trends which may appear are not necessarily indicative of the results to be expected in future periods.

The following discussion and analysis also identifies significant factors that have affected BancTrust's financial condition and results of operations during the periods included in the financial statements contained in this proxy statement/prospectus. You are encouraged to read this discussion and analysis in conjunction with the accompanying financial statements and the other statistical information included in this proxy statement/prospectus.

**Business Overview**

As described above in Information about BancTrust General Business, BancTrust operates through a system of 49 offices located in three geographical areas, which are referred to as the Southern Division, the Central Division and the Florida Division. BancTrust, through its principal banking subsidiary, BankTrust, provides a broad range of community banking services to commercial, small business and retail customers, offering a variety of transaction and savings deposit products, treasury management services, investment brokerage and insurance services, secured and unsecured loan products, including revolving credit facilities, and letters of credit and similar financial guarantees. BancTrust also provides trust and investment management services to retirement plans, corporations and individuals.

**Executive Summary and Financial Highlights**

BancTrust's total assets at March 31, 2012 were \$2.009 billion, a decrease of \$23.110 million, or 1.1 percent, from December 31, 2011. Customer deposits decreased \$20.217 million, primarily in the time deposit categories. Interest-bearing deposits in other financial institutions (overnight funds) increased \$41.913 million, or 67.7 percent, funded by the decrease in securities available for sale of \$37.716 million. BancTrust decreased its investment portfolio in the first three months of 2012 to maintain its liquidity. In the first three months of 2012, BancTrust experienced growth in non-interest-bearing demand deposits and savings deposits in the first three months of 2012. Interest-bearing demand deposits decreased slightly during this period. Time deposits over \$100,000 decreased by \$19.983 million, due in part to BancTrust's efforts to lower its cost of funds.

BancTrust's net interest margin for the first three months of 2012 increased to 3.30 percent compared to 3.14 percent for the same period last year due to its efforts to lower BancTrust's costs of deposits. This decrease in BancTrust's cost of funds resulted in net interest revenue decreasing only slightly to \$15.073 million for the first three months of 2012 compared to \$15.166 million for the same period in 2011 despite the decrease in average earning assets of \$118.015 million. BancTrust estimates that its high level of non-performing assets resulted in its net interest margin for the first three months of 2012 being approximately 40 basis points lower than it would have been if these assets had been earning interest.

In 2011, BancTrust reported a net loss to common shareholders of \$50.9 million, or \$2.85 per diluted common share, compared with net income available to common shareholders of \$842 thousand, or \$0.05 per

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diluted common share, for 2010. The loss to BancTrust's common shareholders was increased by an effective preferred stock dividend of \$3.090 million, or \$0.17 per common share, in 2011, and net income to common shareholders was reduced by an effective preferred stock dividend of \$3.033 million, or \$0.17 per common share, in 2010.

In connection with the due diligence process associated with the BancTrust's recent capital raise efforts described below, BancTrust completed an in-depth review of asset quality, other real estate owned carrying values, and the adequacy of its allowance for credit losses. Upon termination of the capital raise process in early 2012, BancTrust management undertook a careful analysis of whether, given the recently received information generated by this review, additional provisions and write-downs should be made in the fourth quarter of 2011. BancTrust, after discussion with its independent registered public accounting firm and the audit committee of its board of directors, concluded that certain asset quality indicators and the expected liquidation horizon of nonperforming assets warranted an increase in its provision for loan losses and a decrease in the carrying value of certain other real estate owned, and that these matters should be included in the results of operations for the fourth quarter of 2011. This analysis and the resulting provision for credit losses and write-downs are largely responsible for the significant net loss reported for the fourth quarter of 2011. These items, together with substantial credit costs during the first three quarters of 2011, comprising approximately 26 percent of BancTrust's total credit costs in 2011, were primary contributors to the net loss for the year ended December 31, 2011.

Despite the magnitude of the net loss in 2011, both BancTrust and its subsidiary BankTrust remained well capitalized entities. At December 31, 2011, BancTrust had Tier 1 leverage capital of 7.13 percent, Tier 1 capital to risk-weighted assets of 10.48 percent, and total capital to risk-weighted assets of 11.75 percent.

***Economic Overview***

*Historical Perspective.* In late 2007, the rate of residential mortgage foreclosures began to escalate and real estate values began to decline. These factors worsened as the U.S. economy reached a confirmed recessionary trend in 2008 and significantly impacted the performance of BancTrust's residential construction and real estate and land acquisition loan portfolios. Other segments of BancTrust's commercial loan portfolio were impacted as well, particularly in industries that were adversely affected by the changes in commercial real estate and residential development. As a result, BancTrust experienced significant increases in its credit costs, elevated levels of loan charge-offs and non-performing assets, and further valuation adjustments on existing non-performing assets. BancTrust's loan portfolio contracted during this period due to loan charge-offs, foreclosures and weak demand for new loans.

*Current Economic Environment.* The U.S. economy appeared to have gained moderate momentum during the fourth quarter of 2011, building on modest improvement in the third quarter of 2011. The initial stages of economic recovery emerged during the latter half of 2010, but softened during the first and second quarters of 2011 in response to a series of global events, including the earthquake and tsunami in Japan, geo-political unrest in the Middle East, elevated energy costs, and continued concerns over the debt of certain European nations.

The improvement in economic indicators during 2011 was positive in the aggregate, but progress during the year was uneven at times with mixed messages in many economic measures. Inflation remained subdued; however, energy prices continued to show volatility, which could trigger inflation and impede the recovery. The Federal Reserve's commitment to hold interest rates stable for the next two years appears to indicate that it is more concerned with sustaining recovery than the risk of inflation. Long-term interest rates have fallen significantly in response to the Federal Reserve Bank's aggressive easing of monetary policy, with 10-year Treasury yields near 2 percent and fixed mortgage interest rates falling to record lows below 4 percent. Residential mortgage foreclosure and delinquency rates have declined over the past year, but remain at elevated levels compared to historical periods. On a local level, particularly in BancTrust's coastal market areas, property values have remained depressed, having a negative impact on BancTrust's collateral-dependent acquisition and development loan portfolio and resulting in a significant net loss in 2011.

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To navigate the unsettled economic environment, BancTrust has continued its practice of maintaining excess funding capacity to provide BankTrust with adequate liquidity for its ongoing operations. In this regard, BankTrust benefits from its strong core deposit base and its highly liquid investment portfolio. Additionally, in an attempt to adhere to interagency guidelines regarding concentration limits of commercial real estate loans, BancTrust has reduced its exposure to certain loan classifications, including construction, land development and other land loans.

***Recent Developments***

*Efforts to Raise Private Capital and Current Strategic Focus.* In 2010, BancTrust embarked on an effort to raise private capital in an amount necessary to: (1) repay or redeem, as appropriate, its \$20 million loan, which is referred to as the Silverton Note, payable to the Federal Deposit Insurance Corporation, which is referred to as the FDIC, and secured by the capital stock of BankTrust, and its \$50 million in BancTrust TARP preferred stock held by Treasury; (2) address BancTrust's elevated level of non-performing assets; (3) provide a measure of liquidity at the holding company level; and (4) generate significant shareholder value as a recapitalized, independent entity. BancTrust's 2010 efforts to raise capital proved unsuccessful, primarily, it believes, because of the uncertainty surrounding the Gulf of Mexico oil spill and its possible adverse impact on its entire footprint.

In January 2011, after resolution of the Gulf of Mexico oil spill, BancTrust engaged KBW to assist it in a renewed effort to attract private capital. BancTrust believed it could generate significant shareholder value as a recapitalized, independent bank holding company. Throughout 2011, it appeared that BancTrust was making significant progress on an equity offering, and, in December 2011, BancTrust entered into an exclusive dealing arrangement with two potential significant investors, whereby BancTrust agreed to work exclusively on a plan for these and other potential investors to recapitalize BancTrust. Ultimately, however, BancTrust was unable to attract a sufficient number of investors at a price sufficient to generate value for existing shareholders for a combination of reasons, including current market conditions, certain structural constraints and weaker than expected asset valuations.

*Holding Company Liquidity.* One of the most difficult issues BancTrust has faced since 2010 is liquidity at the holding company level. BancTrust is obligated to make interest payments on two issues of trust preferred securities totaling approximately \$34 million in principal indebtedness, to declare and pay 5 percent (increasing to 9 percent at the end of 2013) dividends on the \$50 million of BancTrust TARP preferred stock, and to service the \$20 million Silverton Note, secured by all of the outstanding capital stock of BankTrust. Absent an infusion of capital, these obligations can only be funded through upstream dividends from BankTrust. However, because of BankTrust's current level of nonperforming assets and losses, BankTrust is essentially unable to pay dividends to BancTrust.

Most of the holding company obligations, specifically preferred stock dividends and interest payments on BancTrust's two series of trust preferred securities, can, pursuant to their terms, be deferred, though such deferrals could lead to potentially adverse consequences. BancTrust management previously determined that it was in the best interests of BancTrust and its shareholders to defer future dividends on the BancTrust TARP preferred stock and interest payments on its two series of trust preferred securities for the foreseeable future. The deferral on the trust preferred securities is permitted under the applicable indentures for up to five years without penalty or default, and these deferrals commenced with interest payments in April and June; however, BancTrust management is not permitted to declare any dividend on BancTrust's preferred and common stock while it defers these interest payments. BancTrust deferred payment of its May 2012 TARP preferred stock dividend and until the preferred stock dividends are thereafter brought current, BancTrust management is prohibited from paying dividends on BancTrust's common stock. Additionally, if BancTrust does not pay dividends on the BancTrust TARP preferred stock for an aggregate of six fiscal quarters, whether or not consecutive, the number of directors on BancTrust's board of directors will automatically increase by two, and Treasury, as the holder of all of the outstanding BancTrust TARP preferred stock, will have the right to elect two new members of the board of directors.



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BancTrust does not have the right to defer repayment of interest or principal of the \$20 million Silverton Note, and that loan is secured by all of the issued and outstanding stock of BankTrust. However, to facilitate BancTrust's new strategic direction, BancTrust management negotiated a modification of this loan with the lender, the FDIC, as Receiver for Silverton Bank, N.A. The modification relieved BancTrust from making any principal payments under the Silverton Note prior to maturity, which is April 16, 2013 or such earlier date as BancTrust completes a merger, consolidation, sale of substantially all of BancTrust's assets or a similar transaction. This modification also increases the interest rate on the loan from one-month LIBOR plus 5 percent to one-month LIBOR plus 7 percent; however, it fixes the amount of quarterly interest payments that BancTrust is required to make until maturity of the loan at \$270,000 each. Accrued but unpaid interest, which will include the difference between quarterly interest accruals and the fixed quarterly payments, together with a fee of \$200,000, is to be paid to the lender upon maturity of the Silverton Note. The modification also required BancTrust to establish an escrow account with the lender in the amount of \$1,080,000 to fund the first four quarterly payments following the execution and delivery of the modification of loan documents.

**Critical Accounting Policies and Estimates**

BancTrust management has adopted various accounting policies that govern the application of accounting principles generally accepted in the United States of America and general practices within the banking industry in the preparation of BancTrust's financial statements. Certain accounting policies require BancTrust management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. A description of what BancTrust management deems to be its critical accounting policies is set forth below.

***Allowance for Loan and Lease Losses***

The allowance for loan and lease losses is maintained at a level considered by BancTrust management to be adequate to absorb losses inherent in the loan and lease portfolio. Loans and leases are charged off against the allowance for loan and lease losses when BancTrust management believes that the collection of the principal is unlikely. Subsequent recoveries are added to the allowance. BancTrust's determination of its allowance for loan and lease losses is determined in accordance with GAAP and other regulatory guidance. The amount of the allowance for loan and lease losses and the amount of the provision charged to expense are based on periodic reviews of the portfolio, past loan and lease loss experience, current economic conditions and such other factors which, in BancTrust management's judgment, deserve current recognition in estimating loan and lease losses.

BancTrust management has developed and uses a documented systematic methodology for determining and maintaining an allowance for loan and lease losses. A regular, formal and ongoing loan and lease review is conducted to identify loans and leases with unusual risks and probable loss. BancTrust management uses the loan and lease review process to stratify the loan and lease portfolio into risk grades. For higher-risk graded loans and leases in the portfolio, BancTrust management determines estimated amounts of loss based on several factors, including historical loss experience, BancTrust management's judgment of economic conditions and the resulting impact on higher-risk graded loans and leases, the financial capacity of the borrower, secondary sources of repayment including collateral and guarantors, and regulatory guidelines. This determination also considers the balance of impaired loans and leases. Specific allowances for impaired loans and leases are based on comparisons of the recorded carrying values of the loans and leases to the fair value of the collateral for collateral-dependent loans, the present value of these loans' and leases' estimated cash flows discounted at each loan's or lease's effective interest rate, or the loan's or lease's observable market price. Recovery of the carrying value of loans and leases is dependent to a great extent on economic, operating and other conditions that may be beyond BancTrust's control.

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In addition to evaluating probable losses on individual loans and leases, BancTrust management also determines probable losses for all other loans and leases that are not individually evaluated. The amount of the allowance for loan and lease losses related to all other loans and leases in the portfolio is determined based on historical and current loss experience, portfolio mix by loan and lease type and by collateral type, current economic conditions, the level and trend of loan and lease quality ratios and such other factors that, in BancTrust management's judgment, deserve current recognition in estimating inherent loan and lease losses. The methodology and assumptions used to determine the allowance are continually reviewed as to their appropriateness given the most recent losses realized and other factors that influence the estimation process. The assumptions and resulting allowance level are adjusted accordingly as these factors change.

### ***Other Real Estate Owned Valuation***

Other real estate owned, which is referred to as OREO, is carried at the lower of the recorded investment in the loan or fair value, as determined by BancTrust management, less costs to dispose. Any excess of the recorded investment over fair value, less costs to dispose, is charged to the allowance for loan losses at the time of foreclosure. A provision is charged to earnings and the carrying value of OREO is adjusted when, in the opinion of BancTrust management, such losses have occurred. The ability of BancTrust to recover the carrying value of real estate is based upon future sales of the real estate. The ability to effect such sales is subject to market conditions and other factors, some of which are beyond BancTrust's control. The recognition of sales and sales gains or losses is dependent upon whether the nature and terms of the sales, including possible future involvement of BancTrust, if any, meet certain defined requirements. If such requirements are not met, sale and gain recognition would be deferred.

### ***Ongoing Valuation Assessments of Allowance for Loan and Lease Losses and Other Real Estate Owned***

As discussed above, the allowance for loan and lease losses is based in part on the fair value of the real estate and other collateral underlying BancTrust's collateral-based loans, and the carrying value of OREO is carried at the lower of the recorded investment in the loan or fair value, whichever is lower. The fair value of collateral and OREO is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the date such value is determined. The fair value of real estate collateral and OREO is determined by BancTrust management, and that determination is necessarily based on assumptions about how market participants would price such real estate collateral and OREO. Among the factors that BancTrust management considers when making such assumptions and determining fair value are:

the expected time period that BancTrust can hold an asset before being required to sell the asset;

the anticipated future economic prospects of its market areas;

investor interest in its assets; and

the anticipated future economic development that will occur in its market areas.

Throughout each year, BancTrust management conducts evaluations of BancTrust's allowance for loan and lease losses and carrying value of OREO. In conducting its most recent evaluations, BancTrust management determined that certain factors supporting its previous assumptions used in determining fair value were no longer accurate, and that those fair value assumptions needed to be reevaluated. The factors include:

Guarantor support for certain loans was no longer available, due to the decline in financial condition of guarantors;

The oil spill in the Gulf of Mexico caused a stagnation in the real estate market, slowing the recovery of real estate values, particularly in the Florida and South Alabama markets;

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The economic recession which began in 2008 persisted longer than expected, and recovery from the recession has been slower than expected;

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The second home market was devastated in the recession and has been slower to recover than expected;

The value of subdivision lots and raw land has dramatically declined, and the new home construction and development market has been slower to recover than anticipated; and

The amount of non-performing assets carried on BancTrust's books has dramatically increased, which requires BancTrust to either dispose of non-performing assets or raise additional capital to maintain an optimal classified asset to capital ratio; and because BancTrust was unable to complete a capital raise transaction, its assumed time period for disposal of non-performing assets has shortened.

Because of these and other factors, BancTrust reevaluated its assessment of fair value of OREO and the allowance for loan and lease losses, and made significant charge-offs throughout 2011. Then, in the first quarter of 2012, in conjunction with the proposed capital raise transaction, BancTrust management conducted an extensive review of the value of collateral underlying certain impaired loans and the value of OREO. During that review, BancTrust management encountered market data from external sources that led it to conclude that significant discounts were needed to the carrying value of OREO and that the value of collateral underlying those impaired loans was significantly less than previously estimated. Because BancTrust's allowance for loan and lease losses is based, in part, on the value of that underlying collateral, charge-offs were also needed in the allowance for loan and lease losses.

Since the majority of BancTrust's impaired loans are collateral-dependent, BancTrust management concluded that a material weakness existed at December 31, 2011 in its internal control over financial reporting relating to the valuation, documentation and review of impaired loans and OREO. In response, BancTrust management implemented a remediation plan during the first quarter of 2012 to include obtaining external appraisals and independent external appraisal reviews on all impaired loans and OREO exceeding a certain dollar threshold on an annual basis, more robust internal evaluations and quarterly valuation meetings to discuss current market data and further potential impairment. As this remediation plan gets implemented over time, BancTrust may experience volatility attributable to varying Level 3 fair value measurements of these non-performing assets.

### ***Income Taxes***

BancTrust management estimates income tax expense using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the amounts of assets and liabilities reported in the consolidated financial statements and their respective tax bases. In estimating the liabilities and corresponding expense related to income taxes, BancTrust management assesses the relative merits and risk of various tax positions considering statutory, judicial and regulatory guidance. Because of the complexity of tax laws and regulations, interpretation is difficult and subject to differing judgments. Judgments are also exercised in assessing the realization of deferred tax assets and any needed valuation allowances. Accounting principles require that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a more likely than not standard. In making such judgment, significant weight is given to evidence that can be objectively verified. After weighing the positive and negative evidence, BancTrust management determined that the more likely than not standard had not been met as of December 31, 2011 and March 31, 2012, and accordingly, established a full valuation allowance for the net deferred tax asset.

Changes in the estimate of income tax liabilities occur periodically as a result of changes in actual or estimated future tax rates and projections of taxable income, interpretations of tax laws, the complexities of multi-state income tax reporting, the status of examinations being conducted by various taxing authorities and the impact of newly enacted legislation, guidance, and income tax accounting pronouncements.

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### **Financial Condition**

#### ***2007 Acquisition***

In October 2007, BancTrust completed the acquisition of The Peoples BancTrust Company, Inc., which is referred to as Peoples. On the acquisition date, the assets of Peoples were approximately \$999 million. The acquisition of Peoples was accounted for under the purchase accounting method as required by United States generally accepted accounting principles. Under this method of accounting, the financial statements and tables shown in this section do not reflect results of operations or the financial condition of Peoples prior to October 15, 2007.

#### ***Average Assets and Liabilities***

Average assets in 2011 were \$2.140 billion, an increase of \$70.610 million, or 3.4 percent, from 2010 attributable to an increase in BancTrust's investment securities and offset by a decrease in its loans. Average loans in 2011 were \$1.333 billion compared to \$1.423 billion in 2010.

Average loans net of the loan loss reserve were \$1.287 billion in 2011 compared to \$1.374 billion in 2010. The decrease was a result of the weak economy's effect on loan demand, loan charge-offs and the transfer of some loans to OREO through the foreclosure process. During 2010 and 2011, management concentrated BancTrust's efforts on improving loan quality rather than on growing loans. Compared to 2010, average investment securities in 2011 increased \$181.279 million. This increase was funded by the decrease in average interest-bearing deposits held at other banks of \$25.616 million, the increase in average deposits and the decrease in BancTrust's average loans. Management increased the size of the investment portfolio to increase BancTrust's yield on earning assets. To maintain a high level of liquidity, BancTrust invested in securities that had low price volatility and could be sold with little or no gain or loss.

Average deposits in 2011 were \$1.856 billion compared to \$1.773 billion in 2010. Short-term and long-term borrowings consist of federal funds purchased, Federal Home Loan Bank, which is referred to as FHLB, borrowings, notes payable to BancTrust's subsidiary statutory trusts issued in connection with trust preferred securities offerings and the Silverton Note.

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BancTrust's average equity as a percent of average total assets in 2011 was 7.81 percent, compared to 8.06 percent in 2010. Average equity in 2011 and 2010 included approximately \$4.088 million and \$5.724 million, respectively, recorded as intangible assets related to acquisitions accounted for as purchases.

	2011	2010
	(Dollars in thousands)	
<b>Average Assets</b>		
Cash and due from banks	\$ 34,326	\$ 34,879
Federal funds sold	0	0
Interest-bearing deposits	83,606	109,222
Securities available for sale	514,123	332,844
Loans, net	1,286,589	1,374,375
Premises and equipment, net	73,937	77,465
Accrued income receivable	6,246	6,521
Other real estate owned, net	87,120	70,771
Intangible assets, net	4,088	5,724
Cash surrender value of life insurance	17,367	16,744
Other assets	32,294	40,541
<b>Average Total Assets</b>	<b>\$ 2,139,696</b>	<b>\$ 2,069,086</b>
<b>Average Liabilities and Shareholders' Equity</b>		
Non-interest-bearing demand deposits	\$ 249,858	\$ 224,411
Interest-bearing demand deposits	531,703	494,183
Savings deposits	138,489	132,521
Time deposits	935,598	921,479
<b>Total deposits</b>	<b>1,855,648</b>	<b>1,772,594</b>
Short-term borrowings	20,000	20,000
FHLB advances and long-term debt	81,107	92,938
Other liabilities	15,782	16,730
Shareholders' equity	167,159	166,824
<b>Average Total Liabilities and Shareholders' Equity</b>	<b>\$ 2,139,696</b>	<b>\$ 2,069,086</b>

**Loans**

Total loans and leases at March 31, 2012 were down \$20.6 million from December 31, 2011. Most of the decrease was within the commercial and residential real estate portfolio, the majority of which was the result of paydowns. Economic conditions have continued to diminish loan demand in the first quarter of 2012. BancTrust is seeking new credit relationships and renewing existing ones, but the overall demand level has been insufficient to overcome the effect of repayments, maturities, and the problem loan resolution process of work-outs, charge-offs and transfers to other real estate.

BancTrust's ability to grow its loan portfolio has been impacted by downward pressure placed on the real estate market, especially in its coastal markets, as reduced demand has driven the steep decline in real estate prices. The volume of loans declined by \$107 million from December 31, 2010 to December 31, 2011. Approximately half of the decline was the result of foreclosures and charge-offs relating to further declines in collateral values of impaired loans. The remainder of the decline was the result of loan demand being depressed further due to the general nature of regulatory pressures on all banks to curtail lending in the commercial and real estate market. As a result, loan demand was not sufficient to offset repayments of existing loans.

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BancTrust's lending strategy concentrates on originating loans with relatively short maturities or, in the case of loans with longer maturities, with floating rate arrangements when possible. Because interest rates are currently very low, customers have occasionally negotiated originated loans with fixed interest rates for longer terms, typically up to five years. However, BancTrust has been able to maintain a high level of interest rate flexibility. Of its outstanding loans at December 31, 2011, \$692.2 million, or 54 percent, mature within one year or otherwise reprice within one year. Interest revenue and net interest margin decreased in 2011 compared to 2010, as both measures are being affected by higher levels of non-performing loans and OREO. Net interest revenue and the net interest margin are discussed more fully under "Results of Operations" below.

BancTrust offers, through third-party arrangements, certain mortgage loan products that it sells to these third parties shortly after origination and that are therefore not retained in its loan portfolio. These products expand BancTrust's mortgage loan product offerings and have the capacity to generate significant fee income, especially during periods of relatively low mortgage rates. These fees have come from first and second home purchases as well as from home refinancing volume.

The following table shows the distribution of BancTrust's loan portfolio by major category for the quarter ended March 31, 2012 and 2011 and for the year ended December 31, 2011 and 2010. The following table depicts maturities of selected loan categories and the interest rate structure for such loans maturing after one year.

	Three months ended March 31,		Year ended December 31,	
	2012	2011	2011	2010
	(Dollars in thousands)			
Commercial, financial and agricultural				
Commercial and industrial	\$ 282,581	\$ 281,327	\$ 278,032	\$ 279,422
Agricultural	1,237	3,151	1,028	3,450
Equipment leases	11,831	17,768	12,814	19,407
<b>Total commercial, financial and agricultural</b>	<b>295,649</b>	<b>302,246</b>	<b>291,874</b>	<b>302,279</b>
Commercial real estate				
Commercial construction, land and land development	247,231	314,519	250,859	315,079
Other commercial real estate	412,016	406,437	424,690	417,700
<b>Total commercial real estate</b>	<b>659,247</b>	<b>720,956</b>	<b>675,549</b>	<b>732,779</b>
Residential real estate				
Residential construction	15,829	18,471	13,509	20,745
Residential mortgage	237,244	254,434	245,180	263,472
<b>Total residential real estate</b>	<b>253,073</b>	<b>272,905</b>	<b>258,689</b>	<b>284,217</b>
Consumer, installment and single pay				
Consumer	43,251	52,059	44,713	54,934
Other	5,222	8,676	6,265	9,849
<b>Total consumer, installment and single pay</b>	<b>48,473</b>	<b>60,735</b>	<b>50,978</b>	<b>64,783</b>
<b>Total</b>	<b>1,256,442</b>	<b>1,356,842</b>	<b>1,277,090</b>	<b>1,384,058</b>
Less unearned discount leases	(1,009)	(1,783)	(1,173)	(2,032)
Less deferred cost (unearned loan fees), net	1,057	1,225	1,132	1,259
	<b>\$ 1,256,490</b>	<b>\$ 1,356,284</b>	<b>\$ 1,277,049</b>	<b>\$ 1,383,285</b>





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For further discussion of these loan types and a more detailed breakdown of the types of loans in BancTrust's portfolio, see Financial Condition Risk Management in the Loan and Lease Portfolio and the Allowance for Loan and Lease Losses below. The following table shows the distribution of loans by the geographic regions from which the loans and leases are serviced at March 31, 2012, December 31, 2011 and December 31, 2010.

	March 31, 2012			Total
	Southern Alabama	Central Alabama	Northwest Florida	
(Dollars in thousands)				
<b>Commercial, financial and agricultural:</b>				
Commercial and industrial	\$ 212,344	\$ 61,477	\$ 8,760	\$ 282,581
Agricultural	427	810	0	1,237
Equipment leases	0	11,831	0	11,831
<b>Total commercial, financial and agricultural</b>	<b>212,771</b>	<b>74,118</b>	<b>8,760</b>	<b>295,649</b>
<b>Commercial real estate:</b>				
Commercial construction, land and land development	89,518	47,942	109,771	247,231
Other commercial real estate	214,602	148,642	48,772	412,016
<b>Total commercial real estate</b>	<b>304,120</b>	<b>196,584</b>	<b>158,543</b>	<b>659,247</b>
<b>Residential real estate:</b>				
Residential construction	9,214	6,450	165	15,829
Residential mortgage	105,485	86,201	45,558	237,244
<b>Total residential real estate</b>	<b>114,699</b>	<b>92,651</b>	<b>45,723</b>	<b>253,073</b>
<b>Consumer, installment and single pay:</b>				
Consumer	21,483	21,081	687	43,251
Other	340	4,882	0	5,222
<b>Total consumer, installment and single pay</b>	<b>21,823</b>	<b>25,963</b>	<b>687</b>	<b>48,473</b>
<b>Total</b>	<b>\$ 653,413</b>	<b>\$ 389,316</b>	<b>\$ 213,713</b>	<b>\$ 1,256,442</b>
<b>Percent of total</b>	<b>52%</b>	<b>31%</b>	<b>17%</b>	<b>100%</b>

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	December 31, 2011			Total
	Southern Alabama	Central Alabama	Northwest Florida	
(Dollars in thousands)				
Commercial, financial and agricultural:				
Commercial and industrial	\$ 208,113	\$ 61,013	\$ 8,906	\$ 278,032
Agricultural	349	679	0	1,028
Equipment leases	0	12,814	0	12,814
<b>Total commercial, financial and agricultural</b>	<b>208,462</b>	<b>74,506</b>	<b>8,906</b>	<b>291,874</b>
Commercial real estate:				
Commercial construction, land and land development	90,207	50,832	109,820	250,859
Other commercial real estate	219,148	155,025	50,517	424,690
<b>Total commercial real estate</b>	<b>309,355</b>	<b>205,857</b>	<b>160,337</b>	<b>675,549</b>
Residential real estate:				
Residential construction	8,110	5,271	128	13,509
Residential mortgage	109,002	88,468	47,710	245,180
<b>Total residential real estate</b>	<b>117,112</b>	<b>93,739</b>	<b>47,838</b>	<b>258,689</b>
Consumer, installment and single pay:				
Consumer	22,345	21,671	697	44,713
Other	379	5,886	0	6,265
<b>Total consumer, installment and single pay</b>	<b>22,724</b>	<b>27,557</b>	<b>697</b>	<b>50,978</b>
<b>Total</b>	<b>\$ 657,653</b>	<b>\$ 401,659</b>	<b>\$ 217,778</b>	<b>\$ 1,277,090</b>
<b>Percent of total</b>	<b>52%</b>	<b>31%</b>	<b>17%</b>	<b>100%</b>

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	December 31, 2010			Total
	Southern Alabama	Central Alabama	Northwest Florida	
(Dollars in thousands)				
<b>Commercial, financial and agricultural:</b>				
Commercial and industrial	\$ 206,587	\$ 63,044	\$ 9,791	\$ 279,422
Agricultural	2,181	1,269	0	3,450
Equipment leases	0	19,407	0	19,407
<b>Total commercial, financial and agricultural</b>	<b>208,768</b>	<b>83,720</b>	<b>9,791</b>	<b>302,279</b>
<b>Commercial real estate:</b>				
Commercial construction, land and land development(1)	120,445	67,591	127,043	315,079
Other commercial real estate(2)	195,047	166,983	55,670	417,700
<b>Total commercial real estate</b>	<b>315,492</b>	<b>234,574</b>	<b>182,713</b>	<b>732,779</b>
<b>Residential real estate:</b>				
Residential construction(1)	7,551	6,802	6,392	20,745
Residential mortgage(2)	116,296	95,748	51,428	263,472
<b>Total residential real estate</b>	<b>123,847</b>	<b>102,550</b>	<b>57,820</b>	<b>284,217</b>
<b>Consumer, installment and single pay:</b>				
Consumer	28,880	24,925	1,129	54,934
Other	710	9,139	0	9,849
<b>Total consumer, installment and single pay</b>	<b>29,590</b>	<b>34,064</b>	<b>1,129</b>	<b>64,783</b>
<b>Total</b>	<b>\$ 677,697</b>	<b>\$ 454,908</b>	<b>\$ 251,453</b>	<b>\$ 1,384,058</b>
<b>Percent of total</b>	<b>49%</b>	<b>33%</b>	<b>18%</b>	<b>100%</b>

(1) Included in the category Real estate construction.

(2) Included in the category Real estate mortgage.

**Loan Portfolio Development**

Total loans at December 31, 2011 were down \$107.0 million from December 31, 2010. Real estate-construction decreased \$71.5 million with smaller decreases in all other categories. Economic conditions continued to restrain loan demand in 2011, while approximately half of the decline was the result of foreclosures and charge-offs. BankTrust continued during 2011 to seek new credit relationships and renew existing ones, but the overall demand level was insufficient to overcome the effect of repayments, maturities, and problem loan resolution. BancTrust management expects this situation to continue through 2012.

For the three months ended March 31, 2012, BancTrust's portfolio of Commercial and Industrial, which is referred to as C and I, loans increased \$4.549 million, or 1.6 percent, as a result of new loan activity primarily in the Southern Alabama division. At December 31, 2011, the portfolio of C and I loans had decreased \$1.390 million, or 0.5 percent, from December 31, 2010, primarily as a result of pay downs.

BancTrust's C and I loan portfolio at March 31, 2012 was diversified over a range of industries, including manufacturing (13.7 percent), construction (11.3 percent), retail trade (10.1 percent), real estate (9.4 percent), transportation (4.5 percent), health care (4.4 percent), and finance and insurance (4.4 percent). Approximately 75.1 percent of the C and I portfolio is serviced in the Southern Alabama region, primarily in the Mobile office.

At March 31, 2012, approximately 52.5 percent of BancTrust's loan portfolio was comprised of commercial real estate, primarily commercial construction, land, land development, and non-residential and commercial mortgages.



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Project financing is an important component of BancTrust's commercial real estate loan portfolio, which was impacted by charge-offs and foreclosures during 2010 and 2011. BancTrust management expects the economic and portfolio conditions discussed above to limit this type of lending in the immediate future, particularly in northwest Florida.

The following table shows the composition of BancTrust's real estate construction, land and land development portfolio at March 31, 2012 and December 31, 2011, distributed by the geographic region in which the loans are serviced.

	March 31, 2012			Total
	Southern Alabama	Central Alabama	Northwest Florida	
<b>(Dollars in thousands)</b>				
Construction:				
Commercial	\$ 6,421	\$ 724	\$ 10,427	\$ 17,572
Residential	9,215	6,450	164	15,829
Land development	42,406	27,334	58,767	128,507
Land	40,690	19,884	40,578	101,152
Other	0	0	0	0
<b>Total</b>	<b>\$ 98,732</b>	<b>\$ 54,392</b>	<b>\$ 109,936</b>	<b>\$ 263,060</b>
Percent of total	37%	21%	42%	100%

	December 31, 2011			Total
	Southern Alabama	Central Alabama	Northwest Florida	
<b>(Dollars in thousands)</b>				
Construction:				
Commercial	\$ 4,730	\$ 1,016	\$ 10,169	\$ 15,915
Residential	7,429	5,271	128	12,828
Land development	42,864	28,687	58,812	130,363
Land	43,295	21,129	40,838	105,262
Other	0	0	0	0
<b>Total</b>	<b>\$ 98,318</b>	<b>\$ 56,103</b>	<b>\$ 109,947</b>	<b>\$ 264,368</b>
Percent of total	37%	21%	42%	100%

The construction, land, and land development portfolio is comprised primarily of land and land development loans. Approximately 43.3 percent of land and land development loans are serviced by the Florida region. Overall, this portfolio continues to shrink as a result of foreclosures, charge-offs and regulatory emphasis on all banks limiting or reducing this type of lending and BancTrust management expects this trend to continue in 2012.

***Provision for Loan and Lease Losses and Allowance for Loan and Lease Losses***

The provision for loan and lease losses is the charge to earnings that is added to the allowance for loan and lease losses in order to maintain the allowance at a level that BancTrust management deems adequate to absorb inherent losses in BancTrust's loan and lease portfolio. See

Non-Performing Assets below. Net charge-offs in the first quarter of 2012 were \$2.671 million compared to \$5.720 million for the same period in 2011. The provision for loan and lease losses was \$3.600 million in the first quarter of 2012, compared to \$3.500 million for the comparable period in 2011. While the rate of identification of new problem loans slowed, the deterioration of previously identified problem loans continued, leading to the need for an increased provision. The allowance for loan and lease losses as a percentage of loans, net of unearned income, was 3.43 percent at March 31, 2012 and 3.30 percent at December 31, 2011. The increase in the allowance for loan and lease losses as a percentage of loans, net of unearned income, from December 31, 2011 to March 31, 2012 was due to the decrease in total loans.



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BancTrust management's evaluation of each loan or lease includes a review of the financial condition and capacity of the borrower and any guarantor, the value of the collateral, current economic trends, historical losses, and possible risks associated with concentrations of credit. The loan and lease review process also includes an evaluation of credit quality within the mortgage and installment loan portfolios. Each quarter this review is quantified in a report prepared by loan review officers and delivered to BancTrust management, which uses the report to determine whether any adjustments to the allowance for loan and lease losses are appropriate. BancTrust management submits these quarterly reports to BancTrust's Board of Directors. For more information on the factors and considerations underlying BancTrust's allowance for loan and lease losses, refer to Critical Accounting Policies and Estimates Allowance for Loan and Lease Losses and Critical Accounting Policies and Estimates Ongoing Valuation Assessments of Allowance for Loan and Lease Losses and Other Real Estate Owned.

The following table sets forth certain information with respect to BancTrust's average loans and leases, allowance for loan losses, charge-offs and recoveries for the three years ended December 31, 2011.

	2011	Year Ended December 31, 2010	2009
	(Dollars in thousands)		
Allowance for loan and lease losses			
Balance at beginning of year	\$ 47,931	\$ 45,905	\$ 30,683
Charge-offs:			
Commercial, financial and agricultural	2,415	1,085	4,152
Commercial real estate	33,990	6,196	15,069
Residential	2,362	3,082	2,819
Consumer	458	603	1,347
Total charge-offs	39,225	10,966	23,387
Recoveries:			
Commercial, financial and agricultural	586	196	685
Commercial real estate	523	101	246
Residential	95	55	28
Consumer	146	340	275
Total recoveries	1,350	692	1,234
Net charge-offs	37,875	10,274	22,153
Provision charged to operating expense	32,100	12,300	37,375
Allowance for loan and lease losses Balance at end of year	\$ 42,156	\$ 47,931	\$ 45,905
Loans and leases at end of year, net of unearned income	\$ 1,277,049	\$ 1,383,285	\$ 1,468,588
Ratio of ending allowance to ending loans and leases	3.30%	3.47%	3.13%
Average loans and leases, net of unearned income	\$ 1,333,074	\$ 1,423,131	\$ 1,507,864
Non-performing loans and leases	\$ 96,840	\$ 103,084	\$ 114,837
Ratio of net charge-offs to average loans and leases	2.84%	0.72%	1.47%
Ratio of ending allowance to total non-performing loans and leases	43.53%	46.50%	39.97%

Net charge-offs increased \$27.601 million from December 31, 2010 to December 31, 2011. Throughout 2011, during its periodic evaluations of impaired loans, BancTrust management identified specific loans in which

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loan repayments are solely dependent on collateral value, due to (among other factors) decline in financial strength of the borrower and loan guarantors. As a result, these loans were charged-off, in each case by an amount equal to the difference between the original amount and the fair value of the collateral. In addition, BancTrust management determined that the value of the collateral underlying its impaired loans had significantly declined, and the loan loss allocations attributable to the value of that collateral were charged-off to bring the allocation in alignment with the value of the underlying collateral. For more information on how BancTrust management values collateral and the changes in valuation that contributed to BancTrust's significant charge-offs in 2011, refer to Critical Accounting Policies and Estimates Ongoing Valuation Assessments of Allowance for Loan and Lease Losses and Other Real Estate Owned.

***Non-Performing Assets***

Non-performing assets include accruing loans 90 days or more past due, loans on non-accrual including restructured loans on non-accrual, and OREO. Loans are classified as non-accrual by BancTrust management upon the earlier of: (i) a determination that collection of interest is doubtful; or (ii) the time at which such loans become 90 days past due unless collateral or other circumstances reasonably assure full collection of principal and interest.

Non-performing assets were \$161.431 million at March 31, 2012 compared to \$154.227 million at year-end 2011. Restructured loans on non-accrual at March 31, 2012 were \$6.121 million compared to \$5.296 million at December 31, 2011. BancTrust management classifies loans as restructured when certain modifications are made to the loan terms and concessions are granted to the borrowers as a result of financial difficulty experienced by those borrowers. At March 31, 2012, BancTrust had \$5.597 million in restructured loans which were accruing interest and which BancTrust management considers performing. BancTrust only restructures loans for borrowers in financial difficulty that have designed a viable business plan to fully pay off all obligations, including outstanding debt, interest, and fees, either by generating additional income or through liquidation of assets. Generally, these loans are restructured to provide the borrower additional time to execute upon its plans. The performing restructured loans were not placed in nonaccrual status prior to the restructuring, and since BancTrust expects the borrowers to perform after the restructuring (based on modified note terms), the loans continue to accrue interest at the restructured rate. BancTrust will continue to closely monitor these loans and will cease accruing interest on them if BancTrust management believes that the borrowers are unable to continue performing based on the restructured note terms. All restructured loans are considered to be impaired and are evaluated as such in the quarterly allowance calculation. As of March 31, 2012 and December 31, 2011, the allowance for loan and lease losses allocated to restructured loans totaled \$378 thousand and \$392 thousand, respectively.

Non-performing loans increased to \$100.666 million at March 31, 2012, from \$96.840 million at December 31, 2011, as a result of three significant relationships moving to non-accrual status during the first quarter of 2012. The allowance for loan and lease losses as a percentage of loans was 3.43 percent at March 31, 2012 compared to 3.30 percent at December 31, 2011. Since 2007, there has been a substantial slowdown in the real estate markets across the U.S., including in the markets where BancTrust does business. This slowdown has resulted in a substantial decrease in the value of BancTrust's loans, the real estate collateral securing its loans and its OREO. As the economy slowed, BancTrust management increased its monitoring and supervision of problem loans, and BancTrust management continues to monitor these non-performing loans and other real estate loans in BancTrust's portfolio. BancTrust management also meets regularly with local Bank personnel to discuss and evaluate these non-performing loans, other potential problem loans and the overall economic conditions within BancTrust's markets. Throughout 2011, BancTrust management carefully evaluated the assumptions used to estimate the fair value of BancTrust's loans, the real estate collateral securing its loans and OREO, and determined that the value of certain of these assets had further deteriorated to the point that additional write downs of their fair value was warranted. In addition, external market data received in connection with the capital raise effort led BancTrust management to conclude that significant additional write downs were needed in the fourth quarter of 2011 to align BancTrust's fair value estimates with the applicable market. For further information on the policies underlying BancTrust management's valuation of non-performing assets, refer to



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Critical Accounting Policies and Estimates Ongoing Valuation Assessments of Allowance for Loan and Lease Losses and Other Real Estate Owned, above.

In order to ensure that BancTrust management's estimates of fair value of non-performing assets are in alignment with the market's valuation of these assets, BancTrust management implemented an action plan during the first quarter of 2012. Under this new plan, external appraisals on impaired loans exceeding a certain threshold are required on an annual basis; external appraisals on impaired loans and OREO below a certain threshold are required on a biennial basis; external appraisal reviews on appraisals exceeding a certain dollar threshold are submitted to an independent third party for review; internal evaluations are reviewed for more robust external market data; and quarterly valuation meetings are held to discuss current developments and potential further impairment.

BancTrust's objective is to dispose of OREO in a timely manner while also maximizing net sales proceeds to BancTrust. While there is not a set timeline for sale of OREO, the OREO is marketed through real estate brokers. Sales are made as acceptable buyers are identified and acceptable purchase terms are negotiated.

The following table is a summary of non-performing assets at March 31, 2012 and December 31, 2011.

(Dollars in thousands)	March 31, 2012	December 31, 2011
Accruing loans 90 days or more past due		
1-4 family residential loans	\$	\$ 248
Commercial and industrial loans		
Consumer loans		
Total accruing loans 90 days or more past due		248
Restructured loans on non-accrual		
Construction, land development and other land loans	2,581	2,587
1-4 family residential loans	435	435
Non-farm non-residential property loans	3,020	2,195
Commercial and industrial loans and leases	29	29
Consumer loans	56	50
Total restructured loans	6,121	5,296
Loans on non-accrual		
Construction, land development and other land loans	60,385	57,291
1-4 family residential loans	15,981	17,980
Multifamily residential loans	1,700	1,700
Non-farm non-residential property loans	11,813	11,380
Commercial and industrial loans and leases	4,156	2,343
Consumer loans	510	602
Other loans		
Total loans and leases on non-accrual	94,545	91,296
Total non-performing loans and leases	100,666	96,840
Other real estate owned		
Construction, land development and other land	43,949	46,565
1-4 family residential properties	4,694	4,118
Multifamily residential	4,911	1,817
Non-farm non-residential properties	7,211	4,887
Total other real estate owned	60,765	57,387

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Total non-performing assets	\$ 161,431	\$ 154,227
Accruing loans 90 days or more past due as a percentage of loans and leases	0.00%	0.02%
Total non-performing loans and leases as a percentage of loans and leases	8.01%	7.58%
Total non-performing assets as a percentage of loans, leases and other real estate owned	12.26%	11.56%

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The following tables contain a summary by location of non-performing assets at March 31, 2012 and December 31, 2011.

**March 31, 2012**

(Dollars in Thousands)	Southern Alabama	Central Alabama	Northwest Florida	Other	Total
Non-performing loans	\$ 12,703	\$ 21,711	\$ 64,575	\$ 1,677	\$ 100,666
Other real estate owned	6,970	20,031	27,703	6,061	60,765
<b>Total</b>	<b>\$ 19,673</b>	<b>\$ 41,742</b>	<b>\$ 92,278</b>	<b>\$ 7,738</b>	<b>\$ 161,431</b>

**December 31, 2011**

(Dollars in Thousands)	Southern Alabama	Central Alabama	Northwest Florida	Other	Total
Non-performing loans	\$ 11,090	\$ 20,554	\$ 63,634	\$ 1,562	\$ 96,840
Other real estate owned	5,105	18,683	25,710	7,889	57,387
<b>Total</b>	<b>\$ 16,195</b>	<b>\$ 39,237</b>	<b>\$ 89,344</b>	<b>\$ 9,451</b>	<b>\$ 154,227</b>

Not included in the non-performing assets tables are potential problem loans totaling \$97.191 million at March 31, 2012, with a related allowance of \$16.350 million. This compares with potential problem loans of \$104.589 million at December 31, 2011, with a related allowance of \$7.927 million. Potential problem loans are loans as to which BancTrust management had serious doubts as to the ability of the borrowers to comply with present repayment terms. These loans do not meet the criteria for, and are therefore not included in, non-performing assets. BancTrust management, however, classifies potential problem loans as either special mention, watch, or substandard. These loans were considered in determining the adequacy of the allowance for loan and lease losses and are closely and regularly monitored to protect BancTrust's interests.

The following table shows the effect on interest income of non-accrual loans.

	2011 (Dollars in thousands)	2010 (Dollars in thousands)
Principal balance at December 31,	\$ 96,592	\$ 103,084
Interest that would have been recorded under original terms for the year ended December 31,	\$ 5,936	\$ 5,735
Interest actually recorded in the financial statements for the year ended December 31,	\$ 614	\$ 724

***Risk Management in the Loan and Lease Portfolio and the Allowance for Loan and Lease Losses***

Credit risk is managed mainly through compliance with credit underwriting and administration policies established by the Board of Directors and through the efforts of the credit administration function to oversee the uniform application and monitoring of these policies throughout BancTrust. The first line of responsibility for the monitoring of credit quality and the assignment of risk grades based on policy guidelines to individual loans is the loan officer. The loan review function, which reports to the Board of Directors, assesses the accuracy of risk grading and performs periodic reviews of the overall credit and underwriting process.

The evaluation of credit risk in the loan portfolio is quantified as the allowance for loan and lease losses that is reported in BancTrust's financial statements. The overall determination of the allowance for loan and lease losses involves significant judgment. Factors that affect this judgment are reviewed quarterly in response to changing conditions.

The recorded allowance is comprised of amounts BancTrust management believes are needed for losses on criticized loans and amounts BancTrust management believes are needed to cover historical losses on homogeneous groups of loans not subject to criticism. Historical loss factors are modified based on general economic conditions and other environmental risk factors.



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Loans subject to criticism through BancTrust's risk grading process totaled \$235.223 million at March 31, 2012, representing 18.7 percent of total loans and a decrease of \$1.757 million from December 31, 2011. At December 31, 2011, loans subject to criticism through BancTrust's risk grading process totaled \$237.0 million, a figure representing 18.6 percent of total loans, and a decrease of \$15.7 million from December 31, 2010. This decrease in criticized loans was primarily caused by the significant impairment charges in 2011 resulting from further declines in collateral values of impaired loans. The range of risk grades identifies criticized loans on a spectrum from loans that warrant close monitoring due to potential weakness to loans with a high probability of loss.

Criticized loans are further classified as doubtful, substandard, or special mention. Criticized loans are those loans which BancTrust management considers to have greater risk that the borrower will not repay in full all contractual principal and interest. All non-performing loans are classified as criticized loans. Performing loans may be classified as criticized loans based on payment history, the financial condition of the borrower, or other factors BancTrust management considers to raise doubt as to the borrower's willingness and ability to repay. A deterioration of collateral values underlying the loans does not in itself lead to a loan being criticized. An individual report on each criticized loan over \$1 million is completed quarterly by Bank personnel. This report provides an update on information about the loan as well as an update of the action plan for the ultimate collection of the loan. This report includes information on the value of underlying collateral and allows BancTrust management to closely monitor insufficient collateral positions and make necessary changes to loss reserve allocations. Real estate collateral is valued primarily based on outside appraisals although some real estate collateral is based on an internal evaluation.

In the first quarter of 2012, in conjunction with a proposed capital raise transaction, BancTrust management conducted an extensive review of the value of collateral underlying certain impaired loans and the value of OREO. During that review, BancTrust management encountered market data from external sources that led it to conclude that significant discounts needed to be applied to the carrying value of OREO and that the value of collateral underlying those impaired loans was significantly less than previously estimated. Because BancTrust's carrying value of impaired loans is based, in part, on the value of that underlying collateral, the principal amount of loans subject to criticism also declined.

As a result of these significant additional discounts in asset values, BancTrust management concluded that a material weakness existed at December 31, 2011 in its internal control over financial reporting relating to the valuation, documentation and review of impaired loans and OREO. In response, BancTrust management implemented a remediation plan during the first quarter of 2012, whereby external appraisals on impaired loans and OREO exceeding \$1 million are required on an annual basis; external appraisals on impaired loans and OREO below \$1 million are required on a biennial basis; external appraisals exceeding \$1 million are submitted to an independent third party for review; internal evaluations will be reviewed for more robust external market data; and quarterly valuation meetings will be held to discuss current developments and potential further impairment.

The geographic concentration of criticized loans in the northwest Florida region was the direct result of the deterioration in real estate values in this area. The majority of criticized loans in northwest Florida were comprised of land and land development loans. Once the rapid deterioration in real estate values commenced, many developers in this area were no longer able to complete projects, and conversion of their properties could not be completed. As a result, the underlying collateral values of loans secured by land in northwest Florida decreased in 2011, leading to charge-offs in the northwest Florida region of approximately \$25.717 million, which represented 65.6 percent of total charge-offs, during 2011. Total charge-offs in the northwest Florida region were approximately \$1.280 million, which represented 46.1 percent of total charge-offs during the first quarter of 2012. This resulted from one foreclosure and the related decline in collateral value.

To monitor the movement in collateral values of real estate properties in the northwest Florida region, BancTrust management undertook a study in 2011 to determine to what extent real estate values had deteriorated

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in this market based on type of property. From this analysis, BancTrust management discounted prior appraisals to estimate current collateral values. These values were then compared to current loan balances in order to establish a loss reserve allocation. As discussed above, BancTrust management has recently implemented an action plan relating to more frequent external appraisals and independent appraisal reviews, more robust internal evaluations, and quarterly valuation meetings to discuss current market developments.

The majority of criticized loans in the Central Alabama region were commercial real estate, mostly construction, land, and land development loans. The majority of criticized construction, land, and land development loans in the Central Alabama region were located in the Montgomery County, Autauga County, and Lake Martin areas of Alabama, which also saw significant declines in real estate values. Total charge-offs in the Central Alabama region were approximately \$928 thousand, which represented 33.5 percent of total charge-offs during the first quarter of 2012. The majority of these charge-offs were related to declines in collateral values.

Total charge-offs in the Southern Alabama region were approximately \$565 thousand, which represented 20.4 percent of total charge-offs during the first quarter of 2012. Only 26.2 percent of this amount was related to declines in collateral values.

The following tables show the composition of criticized loans at March 31, 2012, December 31, 2011 and December 31, 2010, distributed by the geographic region in which the loans are serviced. Commercial construction, land, and land development loans represent 53.5 percent of the total criticized loans. Approximately 54.1 percent of criticized loans at March 31, 2012 were serviced by Florida, with 69.1 percent of the Florida region's criticized loans comprised of commercial construction, land, and land development loans.

	March 31, 2012			Total
	Southern Alabama	Central Alabama	Northwest Florida	
	(Dollars in thousands)			
Commercial and industrial	\$ 21,133	\$ 2,991	\$ 4,091	\$ 28,215
Residential construction	0	369	164	533
Commercial construction, land and land development	25,635	12,342	87,829	125,806
Other commercial real estate	14,268	8,787	19,549	42,604
Agricultural	25	0	0	25
Residential mortgage	12,534	8,635	15,487	36,656
Consumer	833	520	31	1,384
Total	\$ 74,428	\$ 33,644	\$ 127,151	\$ 235,223
Percent of total	32%	14%	54%	100%

	December 31, 2011			Total
	Southern Alabama	Central Alabama	Northwest Florida	
	(Dollars in thousands)			
Commercial and industrial	\$ 19,856	\$ 2,903	\$ 4,080	\$ 26,839
Residential construction	0	369	128	497
Commercial construction, land and land development	26,099	12,970	87,336	126,405
Other commercial real estate	13,396	9,251	19,646	42,293
Agricultural	25	0	0	25
Residential mortgage	13,207	9,184	17,089	39,480
Consumer	867	532	42	1,441
Total	\$ 73,450	\$ 35,209	\$ 128,321	\$ 236,980
Percent of total	31%	15%	54%	100%



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	December 31, 2010			Total
	Southern Alabama	Central Alabama	Northwest Florida	
	(Dollars in thousands)			
Commercial and industrial	\$ 19,087	\$ 3,585	\$ 3,938	\$ 26,610
Residential construction	321	369	1,173	1,863
Commercial construction, land and land development	28,804	16,284	100,179	145,267
Other commercial real estate	9,916	10,572	16,280	36,768
Agricultural	97	0	0	97
Residential mortgage	10,560	9,184	20,784	40,528
Consumer	779	736	78	1,593
<b>Total</b>	<b>\$ 69,564</b>	<b>\$ 40,730</b>	<b>\$ 142,432</b>	<b>\$ 252,726</b>
Percent of total	28%	16%	56%	100%

BancTrust experienced a slight decline in total criticized loans from December 31, 2011 to March 31, 2012. This decline was primarily attributable to charge-offs in the Central Alabama and Northwest Florida regions.

The following table shows the composition of the criticized construction, land, and land development loans at March 31, 2012 and December 31, 2011 and 2010, distributed by the geographic region in which the loans are serviced. At March 31, 2012, the majority of criticized loans in this category were serviced by the Northwest Florida region, and they are primarily land and land development loans.

	March 31, 2012			Total
	Southern Alabama	Central Alabama	Northwest Florida	
	(Dollars in thousands)			
<b>Construction:</b>				
Commercial	\$ 0	\$ 0	\$ 10,427	\$ 10,427
Residential	0	369	164	533
Land development	16,588	10,720	49,919	77,227
Land	9,047	1,622	27,483	38,152
<b>Total</b>	<b>\$ 25,635</b>	<b>\$ 12,711</b>	<b>\$ 87,993</b>	<b>\$ 126,339</b>
Percent of total	20%	10%	70%	100%

	December 31, 2011			Total
	Southern Alabama	Central Alabama	Northwest Florida	
	(Dollars in thousands)			
<b>Construction:</b>				
Commercial	\$ 0	\$ 0	\$ 10,169	\$ 10,169
Residential	0	369	128	497
Land development	16,909	11,023	49,715	77,647
Land	9,190	1,947	27,452	38,589
<b>Total</b>	<b>\$ 26,099</b>	<b>\$ 13,339</b>	<b>\$ 87,463</b>	<b>\$ 126,902</b>
Percent of total	21%	10%	69%	100%





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	December 31, 2010			Total
	Southern Alabama	Central Alabama	Northwest Florida	
(Dollars in thousands)				
Construction:				
Commercial	\$ 1,475	\$ 0	\$ 7,524	\$ 8,999
Residential	321	369	1,173	1,863
Land development	13,786	14,297	60,604	88,687
Land	13,543	1,987	32,051	47,581
Total	\$ 29,125	\$ 16,653	\$ 101,352	\$ 147,130
Percent of total	20%	11%	69%	100%

BancTrust experienced a decrease in criticized construction, land, and land development loans of \$563 thousand from December 31, 2011 to March 31, 2012. BancTrust also experienced a decline in total criticized construction, land, and land development loans from December 31, 2010 to December 31, 2011. These declines are primarily attributable to charge-offs and foreclosures.

The allowance for loan and lease losses represented 42.80 percent, 43.53 percent and 46.50 percent of non-performing loans and leases at March 31, 2012, December 31, 2011 and December 31, 2010, respectively. The allowance for loan and lease losses as a percentage of loans and leases, net of unearned income, was 3.43 percent at March 31, 2012, 3.30 percent at December 31, 2011 and 3.47 percent at December 31, 2010. At December 31, 2011, the unallocated reserve portion of the allowance for loan and lease losses was \$5.428 million. Approximately \$3.540 million of the unallocated reserve was used during the first quarter of 2012 primarily as a result of the increase in charge-offs during 2011, which led to an increase in historical loss rates used in calculating the reserve requirement.

BancTrust management reviews the adequacy of the allowance for loan and lease losses on a continuous basis by assessing the quality of the loan and lease portfolio, including non-performing loans and leases and classified loans and leases, and adjusting the allowance when appropriate. BancTrust management considered the allowance for loan and lease losses adequate at March 31, 2012 to absorb probable losses inherent in the loan and lease portfolio. However, adverse economic circumstances or other events, including additional loan and lease review, future regulatory examination findings, changes in borrowers' financial conditions, or further declines in collateral values, could result in increased losses in the loan and lease portfolio or in the need for increases in the allowance for loan and lease losses.

The following section describes the composition of the various categories in BancTrust's loan and lease portfolio and discusses management of risk in these categories.

*Commercial and Industrial* loans, or C and I loans, include loans to commercial customers for use in business to finance working capital needs, equipment purchases, or other expansion projects. These credits may be loans and lines to financially strong borrowers, secured by inventories, equipment, or receivables, or secured in whole or in part by real estate unrelated to the principal purpose of the loan, and are generally guaranteed by the principals of the borrower. Variable rate loans in this portfolio have interest rates that are periodically adjusted. Risk is minimized in this portfolio by requiring adequate cash flow to service the debt and the personal guaranties of principals of the borrowers. The portfolio of C and I loans increased \$4.549 million, or 1.6 percent, from December 31, 2011 to March 31, 2012, as a result of new loan activity primarily in the Southern division, and the portfolio decreased \$1.390 million, or 0.5 percent, from December 31, 2010 to December 31, 2011, primarily as a result of paydowns.

*Agricultural* loans include loans to fund seasonal production and longer term investments in land, buildings, equipment and breeding stock. The repayment of agricultural loans is dependent on the successful production and

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marketing of a product. Risk is minimized in this portfolio by performing a review of the borrower's financial data and cash flow to service the debt, and by obtaining personal guaranties of principals of the borrower. This type of lending represents \$1.237 million, or less than one percent, of the total loan portfolio. In the first quarter of 2012, the portfolio of agricultural loans increased \$209 thousand, or 20.3 percent, as a result of new loan activity primarily in the Central division. From December 31, 2010 to December 31, 2011, the portfolio of agricultural loans had decreased \$2.422 million, or 70.2 percent, as a result of paydowns.

*Equipment Leases* include leases that were acquired during the acquisition of The Peoples Bank and Trust Company. BancTrust is not actively engaged in equipment leasing. In the first quarter of 2012, these leases paid down \$983 thousand. From December 31, 2010 to December 31, 2011, these leases paid down \$6.593 million, or 34.0 percent. BancTrust management does not believe this portfolio represents a significant credit risk, because these loans are secured by the equipment being leased and the lessees continue to maintain a strong level of creditworthiness.

*Commercial Real Estate* loans include commercial construction loans, land loans, and land development loans, and other commercial real estate loans.

Commercial construction, land, and land development loans include loans for the development of residential housing projects, loans for the development of commercial and industrial use property, and loans for the purchase and improvement of raw land. These loans are secured in whole or in part by the underlying real estate collateral and are generally guaranteed by the principals of the borrower. The Bank's lenders work to cultivate long-term relationships with established developers. BancTrust disburses funds for construction projects as pre-specified stages of construction are completed. The portfolio of commercial construction loans decreased \$3.628 million, or 1.4 percent, from December 31, 2011 to March 31, 2012, primarily as a result of paydowns. From December 31, 2010 to December 31, 2011, the portfolio of commercial construction loans decreased \$64.220 million, or 20.4 percent, primarily as a result of charge-offs, foreclosures, and paydowns.

Other commercial real estate loans include loans secured by commercial and industrial properties, apartment buildings, office or mixed-use facilities, strip shopping centers and other commercial property. These loans are generally guaranteed by the principals of the borrower. The portfolio of commercial real estate loans decreased \$12.674 million, or 3.0 percent, from December 31, 2011 to March 31, 2012, primarily as a result of paydowns and foreclosures. From December 31, 2010 to December 31, 2011, the portfolio of commercial real estate loans increased \$6.990 million, or 1.67 percent, primarily as a result of the completion of one large construction project and conversion of the underlying debt from a commercial construction loan to a commercial real estate loan.

Risk is minimized in this portfolio by requiring a review of the borrower's financial data and verification of the borrower's income prior to making a commitment to fund the loan. Personal guaranties are obtained for substantially all construction loans to builders. Personal financial statements of guarantors are obtained as part of the loan underwriting process. For construction loans, regular site inspections are performed upon completion of each construction phase, prior to advancing additional funds for additional phases. Commercial construction and commercial real estate lending has been curtailed over the past three years as a result of a combination of factors, including a decline in demand, lack of qualified borrowers and regulatory pressures on all banks to curtail lending in the commercial real estate market.

*Residential Construction* loans include loans to individuals for the construction of their residences, either primary or secondary, where the borrower is the owner and independently engages the builder. Residential construction loans also include loans to builders for the construction of one-to-four family residences whereby the collateral, a proposed one-to-four family dwelling, is the primary source of repayment. These loans are made to builders to finance the construction of homes that are either pre-sold or those that are built on a speculative basis, although speculative lending in this category has been strictly limited and controlled over the past three years. Loan proceeds are to be disbursed incrementally as construction is completed. The portfolio of residential construction loans increased \$2.320 million, or 17.2 percent, from December 31, 2011 to March 31, 2012,

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primarily as a result of increased loan activity with local builders in the Southern division. From December 31, 2010 to December 31, 2011, the portfolio of residential construction loans decreased \$7.236 million, or 34.9 percent, primarily as a result of paydowns.

*Residential Mortgage* loans include conventional mortgage loans secured by one-to-four family residential properties. These properties may serve as the borrower's primary residence, vacation home, or investment property. BancTrust sells the majority of its residential mortgage loans originated with terms to maturity of 15 years or greater in the secondary market. BancTrust generally originates fixed and adjustable rate residential mortgage loans using secondary market underwriting and documentation standards. Also included in this portfolio are home equity loans and lines of credit. This type of lending, which is secured by a first or second mortgage on the borrower's residence, allows customers to borrow against the equity in their home. Risk is minimized in this portfolio by reviewing the borrower's financial data and ability to meet both existing financial obligations and the proposed loan obligation, and by verification of the borrower's income. In addition, at December 31, 2011, any new residential mortgage, regardless of amount, secured by a primary residence is required to have a current external appraisal, and the maximum loan-to-value ratio for home equity lines of credit was lowered from 89.9 percent to 80 percent. During the first quarter of 2012, the portfolio of residential mortgage loans decreased \$7.936 million, or 3.2 percent, as a result of paydowns, charge-offs, and foreclosures. The portfolio of residential mortgage loans decreased \$18.292 million, or 6.9 percent, from December 31, 2010 to December 31, 2011, primarily as a result of paydowns, foreclosures, and charge-offs.

*Consumer* loans include a variety of secured and unsecured personal loans including automobile loans, marine loans, loans for household and personal purpose, and all other direct consumer installment loans. Risk is minimized in this portfolio by reviewing the borrower's financial data, ability to meet existing obligations and the proposed loan obligation, and verification of the borrower's income. During the first quarter of 2012, the portfolio of consumer loans decreased \$1.462 million, or 3.3 percent, primarily as a result of paydowns. The portfolio of consumer loans decreased \$10.221 million, or 18.6 percent, from December 31, 2010 to December 31, 2011, primarily as a result of paydowns. Repossessions and charge-offs have been minimal in this portfolio since December 31, 2010.

*Other* loans comprise primarily loans to municipalities to fund operating expenses where there are timing differences between when payments are due and when tax revenues are received and to fund capital projects. The portfolio of other loans decreased \$1.043 million, or 16.6 percent, during the first quarter of 2012 and decreased \$3.584 million, or 36.4 percent, from December 31, 2010 to December 31, 2011, as a result of paydowns.

The following table shows a more detailed risk profile of the loan portfolio by breaking down the loan categories described above into more specific categories of loans and showing the related percentage of non-performing loans at March 31, 2012, December 31, 2011 and December 31, 2010 for each specific category. Commercial real estate continued to be BancTrust's largest loan category at March 31, 2012, comprising 52.5 percent of total loans. Commercial real estate also represented the majority of non-performing loans at 78.4 percent, with approximately 62.8 percent of non-performing loans consisting of land development and vacant land loans. The downturn in the real estate market, primarily in the Florida panhandle market, has had a significant impact on the commercial real estate portfolio as explained in the discussion above regarding criticized loans.

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	March 31, 2012		December 31, 2011		December 31, 2010	
	Loans as a Percentage of Total Loans Outstanding	Non-performing Loans as a Percentage of Total Non-performing Loans	Loans as a Percentage of Total Loans Outstanding	Non-performing Loans as a Percentage of Total Non-performing Loans	Loans as a Percentage of Total Loans Outstanding	Non-performing Loans as a Percentage of Total Non-performing Loans
Multi-family	2.2%	1.7%	2.1%	1.8%	2.1%	1.7%
Churches	1.6%	0.0%	1.6%	0.0%	1.6%	0.0%
Hotels	5.3%	2.3%	5.3%	1.6%	2.3%	0.0%
Office buildings	6.2%	3.8%	6.7%	3.9%	6.9%	3.7%
Shopping centers	3.7%	3.5%	3.7%	3.6%	3.2%	1.6%
Warehouses	3.1%	1.9%	3.1%	1.6%	3.3%	1.1%
Convenience stores	2.1%	0.3%	2.2%	0.4%	2.0%	0.0%
Healthcare	1.0%	0.0%	1.0%	0.0%	1.4%	0.0%
Commercial development	1.4%	0.0%	1.2%	0.0%	2.8%	1.4%
Other owner-occupied commercial real estate	4.1%	0.9%	4.2%	0.9%	3.5%	1.0%
Other commercial real estate	2.6%	1.2%	2.5%	1.3%	3.2%	0.5%
<b>Total Investment Property</b>	<b>33.3%</b>	<b>15.6%</b>	<b>33.6%</b>	<b>15.1%</b>	<b>32.3%</b>	<b>11.0%</b>
Land acquisition & development	10.3%	36.3%	10.2%	34.8%	10.8%	40.3%
Vacant land/non-development	6.4%	20.7%	6.5%	21.3%	7.2%	19.7%
Vacant land/future development	1.1%	5.0%	1.2%	5.2%	1.7%	5.8%
Farmland & timberland	1.4%	0.8%	1.3%	0.8%	1.0%	0.2%
<b>Total Land Portfolio</b>	<b>19.2%</b>	<b>62.8%</b>	<b>19.2%</b>	<b>62.1%</b>	<b>20.7%</b>	<b>66.0%</b>
<b>Total Commercial Real Estate</b>	<b>52.5%</b>	<b>78.4%</b>	<b>52.8%</b>	<b>77.2%</b>	<b>53.0%</b>	<b>77.0%</b>
Commercial & Industrial Portfolio	22.6%	4.2%	21.8%	2.5%	20.2%	3.7%
<b>Total Commercial and Industrial Loans</b>	<b>22.6%</b>	<b>4.2%</b>	<b>21.8%</b>	<b>2.5%</b>	<b>20.2%</b>	<b>3.7%</b>
Home equity	3.6%	0.9%	3.8%	1.0%	3.5%	1.1%
1-4 family construction	1.3%	0.5%	1.1%	0.5%	1.5%	1.8%
Residential mortgages	15.2%	15.4%	15.4%	18.1%	15.5%	15.8%
<b>Total 1-4 Family Properties</b>	<b>20.1%</b>	<b>16.8%</b>	<b>20.3%</b>	<b>19.6%</b>	<b>20.5%</b>	<b>18.7%</b>
Consumer loans	3.4%	0.6%	3.5%	0.7%	4.0%	0.5%
<b>Total Retail</b>	<b>23.5%</b>	<b>17.4%</b>	<b>23.8%</b>	<b>20.3%</b>	<b>24.5%</b>	<b>19.2%</b>
Agricultural loans	0.1%	0.0%	0.1%	0.0%	0.2%	0.1%
Other loans	0.4%	0.0%	0.5%	0.0%	0.7%	0.0%
Lease financing	0.9%	0.0%	1.0%	0.0%	1.4%	0.0%

**TOTAL LOAN  
PORTFOLIO**

**100.0%**

**100.0%**

**100.0%**

**100.0%**

**100.0%**

**100.0%**

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December 31, 2011	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(Dollars in thousands)										
Securities available for sale										
U.S. Treasury securities	\$ 100	0.83%	\$ 407	1.00%	\$ 0	0.00%	\$ 0	0.00%	\$ 507	0.97%
U.S. Government sponsored enterprises(1)	0	0.00	11,733	1.01	22,307	1.79	147,584	1.99	181,624	1.90
State and political subdivisions	890	6.28	310	6.40	125	8.02	0	0.00	1,325	6.47
Mortgage-backed securities(2)									329,853	2.54
Total securities available for sale	\$ 990	5.73%	\$ 12,450	1.15%	\$ 22,432	1.83%	\$ 147,584	1.99%	\$ 513,309	2.32%

(1) Includes \$181.6 million in SBA loan pool bonds with floating interest rates that reprice monthly.

(2) Mortgage-backed securities are shown only in the total as these securities have monthly principal payments.

GAAP requires that securities be classified into one of three categories: (i) held to maturity, (ii) available for sale, or (iii) trading. Securities classified as available for sale are stated at fair value. Securities are classified as available for sale if they are to be held for indefinite periods of time, such as securities BancTrust management intends to use as part of its asset/liability strategy or that may be sold in response to changes in interest rates, changes in prepayment risks, changes in liquidity needs, the need to increase regulatory capital or other similar factors.

At March 31, 2012, the composition of the investment portfolio by carrying amount was 0.11 percent U.S. Treasuries, 35.83 percent securities U.S. government-sponsored enterprises, 0.27 percent securities state and political subdivisions, and 63.79 percent mortgage-backed securities. All mortgage-backed securities are backed by one-to-four-family mortgages, and approximately 99.1 percent of the mortgage-backed securities represent U.S. government-sponsored enterprise, which is referred to as GSE, securities. The tax-equivalent yield of the portfolio was 2.33 percent at March 31, 2012 and 2.32 percent at December 31, 2011. The average life of the portfolio at March 31, 2012 and December 31, 2011, was 7.47 years and 7.16 years, respectively. BancTrust holds no trading securities or securities that are classified as held-to-maturity. At March 31, 2012, BancTrust's securities available-for-sale had a net unrealized gain of \$1.680 million, a decrease of \$2.224 million from its net unrealized gain of \$3.904 million at December 31, 2011. During the first three months of 2011, BancTrust sold available-for-sale securities which resulted in a realized gain of \$1.302 million.

At December 31, 2011, all of BancTrust's securities were stated at estimated fair value since they were in the available for sale category. At December 31, 2011, BancTrust held no trading securities or securities classified as held to maturity. At December 31, 2011, BancTrust owned \$181.6 million in SBA loan pool bonds. These investments are highly liquid and have little price volatility, and BancTrust uses these securities to provide liquidity while earning a higher rate than overnight Federal funds.

BancTrust recorded impairment charges related to potential credit loss of \$400 thousand during 2009 and \$200 thousand in 2011 on its only non-U.S. GSE mortgage-backed security. BancTrust management concluded in 2009 and again in 2011 that a portion of BancTrust's unrealized loss position was other-than-temporarily impaired. The amount related to credit loss was determined based on a discounted cash flow method that takes into account several factors including default rates, prepayment rates, delinquency rates, and foreclosure and loss severity of the underlying collateral. Changes in these factors in the future could result in an increase in the amount deemed to be credit-related other-than-temporary impairment, which would result in BancTrust recognizing additional impairment charges to earnings for this security. BancTrust management will continue to

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closely monitor this security. The security had an estimated fair value of \$2.738 million and an unrealized loss of \$647 thousand at March 31, 2012, after all cumulative other-than-temporary impairment charges. BancTrust management concluded that the value of this security is temporarily impaired based on liquidity risk. BancTrust believes it has addressed all of its other-than-temporary impairments in its investment portfolio as of March 31, 2012 with the other-than-temporary impairment charges BancTrust took during 2009 and in 2011. BancTrust does not own, and has not owned, preferred or common stock issued by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac). BancTrust does not own any trust preferred securities.

The maturities and weighted-average yields of securities available for sale at December 31, 2011 are presented in the table below at amortized cost using the average stated contractual maturities. The average stated contractual maturities may differ from the average expected life because of amortized principal payments or because borrowers may have the right to call or prepay obligations. Tax equivalent adjustments, using a 35 percent tax rate, have been made when calculating yields on tax-exempt obligations.

The amortized cost and estimated fair values of investment securities available for sale at December 31, 2011, 2010 and 2009 are presented in the following table.

	2011		2010		2009	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)					
U.S. Treasury securities	\$ 507	\$ 513	\$ 400	\$ 405	\$ 1,437	\$ 1,454
U.S. Government sponsored enterprises	181,624	181,620	83,537	82,433	36,254	36,101
State and political subdivisions	1,325	1,329	2,380	2,402	14,576	14,681
Mortgage-backed securities	329,853	333,751	341,648	340,320	209,949	209,598
Total securities available for sale	\$ 513,309	\$ 517,213	\$ 427,965	\$ 425,560	\$ 262,216	\$ 261,834

**Deposits**

Total deposits decreased from \$1.812 billion at December 31, 2011 to \$1.791 billion at March 31, 2012, a decrease of \$20.217 million, or 1.1 percent. Total deposits were lower in the most recent quarter compared with the prior year due to BancTrust management's efforts to reduce BancTrust's exposure to large certificates of deposit and to improve its net interest margin by lowering the rates BancTrust pays on deposits. Core deposits, considered to be total deposits less time deposits of \$100 thousand or more, decreased by \$234 thousand. BancTrust management believes the increase in FDIC insurance coverage from \$100 thousand to \$250 thousand for interest bearing accounts and to an unlimited amount for non-interest bearing transaction accounts, has helped stabilize BancTrust's deposit base. The Dodd-Frank Act has permanently increased deposit insurance from \$100,000 to \$250,000 per depositor and has extended the unlimited coverage for non-interest bearing transaction accounts until December 31, 2012. BancTrust management's primary focus continues to be attracting and retaining core deposits from customers who will use other products and services BancTrust offers. During the second quarter of 2012, BancTrust will have \$25.000 million in FHLB advances mature and, if its liquidity allows, BancTrust management does not intend to replace these funds with similar non-core funding sources. At March 31, 2012, BancTrust had no brokered time deposits other than \$35.446 million of CDARS brokered time deposits, which it considers core deposits, compared to \$35.145 million of CDARS time deposits at December 31, 2011.



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The table below shows the breakdown of deposits at March 31, 2012 and December 31, 2011.

(Dollars In thousands)	March 31, 2012	December 31, 2011
Non-Interest-Bearing Demand Deposits	\$ 269,663	\$ 257,169
Interest-Bearing Demand Deposits	556,808	558,199
Savings Deposits	142,124	136,281
Large Denomination Time Deposits (of \$100 or more)	427,809	447,792
Other Time Deposits	395,052	412,232
 Total Deposits	 \$ 1,791,456	 \$ 1,811,673

Total deposits at year-end 2011 decreased \$53.132 million, or 2.9 percent, from year-end 2010. Comparing 2011 to 2010, interest-bearing checking accounts increased \$20.012 million, savings accounts decreased \$5.457 million, money market accounts increased \$33.181 million, time deposits \$100,000 and over decreased \$80.864 million and other time deposits decreased \$52.470 million. The decreases in the two time deposit categories are a result of BancTrust paying off \$26.677 million in brokered deposits and BancTrust's efforts to lower its cost of funds by offering lower rates on deposits in these categories. Average deposits increased from \$1.773 billion in 2010 to \$1.856 billion in 2011. All deposit categories experienced growth in average balances. BancTrust does not promote deposit growth through aggressive rate campaigns, but rather relies on superior customer service and products to retain existing customers and attract new ones.

BancTrust defines core deposits as total deposits less certificates of deposit of \$100,000 or more. Core deposits, as a percentage of total deposits, represented 75.3 percent and 71.6 percent at year-end 2011 and 2010, respectively. However, a significant amount of BancTrust's certificates of deposit, which are defined in the industry as non-core, are held by long-time customers. These deposits are classified by the regulatory agencies as non-core because the amounts exceed \$100,000. While BancTrust's primary deposit-taking emphasis focuses on attracting and retaining core deposits from customers who will also use its other products and services, BancTrust has from time to time found it necessary to use non-core funding sources such as large certificates of deposit and other borrowed funds. This has not been the case in recent years, and BancTrust does not currently need to access additional non-core funding sources such as brokered deposits, because internally generated funds are supplying its liquidity needs. During 2011, BancTrust paid off \$22 million of its FHLB borrowings and all \$26.698 million of its brokered deposits.

The following table reflects maturities of time deposits of \$100,000 or more at December 31, 2011. Deposits of \$447.8 million in this category represented 24.7 percent of total deposits at year-end 2011, compared to \$528.7 million representing 28.3 percent of total deposits at year-end 2010.

At December 31, 2011					
Under				Over	Total
3 Months	3-6 Months	7-12 Months	12 Months		
(Dollars in thousands)					
\$167,898	\$91,161	\$119,819	\$68,914	\$447,792	

**Federal Home Loan Bank Advances, Short-Term Debt and Long-Term Debt**

As of March 31, 2012, BancTrust's debt consisted of advances from the FHLB of \$35.577 million, the \$20.000 million Silverton Note, \$34.021 million in junior subordinated notes issued by BancTrust to statutory trust subsidiaries in connection with offerings of trust preferred securities, and \$878 thousand of other long-term debt. All other amounts are relatively unchanged from December 31, 2011.

**Short-Term Borrowings**

At March 31, 2012, the only short-term borrowing BancTrust had was the Silverton Note, which is secured by the stock of BankTrust. In 2007, BancTrust obtained a \$38 million three-year term loan which it used to

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finance a portion of the purchase price for a significant acquisition. In December 2008, BancTrust prepaid \$18 million of the loan, leaving a \$20 million outstanding principal balance. The lender has, at BancTrust management's request, agreed several times to extend the maturity and alter the repayment schedule of this loan. The FDIC, as receiver for Silverton Bank, N.A., is the holder of the loan. On March 28, 2012, BancTrust entered into an agreement to again modify the terms of the Silverton Note. The modification relieved BancTrust from having to make any principal payments under the note prior to maturity, which is April 16, 2013 or such earlier date as BancTrust completes a merger, consolidation, sale of substantially all of BancTrust's assets or a similar transaction. This modification also increased the interest rate on the loan from one-month LIBOR plus 5 percent to one-month LIBOR plus 7 percent; however, it fixed the amount of quarterly interest payments that BancTrust is required to make until maturity of the loan at \$270,000 each. Accrued but unpaid interest, which will include the difference between quarterly interest accruals and the fixed quarterly payments, together with a fee of \$200,000, is to be paid to the lender upon maturity of the note. The modification also required BancTrust to establish an escrow account with the lender in the amount of \$1,080,000 to fund the first four quarterly payments following the execution and delivery of the modification of the loan documents. BancTrust made the quarterly interest payment due April 15, 2012 and deposited the funds to an escrow account for the remaining three interest payments due before the maturity of the note. There is currently no default under any of the terms of this loan. To be able to repay this loan, BancTrust management believes that BancTrust must either raise additional capital or complete a strategic merger. Any further renewal or extension of the Silverton Note would require FDIC approval. In addition, BancTrust is currently required to obtain approval from the Federal Reserve Bank of Atlanta prior to incurring additional debt or modifying or refinancing the terms of existing debt.

BancTrust's goal is to be in a net sold position overnight, and it has maintained this position for the last three years. BancTrust sold, on average, overnight funds of \$83.6 million during 2011 while average short-term borrowings were \$20.0 million. BancTrust did not access its federal funds lines in 2011 or 2010 and accessed these lines only one day in 2009.

	2011			2010			2009		
	Maximum Month- End Balance	Average Balance During Year	Weighted- Average Interest Rate	Maximum Month- End Balance	Average Balance During Year	Weighted- Average Interest Rate	Maximum Month- End Balance	Average Balance During Year	Weighted- Average Interest Rate
(Dollars in thousands)									
Federal funds purchased	\$ 0	\$ 0	0.00%	\$ 0	\$ 0	0.00%	\$ 0	\$ 27	0.76%
Silverton Note	20,000	20,000	4.91	20,000	20,000	5.13	20,000	20,005	5.07
<b>Total short-term borrowings</b>		<b>\$ 20,000</b>	<b>4.91%</b>		<b>\$ 20,000</b>	<b>5.13%</b>		<b>\$ 20,032</b>	<b>5.07%</b>

**FHLB Advances and Long-term Debt**

BancTrust uses FHLB advances as an alternative to other funding sources with similar maturities. FHLB advances are flexible and allow BancTrust to quickly obtain funding with the mix of maturities and rates that best suits its overall asset/liability management strategy. BancTrust did not access this source of funds in 2011. BancTrust's FHLB advances totaled \$35.648 million at December 31, 2011, compared to \$57.917 million as of December 31, 2010. BancTrust uses its long-term FHLB advances primarily to fund loan originations. In the past, BancTrust replaced most of its maturing FHLB advances with new advances. BancTrust had one FHLB advance mature in 2011, which it did not replace.

All of BancTrust's outstanding FHLB advances at December 31, 2011 had fixed interest rates. Note 11 to the accompanying audited consolidated financial statements of BancTrust sets forth additional information relating to outstanding balances, scheduled maturities and rates of BancTrust's FHLB advances.

In 2003, BancTrust increased its long-term borrowings by issuing a note payable to its wholly owned statutory trust subsidiary, BancTrust Financial (AL) Statutory Trust I, which is referred to as the Trust, which the

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Trust purchased with the \$18 million proceeds of trust preferred securities it sold to investors. The note payable matures in March 2034. BancTrust is required to pay interest on the note to the Trust, and the Trust pays dividends on the trust preferred securities quarterly. The interest rate BancTrust and the Trust pay is reset quarterly at Three-Month LIBOR plus 290 basis points. BancTrust used the proceeds from the note payable to finance a portion of the purchase price for an acquisition it completed in 2003. BancTrust has had the option to repay all or part of the note payable since December 2008.

In 2006, BancTrust again increased its long-term borrowings by issuing a note payable to its wholly owned statutory trust subsidiary, BancTrust Financial Group (AL) Statutory Trust #2, which is referred to as Trust II, which Trust II purchased with the \$15 million proceeds of trust preferred securities it sold to an investor. The note payable matures in 2037. BancTrust pays interest on the note to Trust II, and Trust II pays dividends on the trust preferred securities quarterly. The interest rate BancTrust and Trust II pay is reset quarterly at Three-Month LIBOR plus 164 basis points. BancTrust used \$7.5 million of the proceeds from the note payable to repay a bank loan. The remainder was used for general corporate purposes. BancTrust has had the option to repay all or part of this note payable since February 1, 2012.

BancTrust management determined that it was in the best interests of BancTrust and its shareholders to defer future interest payments on BancTrust's two outstanding series of trust preferred securities. This deferral is permitted under the applicable indenture for each series of trust preferred securities for up to five years without penalty or default. This action was intended to assist BancTrust in maintaining its well-capitalized status while it explores strategic alternatives to recapitalize itself.

**Contractual Obligations**

The following table presents information about BancTrust's contractual obligations at December 31, 2011.

	One Year or Less	Over One to Three Years	Four to Five Years	More Than Five Years	Total
	(Dollars in thousands)				
FHLB advances and long-term debt(1)	\$ 25,000	\$ 2,198	\$ 6,929	\$ 36,412	\$ 70,539
Operating leases	627	1,879	1,967	6,191	10,664
Tax contingencies	612	223	90	0	925
Contributions to pension plan	1,080	0	0	0	1,080
Certificates of deposit	727,866	102,608	18,520	11,030	860,024
Total	\$ 755,185	\$ 106,908	\$ 127,506	\$ 53,633	\$ 943,232

- (1) Refer to Note 11 in the accompanying audited consolidated financial statements of BancTrust for additional information about these obligations, including certain redemption features.

**Off-Balance Sheet Arrangements**

BancTrust, as part of its ongoing operations, issues financial guarantees in the form of financial and performance standby letters of credit. Standby letters of credit are contingent commitments issued by BancTrust generally to guarantee the performance of a customer to a third party. A financial standby letter of credit is a commitment by BancTrust to guarantee a customer's repayment of an outstanding loan or financial obligation. In a performance standby letter of credit, BancTrust guarantees a customer's performance under a contractual non-financial obligation for which it receives a fee. BancTrust has recourse against the customer for any amount it is required to pay to a third party under a standby letter of credit. Revenues are recognized over the life of the standby letter of credit. At March 31, 2012, BancTrust had standby letters of credit outstanding with maturities ranging from less than one year to three years. The maximum potential amount of future payments BancTrust could be required to make under its standby letters of credit at March 31, 2012 was \$19.079 million and was

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\$19.194 million at December 31, 2011, and those sums represent BancTrust's maximum credit risk under these arrangements. BancTrust had \$191 thousand and \$192 thousand at March 31, 2012 and December 31, 2011, respectively, of liabilities associated with standby letter of credit agreements. BancTrust holds collateral to support standby letters of credit when deemed necessary. Collateral varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial property.

The following table presents information about BancTrust's off-balance sheet arrangements at December 31, 2011.

	One Year or Less	Over One Year Through Five Years (Dollars in thousands)	Over Five Years	Total
Lines of credit unused	\$ 170,327	\$ 30,873	\$ 5,518	\$ 206,718
Standby letters of credit	13,799	5,395	0	19,194
<b>Total</b>	<b>\$ 184,126</b>	<b>\$ 36,268</b>	<b>\$ 5,518</b>	<b>\$ 225,912</b>

**Asset/Liability Management**

The purpose of asset/liability management is to maximize return while minimizing risk. Maximizing return means achieving or exceeding BancTrust management's profitability and growth goals. Minimizing risk means managing four key risk factors: (1) liquidity; (2) interest rate sensitivity; (3) capital adequacy; and (4) asset quality. BancTrust's asset/liability management involves a comprehensive approach to Statement of Condition management that meets the risk and return criteria established by BancTrust management and the board of directors. BancTrust management does not typically use derivative financial instruments as part of the asset/liability management process.

BancTrust's primary market risk is its exposure to interest rate changes. Interest rate risk management strategies are designed to optimize net interest income while minimizing the effects of changes in market rates of interest on operating results and asset and liability fair values. A key component of BancTrust's interest rate risk management strategy is to manage and match the maturity and repricing characteristics of its assets and liabilities.

BancTrust management uses modeling techniques to simulate the effects various changes in market rates of interest would have on BancTrust's interest income and on the fair values of BancTrust's assets and liabilities. Important elements that affect the risk profile of BancTrust's Statement of Condition in interest rate risk modeling include the mix of floating versus fixed rate assets and liabilities and the scheduled, as well as expected, repricing and maturing volumes and rates of assets and liabilities. Using the Interest Sensitivity Analysis, applying a scenario simulating a hypothetical 100 basis point rate increase applied to all interest-earning assets and interest-bearing liabilities at December 31, 2011, BancTrust management would expect a net increase in net interest income of \$2.3 million for the year following the rate increase. Using a scenario simulating a hypothetical 100 basis point decrease, BancTrust management would expect a net decrease in net interest income of \$5.5 million for the year following the rate decrease. These hypothetical examples are not a precise indicator of future events or of the actual effects such rate increases or decreases would have on BancTrust's financial condition and operating results. Instead, they are reasonable estimates of the results anticipated if the assumptions used in the modeling techniques were to occur.

**Interest Rate Sensitivity**

BancTrust management attempts to maintain a proper balance between the growth of net interest revenue and the risks that might result from significant changes in interest rates in the market by monitoring BancTrust's

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interest rate sensitivity. One tool for measurement of this risk is gap analysis, whereby the repricing of assets and liabilities is compared within certain time categories. By identifying mismatches in repricing opportunities within a time category, BancTrust management can identify interest rate risk. The interest sensitivity analysis presented in the table below is based on this type of gap analysis, which assumes that rates earned on interest-earning assets and rates paid on interest-bearing liabilities will move simultaneously in the same direction and to the same extent. However, the rates associated with these assets and liabilities typically change at different times and in varying amounts.

Changes in the composition of interest-earning assets and interest-bearing liabilities can increase or decrease net interest revenue without affecting interest rate sensitivity. The interest rate spread between assets and their corresponding liabilities can be significantly changed while the repricing interval for both remains unchanged, thus impacting net interest revenue. Over a period of time, net interest revenue can increase or decrease if one side of the Statement of Condition reprices before the other side. An interest sensitivity ratio of 100 percent (interest-earning assets divided by interest-bearing liabilities), which represents a matched interest rate sensitive position, does not guarantee maximum net interest revenue. BancTrust management evaluates several factors, including the general direction of interest rates, before making adjustments to earning assets. BancTrust management tries to determine the type of investment and the maturity needed to maximize net interest revenue while minimizing interest rate risk. BancTrust management may, from time to time, accept calculated risks associated with interest rate sensitivity in an attempt to maximize net interest revenue.

At December 31, 2011, BancTrust's three-month gap position (interest-earning assets divided by interest-bearing liabilities) was 91 percent, and its twelve-month cumulative gap position was 72 percent. BancTrust's three-month cumulative gap position was within the range established by BancTrust management as acceptable, but its one-year position was slightly out of the range. BancTrust's three-month gap position indicates that, in a period of rising interest rates, each \$0.91 of earning assets that reprice upward during the three months would be accompanied by \$1.00 in interest-bearing liabilities repricing upward during the same period. Thus, under this scenario, net interest revenue could be expected to decrease during the three-month period of rising rates, as interest expense increases would exceed increases in interest income. Likewise, BancTrust's twelve-month gap position indicates that each \$0.72 of interest-earning assets that reprices upward during such period would be accompanied by upward repricing of \$1.00 in interest-bearing liabilities resulting in a decrease in net interest revenue. In a period of falling rates, the opposite effect might occur. While certain categories of liabilities are contractually tied to interest rate movements, most, including deposits, are subject only to competitive pressures and do not necessarily reprice directly with changes in market rates. Because rates on liabilities are near historic lows, a further decrease in rates would probably not result in an increase in net interest revenue. BancTrust management has some flexibility when adjusting rates on these products. Therefore, the repricing of assets and liabilities would not necessarily take place at the same time and in corresponding amounts.

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The following table summarizes BancTrust's interest-sensitive assets and liabilities as of December 31, 2011. Adjustable rate loans are included in the period in which their interest rates are scheduled to adjust. Fixed rate loans are included in the periods in which they are anticipated to be repaid based on scheduled maturities. Expected cash flows for Collateralized Mortgage Obligations and Mortgage-Backed Securities are included in the period for which principal payments are scheduled or expected to be made. Non-amortizing investment securities are included in the period in which they are scheduled to mature. Fixed-rate certificates of deposit are presented according to contractual maturity dates and variable rate certificates of deposit are included in the period in which their interest rates are eligible for adjustment.

	December 31, 2011				Total
	Interest Rate Sensitive Within (Cumulative)			Non-Interest Rate Sensitive Within 5 Years	
	3 Months	3-12 Months	1-5 Years (Dollars in thousands)		
<b>INTEREST-EARNING ASSETS</b>					
Loans and leases(1)	\$ 594,870	\$ 692,216	\$ 1,140,755	\$ 136,335	\$ 1,277,090
Less unearned income	0	0	0	(41)	(41)
Less allowance for loan and lease losses	0	0	0	(42,156)	(42,156)
Net loans	594,870	692,216	1,140,755	94,138	1,234,893
Investment securities(2)	192,986	242,811	451,896	61,413	513,309
Interest-bearing deposits in other financial institutions	61,942	61,942	61,942	0	61,942
Total interest-earning assets	\$ 849,798	\$ 996,969	\$ 1,654,593	\$ 155,551	\$ 1,810,144
<b>INTEREST-BEARING LIABILITIES</b>					
Non-interest-bearing deposits	\$ 0	\$ 0	\$ 0	\$ 257,169	\$ 257,169
Interest-bearing demand deposits	558,199	558,199	558,199	0	558,199
Savings deposits(3)	0	0	0	136,281	136,281
Large denomination time deposits	179,847	384,223	447,667	125	447,792
Other time deposits	139,110	355,510	411,774	458	412,232
Short-term borrowings	20,000	20,000	20,000	0	20,000
FHLB advances and long-term debt	34,021	59,021	68,148	2,391	70,539
Total interest-bearing liabilities	\$ 931,177	\$ 1,376,953	\$ 1,505,788	\$ 396,424	\$ 1,902,212
Interest rate sensitivity gap	\$ (81,379)	\$ (379,984)	\$ 148,805		
Interest-earning assets/interest-bearing liabilities	.91	.72	1.10		
Interest rate sensitivity gap/interest-earning assets	(.10)	(.38)	.09		

(1) Non-accrual loans are included in the Non-Interest Rate Sensitive Within 5 Years category.

(2) Expected cash flows for Collateralized Mortgage Obligations and Mortgage-Backed Securities are included in the period for which principal payments are scheduled or expected to be made.

(3) Savings accounts are included in the Non-Interest Rate Sensitive Within 5 Years category. In BancTrust management's opinion, these liabilities do not reprice in the same proportions as interest rate-sensitive assets, as they are not responsive to general interest rate changes in the economy.

**Liquidity**

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Liquidity represents the ability of a bank to meet its funding needs with its available sources of funds. It represents BancTrust's ability to meet loan commitments as well as deposit withdrawals. Liquidity is derived

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from both the asset side and the liability side of the Statement of Condition. On the asset side, liquidity is provided by marketable investment securities, maturing loans, interest-bearing deposits, federal funds sold and cash and cash equivalents. On the liability side, liquidity is provided by a stable base of core deposits. Liquid assets (cash and cash items, interest-bearing deposits in other financial institutions, federal funds sold and securities available for sale, excluding pledged assets) totaled \$361.244 million at March 31, 2012, relatively unchanged from \$363.024 million at December 31, 2011. BancTrust management believes that in the current economic environment it is very important to maintain a high level of liquidity. As a result, liquid assets represented 17.98 percent of total assets at March 31, 2012, and 17.86 percent at December 31, 2011. The net change in cash and cash equivalents for the three-month period ended March 31, 2012 was a decrease of \$6.294 million, or 16.6 percent. Cash includes currency on hand and demand deposits with other financial institutions. Cash equivalents are defined as short-term and highly liquid investments, which are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. BancTrust had available unused federal fund lines of credit and FHLB lines of credit totaling approximately \$47.663 million at March 31, 2012, and these lines constitute one element of BancTrust's liquidity management plan. BancTrust has not borrowed federal funds in 2012 and did not borrow federal funds in 2011 or 2010.

BancTrust's liquidity, on an unconsolidated basis, is dependent on the holding company's ability to pay its commitments as they come due. BancTrust's most significant recurring commitments consist of interest payments on debt obligations, dividends on the BancTrust TARP preferred stock held by Treasury and operating costs. BancTrust typically relies on dividends from BankTrust to fund these payments. BancTrust has no cash or liquidity available to it other than dividends from BankTrust. BankTrust is currently unable to pay dividends without regulatory approval. In addition, BancTrust is unable to declare dividends on the BancTrust TARP preferred stock held by Treasury without prior approval from the Federal Reserve Bank of Atlanta. BankTrust requested and received permission to pay dividends in the amount of \$2.1 million to BancTrust in 2011, and BancTrust had, through the first quarter of 2012, been able to obtain Federal Reserve approval for the declaration of dividends on the BancTrust TARP preferred stock held by Treasury. However, on March 21, 2012, BancTrust management announced that it determined that it was in the best interests of BancTrust and its shareholders to defer future interest payments on BancTrust's two outstanding series of trust preferred securities. This deferral is permitted under the applicable indentures for both series of trust preferred securities for up to five years without penalty or default. In May 2012, BancTrust also ceased to declare and make dividend payments on the BancTrust TARP preferred stock held by Treasury. This is also a permitted deferral. BancTrust has \$1,080,000 in quarterly interest payments due over the next approximately 12 months on its \$20 million Silverton Note to the FDIC as Receiver for Silverton Bank, N.A. BancTrust obtained the necessary regulatory approvals to enable a dividend from BankTrust to the holding company to allow the holding company to establish an escrow reserve to fund these payments. This loan matures in April 2013. To be able to repay this loan, BancTrust management believes that BancTrust must either raise additional capital or complete a strategic merger.

At December 31, 2011, cash flows from operating activities provided \$34.066 million in 2011, compared to \$22.918 million provided in 2010 and \$1.674 million used in 2009.

At December 31, 2011, net cash from investing activities provided \$55.185 million in 2011, primarily as a result of the decrease in interest-bearing deposits and loans. Net cash used in investing activities was \$242.999 million in 2010 primarily as a result of the increase in interest-bearing deposits and securities available for sale. Net cash provided by investing activities was \$8.748 million in 2009.

At December 31, 2011, net cash used in financing activities was \$77.192 million in 2011, primarily as a result of the decrease in deposits of \$53.132 million. Net cash provided by financing activities was \$208.646 million in 2010 due primarily to the increase in deposits of \$211.370 million. Net cash used in financing activities was \$12.480 million in 2009, due primarily to the decrease in deposits of \$9.042 million.

The net increase in cash and cash equivalents was \$12.059 million in 2011, compared to a net decrease of \$11.435 million in 2010 and a net decrease of \$5.406 million in 2009.



**Table of Contents****Capital Resources**

BancTrust's shareholders' equity as a percentage of total assets at March 31, 2012 was 5.61 percent, relatively unchanged from 5.62 percent at December 31, 2011. Tangible shareholders' equity (shareholders' equity less goodwill and other intangible assets) was \$110.763 million at December 31, 2011, compared to \$159.298 million at December 31, 2010 and \$156.971 million at December 31, 2009. The decrease in 2011 was caused by BancTrust's net loss of \$47.846 million and other comprehensive loss of \$40 thousand. At year-end 2011, BancTrust's Tier 1 capital ratio was 10.48 percent, a decrease from 12.71 percent at year-end 2010, due primarily to its net loss in 2011.

BancTrust's Tier 1 capital was \$149.492 million at March 31, 2012 and \$149.248 million at December 31, 2011. BancTrust's Tier 2 capital consists of the allowable portion of the allowance for loan losses, which was \$17.828 million at March 31, 2012 and \$18.100 million at December 31, 2011. Total capital, which is Tier 1 capital plus Tier 2 capital, was \$167.320 million at March 31, 2012, and \$167.348 million at December 31, 2011. BancTrust's consolidated Tier 1 and total capital ratios, expressed as a percentage of total risk-weighted assets, were 10.67 percent and 11.94 percent, respectively, at March 31, 2012, and 10.48 percent and 11.75 percent, respectively, at December 31, 2011. Both the March 31, 2012 and December 31, 2011 ratios exceed the minimum ratios of four percent and eight percent for Tier 1 and total capital, respectively, required by BancTrust's regulators.

BancTrust management closely monitors the adequacy of regulatory capital and strives to maintain adequate capital at BankTrust and on a consolidated basis. At March 31, 2012, BankTrust was considered "well capitalized" by regulatory definitions. BankTrust has assured its regulators that it intends to maintain a Tier 1 leverage capital ratio of not less than 8.00 percent and to maintain its Tier 1 risk-based capital ratio and total risk-based capital ratios at "well-capitalized" levels, which are 6.00 percent and 10.00 percent, respectively. At March 31, 2012, BankTrust's capital ratios exceeded all three of these target ratios with a Tier 1 leverage capital ratio of 8.56 percent, a Tier 1 Capital to risk-weighted assets ratio of 12.26 percent and a total capital to risk-weighted assets ratio of 13.53 percent.

The components of BancTrust's risk-based capital calculations at March 31, 2012, December 31, 2011 and December 31, 2010 are shown below:

	December 31, 2011	December 31, 2010	March 31, 2012
	(Dollars in thousands)		
<b>Tier 1 capital</b>			
Preferred stock	\$ 48,730	\$ 48,140	\$ 48,884
Tangible common shareholders' equity	67,518	115,530	67,608
Payable to business trust	33,000	33,000	33,000
<b>Total Tier 1 capital</b>	<b>\$ 149,248</b>	<b>\$ 196,670</b>	<b>\$ 149,492</b>
<b>Tier 2 capital</b>			
Allowable portion of the allowance for loan losses	\$ 18,100	\$ 19,670	\$ 17,828
<b>Total capital (Tier 1 and Tier 2)</b>	<b>\$ 167,348</b>	<b>\$ 216,340</b>	<b>\$ 167,320</b>
<b>Risk-adjusted assets</b>	<b>\$ 1,423,980</b>	<b>\$ 1,547,666</b>	<b>\$ 1,400,991</b>
Quarterly average assets	2,092,542	2,158,574	2,007,114
<b>Risk-based capital ratios:</b>			
Tier 1 capital	10.48%	12.71%	10.67%
Total capital (Tier 1 and Tier 2)	11.75%	13.98%	11.94%
<b>Minimum risk-based capital guidelines:</b>			
Tier 1 capital	4.00%	4.00%	4.00%
Total capital (Tier 1 and Tier 2)	8.00%	8.00%	8.00%
Tier 1 leverage ratio	7.13%	9.11%	7.45%

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On November 10, 2010, BancTrust entered into a Standby Equity Distribution Agreement, which is referred to as the Standby Agreement, with YA Global Master SPV Ltd., which is referred to as YA Global, a fund managed by Yorkville Advisors, LLC. Pursuant to the Standby Agreement, YA Global agreed to purchase up to \$15 million of newly issued common stock of BancTrust in increments of not more than \$250 thousand weekly if notified to do so by BancTrust in accordance with the terms and conditions of the Standby Agreement. During 2011, BancTrust raised \$705 thousand, net of issuance costs, through the sale of 296,550 shares of BancTrust's common stock to YA Global pursuant to the Standby Agreement. The weighted average price per share issued was \$2.53. All of the sales of shares of BancTrust's common stock to YA Global pursuant to the Standby Agreement occurred during the first quarter of 2011. Once BancTrust engaged KBW to assist it in its renewed effort to raise private capital, BancTrust elected not to request additional stock purchases from YA Global because there was a risk that KBW and/or YA Global might have possessed material nonpublic information. BancTrust terminated the Standby Agreement on May 28, 2012.

In the fourth quarter of 2008, BancTrust applied to participate in the Capital Purchase Program of the Troubled Asset Relief Program and was approved to issue the BancTrust TARP preferred stock to Treasury. BancTrust completed the sale of \$50 million in preferred shares to the United States Treasury on December 19, 2008. The preferred shares pay a cumulative annual dividend at the rate of 5 percent for the first five years. The dividend will increase to 9 percent after five years if the preferred shares have not been redeemed by BancTrust. In conjunction with the issuance of the preferred shares, BancTrust issued Treasury a warrant to purchase up to 730,994 shares of BancTrust common stock at \$10.26 per share, which would represent an aggregate investment, if fully exercised of approximately \$7.5 million in BancTrust common stock, or 15 percent of the investment in preferred stock. BancTrust's participation resulted in the imposition of certain restrictions, including limits on executive compensation.

Under the Capital Purchase Program, BancTrust's ability to purchase, redeem or otherwise acquire for consideration its common stock or trust preferred securities of its affiliates is restricted until the earlier of (1) the third anniversary of the issuance of the BancTrust TARP preferred stock and (2) the date on which BancTrust has redeemed all of the preferred stock or Treasury has transferred all of the preferred stock to third parties; provided, however, that certain restrictions persist for any period when there are accrued and unpaid dividends on the preferred stock outstanding.

BancTrust did not declare a dividend on its common stock in the first three months of 2012. During the first quarter of 2012, BancTrust determined that it would cease paying dividends on the BancTrust TARP preferred stock for the near future. Until the BancTrust TARP preferred stock dividends are brought current, BancTrust may not declare a dividend on BancTrust common stock. If the dividend on the BancTrust TARP preferred stock is not paid for an aggregate of six dividend periods (six fiscal quarters), whether or not consecutive, the number of directors on BancTrust's board of directors automatically increases by two, and Treasury, the holder of the BancTrust TARP preferred stock, will elect two new directors to the Board of Directors. The directors elected by the Treasury will continue to serve until all accrued and unpaid dividends on the preferred stock are paid.

BancTrust management determined that it was in the best interests of BancTrust and its shareholders to defer future interest payments on its two outstanding series of trust preferred securities. Under the terms of the subordinated debentures, BancTrust's deferral of interest payments for up to 20 consecutive quarters (through the first quarter of 2016) does not constitute an event of default under the applicable indentures for both series of trust preferred securities. This action was intended to assist BancTrust in maintaining its well-capitalized status while it explores strategic alternatives to recapitalize itself.

In December 2003, BancTrust formed the Trust. The Trust issued \$18.0 million of trust preferred securities guaranteed by BancTrust on a junior subordinated basis. BancTrust obtained the proceeds from the Trust's sale of trust preferred securities by issuing junior subordinated debentures to the Trust and used the proceeds to partially finance the purchase price of CommerceSouth, Inc. In December 2006, BancTrust formed Trust II. Trust II issued \$15.0 million of trust preferred securities guaranteed by BancTrust on a junior subordinated basis.

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BancTrust obtained the proceeds from Trust II's sale of trust preferred securities by issuing junior subordinated debentures to Trust II and used the proceeds to repay \$7.5 million of long-term debt and for general corporate purposes. Under GAAP, both the Trust and Trust II must be deconsolidated with BancTrust for accounting purposes. As a result of this accounting pronouncement, the Federal Reserve Board adopted changes to its capital rules with respect to the regulatory capital treatment afforded to trust preferred securities. The Federal Reserve Board's rules permit qualified trust preferred securities and other restricted capital elements to be included as Tier 1 capital up to 25 percent of core capital. BancTrust management believes that BancTrust's trust preferred securities qualify under these revised regulatory capital rules and expects that BancTrust will continue to treat its \$33.0 million of trust preferred securities as Tier 1 capital. For regulatory purposes, the trust preferred securities are added to BancTrust's tangible common shareholders' equity to calculate Tier 1 capital.

## **Results of Operations**

### ***Net Income***

BancTrust recorded a net loss to common shareholders of \$142 thousand, or \$0.01 per basic and diluted common share, during the first quarter of 2012, compared to net income to common shareholders in the first quarter of 2011 of \$251 thousand, or \$0.01 per basic and diluted common share. Net income before the preferred stock dividend was \$636 thousand in the first quarter of 2012, compared to net income before the preferred dividend of \$1.020 million in the first quarter of 2011.

### ***Net Interest Revenue***

Net interest revenue, the difference between amounts earned on interest-earning assets and the amounts paid on interest-bearing liabilities, is the most significant component of earnings for a financial institution. Major factors influencing net interest revenue are changes in interest rates, changes in the volume of assets and liabilities and changes in the asset/liability mix. Presented in the following table is an analysis of net interest revenue, weighted-average yields on interest-earning assets and weighted-average rates paid on interest-bearing liabilities for the past two years.

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	Average Amount Outstanding	2011 Average Rate	Interest Earned/ Paid (Dollars in thousands)	Average Amount Outstanding	2010 Average Rate	Interest Earned/ Paid
<b>Interest-earning assets:</b>						
Taxable securities	\$ 512,223	2.55%	\$ 13,063	\$ 328,163	3.21%	\$ 10,522
Non-taxable securities	1,900	4.68	89	4,681	4.68	219
Total securities	514,123	2.56	13,152	332,844	3.23	10,741
Loans and leases(1)	1,333,074	5.04	67,157	1,423,131	5.14	73,079
Interest-bearing deposits	83,606	0.25	211	109,222	0.23	256
<b>Total interest-earning assets</b>	<b>1,930,803</b>	<b>4.17</b>	<b>80,520</b>	<b>1,865,197</b>	<b>4.51</b>	<b>84,076</b>
<b>Non-interest-earning assets</b>						
Cash and due from banks	34,326			34,879		
Premises and equipment, net	73,937			77,465		
Other real estate owned, net	87,120			70,771		
Other assets	55,907			63,806		
Intangible assets, net	4,088			5,724		
Allowance for loan and lease losses	(46,485)			(48,756)		
<b>Total</b>	<b>\$ 2,139,696</b>			<b>\$ 2,069,086</b>		
<b>Interest-bearing liabilities:</b>						
Interest-bearing demand and savings deposits	\$ 670,192	0.42%	\$ 2,801	\$ 626,704	0.54%	\$ 3,395
Time deposits	935,598	1.36	12,742	921,479	1.84	16,960
Short-term borrowings	20,000	4.91	981	20,000	5.13	1,026
FHLB advances and long-term debt	81,107	2.20	1,787	92,938	2.46	2,290
<b>Total interest-bearing liabilities</b>	<b>1,706,897</b>	<b>1.07</b>	<b>18,311</b>	<b>1,661,121</b>	<b>1.43</b>	<b>23,671</b>
<b>Non-interest-bearing liabilities</b>						
Non-interest bearing demand deposits	249,858			224,411		
Other liabilities	15,782			16,730		
	265,640			241,141		
Shareholders equity	167,159			166,824		
<b>Total</b>	<b>\$ 2,139,696</b>			<b>\$ 2,069,086</b>		
Net interest revenue		3.10%	\$ 62,209		3.08%	\$ 60,405
Net yield on interest-earning assets		3.22%			3.24%	
Tax equivalent adjustment		0.00			0.00	
Net yield on interest-earning assets (tax equivalent)		3.22%			3.24%	

(1) Loans classified as non-accrual are included in the average volume classification. Net loan (costs) fees of \$267 and \$408 for the years ended 2011 and 2010, respectively, are included in the interest amounts for loans.

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Quarterly average interest-earning assets decreased to \$1.840 billion for the first quarter of 2012 from \$1.958 billion in the first quarter of 2011, a decrease of \$118.015 million, or 6.0 percent. This decrease was funded primarily by the decrease in deposits. BancTrust's quarterly net interest margin was 3.30 percent for the first quarter of 2012, compared to 3.14 percent for the first quarter of 2011. Net interest revenue decreased by \$93 thousand, or 0.6 percent, from the first quarter of 2011 to the first quarter of 2012. The increase in net

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interest margin was due primarily to BancTrust management's efforts to reduce the cost of BancTrust's interest-bearing liabilities. BancTrust management estimates that non-performing assets resulted in BancTrust's net interest margin being approximately 40 basis points lower than it would have been if these assets had been earning interest. Interest rate cuts, response to future competitive deposit pricing pressures, or increases in BancTrust's non-performing assets could have the effect of decreasing its margins.

Net interest margin is net interest revenue, on a tax equivalent basis, divided by total average interest-earning assets. This ratio is a measure of BancTrust management's effectiveness in pricing interest-earning assets and funding them with both interest-bearing and non-interest-bearing liabilities. BancTrust's net yield in 2011, on a tax equivalent basis, was 3.22 percent, compared to 3.24 percent in 2010 and 2.93 percent in 2009. In recent years, an increase in the amount of loans placed on non-accrual has reduced BancTrust's net interest margin. The rapid decrease in interest rates beginning in the third quarter of 2008 was a contributing factor as well. The current high volume of non-performing assets as of December 31, 2011 reduced BancTrust's net interest margin by approximately 47 to 49 basis points in 2011. Beginning in the second quarter of 2009, as BancTrust's deposit base began to stabilize after the financial industry crisis in the fall of 2008, BancTrust began reducing the rates paid on its deposits. Also, as liquidity allowed, BancTrust increased the size of the investment portfolio beginning in 2009. These factors contributed heavily to an improvement in BancTrust's net interest margin in 2010 and 2011, compared to 2009. In 2011, BancTrust continued to reduce the rates paid on deposits and increase the size of its investment portfolio while seeking to maintain sufficient liquidity. Additionally, BancTrust has been able to stabilize the yield of its loan portfolio as a result of negotiating higher rates or floors on renewing loans.

Further cuts in interest rates, while not likely, could erode BancTrust's margin by limiting its ability to offset point for point asset yield reductions with liability costs. Further liability cost reductions will be limited by competition for deposits as well as the inability to aggressively lower deposit rates below the already near historic low levels in some categories. Increases in interest rates could decrease BancTrust's net interest margin if it is unable to reprice its interest-earning assets sooner, and to a greater extent, than its interest-bearing liabilities.

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The following table presents an analysis of net interest revenue, weighted-average yields on interest-earnings assets and weighted-average yields on interest-bearing liabilities for the three months ended March 31, 2012 and 2011.

(Dollars in Thousands)	Three Months Ended March 31, 2012			Three Months Ended March 31, 2011		
	Average Amount Outstanding	Average Rate	Interest Earned/ Paid	Average Amount Outstanding	Average Rate	Interest Earned/ Paid
<b>Interest-earning assets:</b>						
Taxable securities	\$ 491,301	2.26%	\$ 2,758	\$ 474,185	2.78%	\$ 3,253
Non-taxable securities	1,312	4.49	15	2,401	4.90	29
Total securities	492,613	2.26	2,773	476,586	2.79	3,282
Loans and leases(1)	1,272,431	4.95	15,651	1,368,499	5.04	17,008
Interest-bearing deposits	75,156	0.20	37	113,130	0.26	72
<b>Total interest-earning assets</b>	<b>1,840,200</b>	<b>4.03</b>	<b>18,461</b>	<b>1,958,215</b>	<b>4.22</b>	<b>20,362</b>
<b>Non-interest-earning assets</b>						
Cash and due from banks	34,506			35,668		
Premises and equipment, net	71,022			75,242		
Other real estate owned, net	57,397			83,566		
Other assets	47,809			61,091		
Intangible assets, net	3,440			4,530		
Allowance for loan and leases losses	(43,967)			(49,367)		
<b>Total assets</b>	<b>\$ 2,010,407</b>			<b>\$ 2,168,945</b>		
<b>Interest-bearing liabilities:</b>						
Interest-bearing demand deposits	\$ 555,411	0.39%	\$ 543	\$ 526,221	0.45%	\$ 586
Savings deposits	139,561	0.37	127	138,561	0.42	143
Time deposits	833,158	0.99	2,048	975,982	1.55	3,728
Short-term borrowings	20,000	5.09	253	20,000	5.07	250
FHLB advances and long-term debt	70,521	2.38	417	92,786	2.13	489
<b>Total interest-bearing liabilities</b>	<b>1,618,651</b>	<b>0.84</b>	<b>3,388</b>	<b>1,753,550</b>	<b>1.20</b>	<b>5,196</b>
<b>Non-interest-bearing liabilities:</b>						
Non-interest-bearing demand deposits	261,887			235,098		
Other liabilities	14,871			16,521		
<b>Total non-interest bearing liabilities</b>	<b>276,758</b>			<b>251,619</b>		
<b>Common shareholders equity</b>	<b>66,215</b>			<b>115,586</b>		
Preferred stock	48,783			48,190		
<b>Shareholders equity</b>	<b>114,998</b>			<b>163,776</b>		
<b>Total</b>	<b>\$ 2,010,407</b>			<b>\$ 2,168,945</b>		
<b>Net interest revenue</b>		<b>3.19%</b>	<b>\$ 15,073</b>		<b>3.02%</b>	<b>\$ 15,166</b>

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Net yield on interest-earning assets	3.30%	3.14%
Tax equivalent adjustment	0.00	0.00
Net yield on interest-earning assets (tax equivalent)	3.30%	3.14%

- (1) Loans classified as non-accrual are included in the average volume classification. Net loan (costs) fees are included in the interest amounts for loans.



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The following table reflects the changes in BancTrust's sources of taxable-equivalent interest income and expense between 2011 and 2010. The variances resulting from changes in interest rates and the variances resulting from changes in volume are shown.

Tax-equivalent net interest revenue in 2011 was \$1.745 million higher than in 2010, primarily caused by a \$4.160 million decrease in rates earned on earning assets which was more than offset by a \$5.468 million decrease in rates paid on deposits from 2010 to 2011.

	Total Change	2011 Change From 2010 Increase (Decrease) Due to(1)	
		Volume (Dollars in thousands)	Rate
<b>Interest revenue:</b>			
Taxable securities	\$ 2,541	\$ 5,398	\$ (2,857)
Non-taxable securities	(189)	(189)	0
<b>Total securities</b>	<b>2,352</b>	<b>5,209</b>	<b>(2,857)</b>
Loans and leases	(5,922)	(4,603)	(1,319)
Deposits	(45)	(61)	16
<b>Total</b>	<b>(3,615)</b>	<b>545</b>	<b>(4,160)</b>
<b>Interest expense:</b>			
Interest-bearing demand and savings deposits	(594)	191	(785)
Other time deposits	(4,218)	195	(4,413)
Short-term borrowings	(45)	0	(45)
FHLB advances and long-term debt	(503)	(278)	(225)
<b>Total</b>	<b>(5,360)</b>	<b>108</b>	<b>(5,468)</b>
<b>Net interest revenue</b>	<b>\$ 1,745</b>	<b>\$ 437</b>	<b>\$ 1,308</b>

- (1) The change in interest revenue and expense due to both rate and volume has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amount of the change in each.

**Non-Interest Revenue and Non-Interest Expense**

Non-interest revenue was \$5.440 million for the first quarter of 2012, an increase of \$603 thousand from the first quarter of 2011. Net securities gains increased \$818 thousand in the first quarter of 2012 compared to the same period in 2011. Service charges on deposit accounts decreased \$45 thousand, or 2.9 percent, from \$1.539 million for the first quarter of 2011 to \$1.494 million for the same period in 2012. The volume of insufficient funds, which is referred to as the NSF, activity, fees for which are included in service charge income, has decreased. BancTrust management believes part of this decrease is due to customers more diligently monitoring their personal accounts and to the increased use of debit cards, which do not typically generate NSF fees. Debit card transactions for which BancTrust's customers do not have available funds are declined at the point of sale instead of posting to the account and generating a NSF charge. BancTrust management expects this trend to continue in the foreseeable future, however, the decline seems to be moderating. Trust revenue in the first quarter of 2012 was \$924 thousand compared to \$1.045 million for the same period in 2011. Trust assets were \$868.125 million at March 31, 2012 compared to \$869.891 million at March 31, 2011.

Salary and employee benefit expense in the first quarter of 2012 was \$6.885 million, a decrease of \$312 thousand from the first quarter of 2011. Full time equivalent employees decreased from 546 at March 31, 2011 to 529 at March 31, 2012.

Net occupancy expense was \$1.435 million in the first quarter of 2012, a decrease of \$67 thousand from the same period in 2011. Furniture and equipment expense decreased by \$65 thousand, or 7.3 percent, primarily as a

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result of decreased depreciation expense as some older assets were fully depreciated between the two periods as well as decreased maintenance cost. BancTrust operates in 49 branches.

Intangible amortization decreased to \$226 thousand for the quarter ended March 31, 2012 from \$292 thousand for the same period last year through amortization of BancTrust's core deposit intangible on an accelerated basis.

Loss on OREO, which reflects both losses on the sale of and write-downs of OREO to its estimated fair value, in 2011 was \$32.398 million compared to \$2.193 million in 2010 and \$11.789 million in 2009. These changes in loss on OREO were largely a result of declines in the carrying value of OREO. For further discussion of the accounting policies and changes in assumptions underlying this change in carrying value, refer to Critical Accounting Policies and Estimates, above. BancTrust recorded no loss on OREO in the first quarter of 2012, compared to \$173 thousand in the first quarter of 2011. The write-downs of OREO in the fourth quarter of 2011 established lower carrying values reflective of market conditions. If real estate values decline, additional losses on OREO may occur in future periods. OREO carrying cost increased \$104 thousand from \$554 thousand in the first quarter of 2011 to \$658 thousand in the first quarter of 2012. OREO carrying costs consist primarily of property taxes, insurance and maintenance.

A decrease in FDIC assessment of \$904 thousand in 2011 compared to 2010 was realized because of the change by the FDIC in its method of calculating deposit insurance premiums. The increase in FDIC assessment in 2010 of \$451 thousand reflects an increase in the FDIC insurance rates and higher deposit balances in 2010. FDIC assessments were \$683 thousand for the quarter ended March 31, 2012, compared to \$1.143 million for the same period in 2011, reflecting the change by the FDIC in the assessment base for FDIC insurance premiums from domestic deposits to average assets minus average tangible equity.

Early in 2012, BancTrust management ended its efforts to recapitalize BancTrust as an independent entity. This led to the expensing of \$1.219 million of previously deferred costs associated with the capital raise in the fourth quarter of 2011 and \$1.966 million in the first quarter of 2012. These deferred costs consist primarily of legal fees, accountant fees, loan analyst fees and travel costs.

Other expense was \$2.430 million for the quarter ended March 31, 2012, a decrease of \$125 thousand from the first quarter of 2011. Other expense includes items such as advertising, audit fees, director fees, insurance costs and stationery and supplies.

Income tax expense was \$28 thousand for the first quarter of 2012, compared to income tax expense of \$53 thousand for the same period in 2011. In 2011, BancTrust established a valuation allowance for the full amount of its deferred tax asset.

Trust revenue was \$3.557 million in 2011 compared to \$3.824 million in 2010. ATM interchange fees, the largest component of other income, charges and fees, increased \$149 thousand in 2011 over 2010. Mortgage fee income was \$1.199 million in 2011 compared to \$1.386 million in 2010. Low mortgage rates have helped stimulate purchases and re-financing of existing homes in BancTrust's markets; however, new regulations in the mortgage industry have made it harder to process and close transactions.

Gains on the sales of investment securities were \$3.882 million in 2011 and \$2.369 million in 2010. In the past two years BancTrust has sold investment securities in part to restructure BancTrust's portfolio into securities issued by U.S. Government Agencies with lower risk weightings for capital adequacy purposes. BancTrust has taken gains in some securities to reinvest in longer average lives so that the average life in the portfolio will be maintained. The majority of investment securities BancTrust bought were mortgage-backed securities guaranteed by U.S. Government Agencies. BancTrust recorded an other-than-temporary impairment charge related to one security of \$200 thousand in 2011 and \$400 thousand in 2009.

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	Year-Ended December 31,	
	2011	2010
	(Dollars in thousands)	
<b>Non-Interest Revenue:</b>		
Service charges on deposit accounts	\$ 6,226	\$ 7,221
Trust revenue	3,557	3,824
Securities gains, net	3,682	2,369
Other income, charges and fees	6,959	6,990
 Total	 \$ 20,424	 \$ 20,404

Non-interest expense, excluding loss on OREO, decreased \$2.897 million, or 4.7 percent, in 2011 compared to 2010. Non-interest expense, excluding loss on OREO and goodwill impairment, decreased \$5.446 million in 2010 compared to 2009. Salary and employee benefit expense decreased \$313 thousand from 2010 to 2011. BancTrust management has reduced, through efforts to streamline and consolidate functions within BancTrust, the number of employees from 565 at year-end 2009 to 549 at year-end 2010 and to 540 at year-end 2011. Salaries for all employees were frozen for a portion of 2009 and 2010. Since the merger with Peoples was announced in mid-2007, BancTrust management has reduced approximately \$6.5 million annually in salary and benefits expenses. Furniture and equipment and net occupancy expenses had a combined decrease of \$436 thousand from 2010 to 2011 and \$573 thousand from 2009 to 2010. Intangible amortization in 2011 decreased \$1.082 million from 2010. The decrease in both years is a result of the amortization of BancTrust's core deposit intangible on an accelerated basis.

Telephone and data line expense increased \$139 thousand in 2011 compared to 2010. This increase is due primarily to costs associated to the relocation of BancTrust's main office and Mobile operation center and also to an upgrade of its telephone system. Telephone and data line expense decreased \$391 thousand in 2010 compared to 2009 as a result of the consolidation of telephone systems and certain operations. All other categories of non-interest expenses experienced decreases in 2011 compared to 2010. Legal fees remain elevated due primarily to costs associated with problem loan collection. OREO carrying cost, which includes property taxes, insurance and maintenance expenses, decreased from \$3.4 million in 2009 to \$2.0 million in 2010 and \$1.9 million in 2011, despite the higher levels of OREO, because the 2009 amounts included some property taxes that were paid in arrears, and because BancTrust management was successful in its efforts to protest the amounts of some property tax assessments. Over the past three years, BancTrust management has achieved a decrease not only in personnel costs but also in other non-interest expense categories, including advertising, data processing and stationery and office supplies by consolidating certain functions, which increased efficiencies. While BancTrust management has accomplished most of its cost-reduction initiatives, BancTrust management's efforts will have an on-going positive impact on non-interest expense. BancTrust management does anticipate some smaller additional savings from cost-reduction initiatives in 2012.

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	Year-Ended December 31,		
	2011	2010	2009
	(Dollars in thousands)		
<b>Non-Interest Expense:</b>			
Salaries	\$ 21,524	\$ 21,713	\$ 22,681
Pension and other employee benefits	6,419	6,543	6,362
Furniture and equipment	3,454	4,102	4,241
Net occupancy	6,214	6,002	6,436
Intangible amortization	1,113	2,195	2,650
Goodwill impairment	0	0	97,367
Loss on other real estate	32,398	2,193	11,789
Loss on sale of other assets	(247)	298	382
ATM processing	976	1,248	1,306
FDIC assessments	3,206	4,110	4,561
Capital raise costs	1,219	0	0
Telephone and data line	1,895	1,756	2,147
Legal	1,269	1,731	1,588
Other real estate carrying cost	1,856	1,975	3,389
Other	9,717	9,839	11,215
<b>Total</b>	<b>\$ 91,013</b>	<b>\$ 63,705</b>	<b>\$ 176,114</b>

**Income Taxes**

In 2011, BancTrust recorded income tax expense of \$7.366 million as a result of its establishment of a valuation allowance for all of BancTrust's deferred tax asset. Accounting standards require that BancTrust management establish a valuation allowance for its deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of BancTrust's deferred tax asset will not be realized. In making such judgment, significant weight is given to evidence that can be objectively verified. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. After weighing the positive and negative evidence, BancTrust management determined that the more likely than not standard had not been met as of December 31, 2011 and, accordingly, established a full valuation allowance for the net deferred tax asset.

In previous quarters, BancTrust management considered positive evidence such as BancTrust's strong earnings history, BancTrust being well capitalized from a regulatory capital perspective, BancTrust's problem assets being primarily located in a particular geographic region (Florida panhandle), BancTrust's future expected taxable income exclusive of reversing temporary differences, the availability of taxable income in prior available carryback years, and certain tax planning strategies that would, if necessary, be implemented to generate taxable income. These tax planning strategies assumed the sale of certain assets with estimated fair values exceeding their respective tax basis amounts in accordance with BancTrust's overall business plan. BancTrust management also considered negative evidence such as BancTrust's cumulative most recent three-year loss position and the continued weakness in the economy nationally, including in the markets in which BancTrust operates. At each quarter end previous to December 2011, BancTrust management determined that there existed a preponderance of positive evidence and that it was more likely than not that all of BancTrust's deferred tax asset would be realized and, therefore, a valuation allowance was not required. However, in performing its analysis for the quarter ended December 31, 2011, BancTrust management determined that the negative evidence outweighed the positive evidence based on the net loss experienced during the quarter. Accordingly, BancTrust established a valuation allowance of \$23.671 million to reduce the net deferred tax asset to zero. If BancTrust's profitability returns and continues to a point that is considered sustainable, some or all of the valuation allowance may be reversed. The timing of the reversal of the valuation allowance is dependent upon an assessment of future events and will necessarily be based on the circumstances that exist at that future date.

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### ***Inflation and Other Issues***

Because BancTrust's assets and liabilities are primarily monetary in nature, the effect of inflation on its assets is less significant compared to most commercial and industrial companies. However, inflation does have an impact on the growth of total assets in the banking industry and the resulting need to increase capital at higher than normal rates in order to maintain an appropriate equity-to-assets ratio. Inflation also has a significant effect on other expenses, which tend to rise during periods of general inflation. Notwithstanding these effects of inflation, BancTrust management believes BancTrust's financial results are influenced more by BancTrust management's ability to react to changes in interest rates than by inflation.

Except as discussed in this Management's Discussion and Analysis, BancTrust management is not aware of trends, events or uncertainties that will have or that are reasonably likely to have a material adverse effect on the liquidity, capital resources or operations of BancTrust. Except as discussed in this Management's Discussion and Analysis, BancTrust management is not aware of any current recommendations by regulatory authorities which, if they were implemented, would have such an effect.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Market Risk Management**

BancTrust minimizes risk by managing four key risk factors: (1) liquidity; (2) interest rate sensitivity; (3) capital adequacy; and (4) asset quality. BancTrust's primary market risk is its exposure to interest rate changes. Interest rate risk management strategies are designed to optimize net interest income while minimizing the effects of changes in market rates of interest on operating results and asset and liability fair values. A key component of BancTrust's interest rate risk management strategy is to manage and match the maturity and repricing characteristics of its assets and liabilities. BancTrust's market risk and strategies for market risk management are more fully described in its 2011 Annual Report on Form 10-K. There have been no changes in the assumptions used in monitoring interest rate risk as of March 31, 2012. Through March 31, 2012, BancTrust management has not utilized derivatives as a part of this process, but it may do so in the future.

## **LEGAL MATTERS**

The validity of the Trustmark common stock to be issued in connection with the merger will be passed upon for Trustmark by Wachtell, Lipton, Rosen & Katz, New York, New York. Certain tax matters will also be passed upon for Trustmark by Wachtell, Lipton, Rosen & Katz, New York, New York and for BancTrust by DLA Piper LLP (US), Washington, D.C.

## **EXPERTS**

The consolidated financial statements of Trustmark and its subsidiaries as of December 31, 2011 and 2010, and for each of the years in the three-year period ended December 31, 2011, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2011 have been incorporated by reference in this proxy statement/prospectus in reliance upon the reports of KPMG LLP, independent registered accounting firm, appearing elsewhere incorporated by reference herein, and upon the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of BancTrust and its subsidiaries, as of December 31, 2011 and 2010, and for each of the years in the three-year period ended December 31, 2011, included in this proxy statement/prospectus have been included in reliance on the report of Dixon Hughes Goodman LLP, an independent registered public accounting firm, and on the authority of said firm as experts in accounting and auditing.

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**OTHER MATTERS**

No matters other than the matters described in this proxy statement/prospectus are anticipated to be presented for action at the BancTrust special meeting or at any adjournment or postponement of the BancTrust special meeting.

**BANCTRUST 2012 ANNUAL MEETING**

BancTrust will hold a 2012 annual meeting of shareholders only if the merger is not completed. Set forth below is information relevant to BancTrust's 2012 annual meeting of shareholders.

Under SEC rules, holders of common stock who wish to make a proposal to be included in BancTrust's proxy statement and proxy card for BancTrust's 2012 annual meeting of shareholders (if this meeting is held) must have caused such proposal to have been received by BancTrust at its principal executive offices not later than December 13, 2011 if the 2012 annual meeting of shareholders is held within 30 days of May 26, 2012. If the 2012 annual meeting of shareholders is held on a day that is more than 30 days from May 26, 2012, such proposal must be received a reasonable time in advance of BancTrust's printing and mailing of its proxy statement. BancTrust shareholders submitting proposals for inclusion in the proxy statement and proxy card must comply with the proxy rules under the Exchange Act.

**WHERE YOU CAN FIND MORE INFORMATION**

Trustmark has filed with the SEC a registration statement under the Securities Act that registers the distribution to BancTrust shareholders of the shares of Trustmark common stock to be issued in connection with the merger. This proxy statement/prospectus is a part of that registration statement and constitutes the prospectus of Trustmark in addition to being a proxy statement for BancTrust shareholders. The registration statement, including the attached exhibits and schedules, contains additional relevant information about Trustmark and Trustmark common stock.

Trustmark and BancTrust also file reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy this information at the Public Reference Room of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates, or from commercial document retrieval services.

The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like Trustmark and BancTrust, who file electronically with the SEC. The address of the site is <http://www.sec.gov>. The reports and other information filed by Trustmark with the SEC are also available at Trustmark's website at <http://www.trustmark.com>. The reports and other information filed by BancTrust with the SEC are also available at BancTrust's website at <http://www.banktrustronline.com>. We have included the web addresses of the SEC, Trustmark and BancTrust as inactive textual references only. Except as specifically incorporated by reference into this proxy statement/prospectus, information on those websites is not part of this proxy statement/prospectus.

The SEC allows Trustmark to incorporate by reference information in this proxy statement/prospectus. This means that Trustmark can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this proxy statement/prospectus, except for any information that is superseded by information that is included directly in this proxy statement/prospectus.

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This proxy statement/prospectus incorporates by reference the documents listed below that Trustmark previously filed with the SEC. They contain important information about Trustmark and its financial condition.

**Trustmark SEC Filings**

<b>(SEC File No. 000-03683; CIK No. 0000036146)</b>	<b>Period or Date Filed</b>
Annual Report on Form 10-K	Year ended December 31, 2011
Proxy Statement on Schedule 14A	March 30, 2012
Quarterly Reports on Form 10-Q	Quarter ended March 31, 2012
Current Reports on Form 8-K	March 9, 2012, March 19, 2012, May 10, 2012, May 29, 2012, June 1, 2012 and June 27, 2012
The description of Trustmark common stock set forth in a registration statement filed pursuant to Section 12 of the Exchange Act and any amendment or report filed for the purpose of updating those descriptions	Registration Statement on Form S-4 filed on February 6, 2012

In addition, Trustmark also incorporates by reference additional documents that it files with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act between the date of this proxy statement/prospectus and the date of the BancTrust special meeting. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

Trustmark has supplied all information contained or incorporated by reference in this proxy statement/prospectus relating to Trustmark, as well as all pro forma financial information, and BancTrust has supplied all information relating to BancTrust.

Documents incorporated by reference are available from Trustmark without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this proxy statement/prospectus. You can obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from Trustmark at the following address:

**Trustmark Corporation**

Louis E. Greer

Treasurer and Principal Financial Officer

248 East Capitol Street

Jackson, Mississippi 39201

(601) 208-5111

***BancTrust shareholders requesting documents must do so by [ ], 2012 to receive them before the BancTrust special meeting. You will not be charged for any of these documents that you request.*** If you request any incorporated documents from Trustmark, Trustmark will mail them to you by first class mail, or another equally prompt means, within one business day after it receives your request.

If you have any questions concerning the merger or this proxy statement/prospectus, would like additional copies of this proxy statement/prospectus or need help voting your shares of BancTrust common stock, please contact Morrow & Co., LLC, BancTrust's proxy solicitor:

Morrow & Co., LLC

470 West Ave

Stamford, CT 06902

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Banks and Brokers please call: (203) 658-9400

Shareholders please call: (877) 780-4190

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Neither Trustmark nor BancTrust has authorized anyone to give any information or make any representation about the merger or our companies that is different from, or in addition to, that contained in this proxy statement/prospectus or in any of the materials that have been incorporated in this proxy statement/prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it.

If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this proxy statement/prospectus or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this proxy statement/prospectus does not extend to you. The information contained in this proxy statement/prospectus speaks only as of the date of this proxy statement/prospectus unless the information specifically indicates that another date applies.

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**Table of Contents****BancTrust Financial Group, Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Condition**

(Dollars and shares in thousands, except per share amounts)	March 31, 2012	December 31, 2011
<b>ASSETS</b>		
Cash and Due from Banks	\$ 31,617	\$ 37,911
Interest-Bearing Deposits in Other Financial Institutions	103,855	61,942
Securities Available for Sale, at Fair Value	479,497	517,213
Loans Held for Sale	2,465	2,021
Loans and Leases	1,254,025	1,275,028
Allowance for Loan and Lease Losses	(43,085)	(42,156)
Loans and Leases, Net	1,210,940	1,232,872
Premises and Equipment, Net	70,543	71,298
Accrued Income Receivable	6,060	6,227
Other Intangible Assets	3,293	3,519
Cash Surrender Value of Life Insurance	17,761	17,654
Other Real Estate Owned	60,765	57,387
Other Assets	21,971	23,833
Total Assets	\$ 2,008,767	\$ 2,031,877
<b>LIABILITIES</b>		
Non-Interest-Bearing Demand Deposits	\$ 269,663	\$ 257,169
Interest-Bearing Demand Deposits	556,808	558,199
Savings Deposits	142,124	136,281
Large Denomination Time Deposits (of \$100 or more)	427,809	447,792
Other Time Deposits	395,052	412,232
Total Deposits	1,791,456	1,811,673
Short-Term Borrowings	20,000	20,000
Federal Home Loan Bank Advances and Long-Term Debt	70,476	70,539
Other Liabilities	14,202	15,383
Total Liabilities	1,896,134	1,917,595
<b>SHAREHOLDERS EQUITY</b>		
Preferred Stock No Par Value, 500 Shares Authorized, 50 Shares Outstanding in 2012 and 2011	48,884	48,730
Common Stock Par Value \$0.01 Per Share, 100,000 Shares Authorized, Shares Issued: 2012-18,210; 2011-18,210	182	182
Additional Paid in Capital	194,643	194,636
Accumulated Other Comprehensive Income (Loss), Net	(7,152)	(5,172)
Deferred Compensation Payable in Common Stock	937	949
Accumulated Deficit	(121,516)	(121,686)
Treasury Stock of 256 Common Shares in 2012 and 2011, at Cost	(2,408)	(2,408)
Common Stock Held in Grantor Trust, 193 Shares in 2012 and 182 Shares in 2011	(937)	(949)
Total Shareholders Equity	112,633	114,282

Total Liabilities and Shareholders	Equity	\$ 2,008,767	\$ 2,031,877
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(See accompanying notes to unaudited condensed consolidated financial statements.)

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**Table of Contents****BancTrust Financial Group, Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Operations**

(Dollars and shares in thousands, except per share amounts)	Three Months Ended March 31,	
	2012	2011
<b>Interest Revenue:</b>		
Loans and Leases	\$ 15,651	\$ 17,008
Securities Available for Sale: Taxable	2,758	3,253
Non-Taxable	15	29
Other	37	72
<b>Total Interest Revenue</b>	<b>18,461</b>	<b>20,362</b>
<b>Interest Expense:</b>		
Deposits	2,718	4,457
Short-Term Borrowings	253	250
FHLB Advances and Long-Term Debt	417	489
<b>Total Interest Expense</b>	<b>3,388</b>	<b>5,196</b>
Net Interest Revenue	15,073	15,166
Provision for Loan and Lease Losses	3,600	3,500
<b>Net Interest Revenue after Provision for Loan and Lease Losses</b>	<b>11,473</b>	<b>11,666</b>
<b>Non-Interest Revenue:</b>		
Service Charges on Deposit Accounts	1,494	1,539
Trust Income	924	1,045
Securities Gains	1,302	484
Other Income	1,720	1,769
<b>Total Non-Interest Revenue</b>	<b>5,440</b>	<b>4,837</b>
<b>Non-Interest Expense:</b>		
Salaries	5,280	5,531
Pensions and Employee Benefits	1,605	1,666
Net Occupancy Expense	1,435	1,502
Furniture and Equipment Expense	831	896
Intangible Amortization	226	292
Losses on Other Real Estate Owned	0	173
Losses (Gains) on Repossessed and Other Assets	21	(3)
ATM Processing Expense	247	268
FDIC Assessments	683	1,143
Telephone and Data Line Expense	496	501
Legal Expense	371	352
Other Real Estate Carrying Cost Expense	658	554
Capital Raise Costs	1,966	0
Other Expense	2,430	2,555

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Total Non-Interest Expense		16,249	15,430
Income Before Income Taxes		664	1,073
Income Tax Expense		28	53
Net Income		636	1,020
Effective Preferred Stock Dividend		778	769
Net (Loss) Income to Common Shareholders		\$ (142)	\$ 251
Basic (Loss) Earnings Per Common Share		\$ (0.01)	\$ 0.01
Diluted (Loss) Earnings Per Common Share		\$ (0.01)	\$ 0.01
Weighted-Average Common Shares Outstanding	Basic	17,954	17,754
Weighted-Average Common Shares Outstanding	Diluted	17,954	17,831

(See accompanying notes to unaudited condensed consolidated financial statements.)

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**Table of Contents****BancTrust Financial Group, Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)**

(Dollars in thousands)	Three Months Ended	
	March 31, 2012	March 31, 2011
Net income	\$ 636	\$ 1,020
Other comprehensive income (loss), net of taxes:		
Recognized pension net periodic benefit cost, net of taxes of \$0 and (\$42), respectively	297	70
Less reclassification adjustments for gains included in net income, net of taxes of \$0 and \$182, respectively	(1,302)	(302)
Net change in fair value of securities available for sale, net of taxes of \$0 and \$105, respectively	(975)	(175)
Other comprehensive loss	(1,980)	(407)
Comprehensive (loss) income	\$ (1,344)	\$ 613

(See accompanying notes to unaudited condensed consolidated financial statements.)

**Table of Contents****BancTrust Financial Group, Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Shareholders' Equity****- For the Three Months Ended March 31, 2012 and 2011**

(Dollars and shares in thousands, except per share amounts)

	Preferred Stock	Common Stock Issued	Common Stock Amount	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss), Net	Deferred Compensation Payable in Common Stock	Accumulated Deficit	Treasury Stock	Common Stock Held in Grantor Trust	Total
Balance, January 1, 2012	\$ 48,730	18,210	\$ 182	\$ 194,636	\$ (5,172)	\$ 949	\$ (121,686)	\$ (2,408)	\$ (949)	\$ 114,282
Net income	636	636								
Recognized net periodic pension benefit cost, net of taxes	297	297								
Change in fair value of securities available for sale, net of taxes	(2,277)	(2,277)								
Amortization of preferred stock discount	154	(154)								
Dividends-preferred	(312)	(312)								
Purchase of deferred compensation shares	17	(17)								
Deferred compensation paid in common stock held in grantor trust	(29)	29								
Stock compensation expense	7	7								
Balance, March 31, 2012	\$ 48,884	18,210	\$ 182	\$ 194,643	\$ (7,152)	\$ 937	\$ (121,516)	\$ (2,408)	\$ (937)	\$ 112,633
Balance, January 1, 2011	\$ 48,140	17,895	\$ 179	\$ 193,901	\$ (5,132)	\$ 826	\$ (70,750)	\$ (2,408)	\$ (826)	\$ 163,930
Net income	1,020	1,020								
Recognized net periodic pension benefit cost, net of taxes	70	70								
Change in fair value of securities available for sale, net of taxes	(477)	(477)								
Amortization of preferred stock discount	144	(144)								
Dividends-preferred	(625)	(625)								
Purchase of deferred compensation shares	73	(73)								
Deferred compensation paid in common stock held in grantor trust	(5)	5								
Stock compensation expense	26	26								
Shares issued under dividend reinvestment plan										
Common stock issued	297	3	702	705						
Balance, March 31, 2011	\$ 48,284	18,192	\$ 182	\$ 194,629	\$ (5,539)	\$ 894	\$ (70,499)	\$ (2,408)	\$ (894)	\$ 164,649

(See accompanying notes to unaudited condensed consolidated financial statements.)





**Table of Contents****BancTrust Financial Group, Inc. and Subsidiaries****Unaudited Condensed Consolidated Statements of Cash Flows**

(Dollars in thousands)	Three Months Ended	
	2012	March 31, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 636	\$ 1,020
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	979	1,114
Amortization and accretion of premiums and discounts, net	887	756
Amortization of intangible assets	226	292
Provision for loan losses	3,600	3,500
Securities gains, net	(1,302)	(484)
Loss on other real estate owned	0	173
Losses (gains) on repossessed and other assets	21	(3)
Gain on sale of loans originated for sale	(250)	(213)
Stock compensation expense	7	26
Increase in cash surrender value of life insurance	(107)	(153)
Changes in operating assets and liabilities:		
Loans originated for sale	(14,093)	(12,484)
Loans sold	13,899	17,728
Decrease in accrued income receivable	167	39
Decrease in other assets	1,841	6,245
Decrease in other liabilities	(884)	(197)
Net cash provided by operating activities	5,627	17,359
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (increase) decrease in interest-bearing deposits in other financial institutions	(41,913)	47,696
Net decrease in loans and leases	14,431	12,580
Proceeds from sales of other real estate owned, net	712	812
Purchases of premises and equipment	(224)	(157)
Proceeds from sales of securities available for sale	104,854	24,498
Proceeds from maturities of securities available for sale	18,171	28,014
Purchases of securities available for sale	(87,360)	(151,651)
Net cash provided by (used in) investing activities	8,671	(38,208)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (decrease) increase in deposits	(20,217)	26,263
Payments of FHLB advances and long-term debt	(63)	(62)
Issuance of common stock	0	705
Dividends paid	(312)	(625)
Net cash (used in) provided by financing activities	(20,592)	26,281
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	37,911	25,852
Cash and cash equivalents at end of period	\$ 31,617	\$ 31,284

Supplemental disclosures of cash flow information:

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Interest paid	\$ 3,691	\$ 5,676
Income taxes (received) paid, net	23	(5,804)
Supplemental schedule of non-cash investing and financing activity		
Loans transferred to other real estate owned	4,090	3,859

(See accompanying notes to unaudited condensed consolidated financial statements.)

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**BancTrust Financial Group, Inc. and Subsidiaries**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**March 31, 2012 and 2011**

**Note 1: General Information**

The accompanying unaudited condensed consolidated financial statements of BancTrust Financial Group, Inc. and its subsidiary bank (referred to collectively in this discussion as BancTrust, the Company, our, us or we ) have been prepared in accordance with U.S. generally accepted accounting principles and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ( U.S. GAAP ) for audited financial statements. The information furnished reflects all adjustments and consolidating entries, consisting of normal and recurring accruals, which in the opinion of management of the Company ( Management ) are necessary for a fair presentation of the results for the interim periods. Results for interim periods may not necessarily be indicative of results to be expected for the year or any other period. For further information, refer to the consolidated financial statements and notes thereto included in the Company s annual report on Form 10-K for the year ended December 31, 2011.

**Estimates**

In preparing the consolidated financial statements, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of condition and revenues and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan and lease losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans.

A substantial portion of the Company s loans are secured by real estate in the Southern two-thirds of Alabama and Northwest Florida. Accordingly, the ultimate collectability of a substantial portion of the Company s loan portfolio is susceptible to changes in market conditions in these areas. Management believes that the allowance for losses on loans and leases is adequate. Management uses available information to recognize losses on loans and leases, and future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company s allowance for loan and lease losses. Such agencies may require the Company to make changes to the allowance based on their judgment about information available to them at the time of their examination.

**Reclassifications**

Certain reclassifications of 2011 balances have been made to conform to classifications used in 2012. These reclassifications did not change shareholders equity or net income.

**Note 2: Recent Accounting Pronouncements**

In May 2011, the Financial Accounting Standards Board ( FASB ) issued an update to the accounting standards relating to fair value measurement for the purpose of amending current guidance to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards ( IFRS ). This update, which is a joint effort between the FASB and the International Accounting Standards Board ( IASB ), amends existing fair value measurement guidance to converge the fair value measurement guidance in U.S. GAAP and IFRS. This update clarifies the application of existing fair value measurement requirements, changes certain principles in existing guidance and requires additional fair value disclosures. The update permits measuring financial assets and liabilities on a net credit risk basis if certain

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criteria are met, increases disclosure surrounding company-determined market prices (Level 3) for financial instruments, and also requires the fair value hierarchy disclosure of financial assets and liabilities that are not recognized at fair value in the financial statements, but are included in disclosures at fair value. This update was effective for interim and annual periods beginning after December 15, 2011 and is applied prospectively. The adoption of this standard did not have a material impact on the Company's financial statements.

In June 2011, the FASB issued an update to the accounting standards relating to the presentation of comprehensive income, which allows financial statement issuers to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Subsequently, in December 2011, the FASB issued another update to defer the effective date for amendments to the presentation of reclassifications of items out of accumulated other comprehensive income as previously established in the June 2011 update. This update eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareholders' equity. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 and are to be applied retrospectively. The provisions of these updates affected the Company's financial statement format, but did not impact the Company's financial condition, results of operations or liquidity.

**Note 3: Securities Available for Sale**

The Company classifies all of its investment securities as available for sale. The following summary sets forth the amortized cost and the corresponding fair value of investment securities available for sale at March 31, 2012 and December 31, 2011:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>March 31, 2012</b>				
U.S. Treasury securities	\$ 506	\$ 5	\$ 1	\$ 510
Obligations of U.S. Government sponsored enterprises	171,846	163	200	171,809
Obligations of states and political subdivisions	1,275	3	0	1,278
Mortgage-backed securities	304,190	2,850	1,140	305,900
Total	\$ 477,817	\$ 3,021	\$ 1,341	\$ 479,497
<b>December 31, 2011</b>				
U.S. Treasury securities	\$ 507	\$ 6	\$ 0	\$ 513
Obligations of U.S. Government sponsored enterprises	181,624	181	185	181,620
Obligations of states and political subdivisions	1,325	4	0	1,329
Mortgage-backed securities	329,853	4,902	1,004	333,751
Total	\$ 513,309	\$ 5,093	\$ 1,189	\$ 517,213

Securities available for sale with a carrying value of approximately \$253.525 million at March 31, 2012 and \$254.042 million at December 31, 2011 were pledged to secure deposits of public funds and trust deposits.

For the three months ended March 31, 2012, proceeds from the sales of securities available for sale were \$104.854 million. Gross realized gains on the sale of these securities were \$1.431 million, and gross realized

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losses were \$129 thousand. For the three months ended March 31, 2011, proceeds from the sales of securities available for sale were \$24.498 million. Gross realized gains on the sale of these securities were \$484 thousand and there were no gross realized losses. The Company did not record an other-than-temporary impairment charge in the first three months of 2012 or 2011.

Maturities of securities available for sale as of March 31, 2012 were as follows:

(Dollars in thousands)	Amortized Cost	Fair Value
Due in 1 year or less	\$ 710	\$ 712
Due in 1 to 5 years	10,816	10,821
Due in 5 to 10 years	38,409	38,418
Due in over 10 years	123,692	123,646
Mortgage-backed securities	304,190	305,900
Total	\$ 477,817	\$ 479,497

The following table shows the Company's combined gross unrealized losses on, and fair value of, investment securities with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2012 and December 31, 2011.

(Dollars in thousands)	Less than 12 Months		March 31, 2012 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	\$ 99	\$ 1	\$ 0	\$ 0	\$ 99	\$ 1
Obligations of U.S. Government sponsored enterprises	77,173	200	0	0	77,173	200
Mortgage-backed securities	86,927	493	2,738	647	89,665	1,140
Total	\$ 164,199	\$ 694	\$ 2,738	\$ 647	\$ 166,937	\$ 1,341

	Less than 12 Months		December 31, 2011 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. Government sponsored enterprises	\$ 69,852	\$ 166	\$ 6,207	\$ 19	\$ 76,059	\$ 185
Mortgage-backed securities	57,615	268	2,789	736	60,404	1,004
Total	\$ 127,467	\$ 434	\$ 8,996	\$ 755	\$ 136,463	\$ 1,189

At March 31, 2012, the Company had 19 investment securities that were in an unrealized loss position or impaired for the less than 12 months time frame and 1 investment security in an unrealized loss position or impaired for the more than 12 months time frame. The Company has one bond whose impairment was deemed in 2009 and again in 2011 to be other-than-temporary. All other investment securities' impairments are deemed by Management to be temporary. All mortgage-backed securities are backed by one-to-four-family mortgages, and approximately 99.1 percent of the mortgage-backed securities represent U.S. Government-sponsored enterprise securities. These securities have fluctuated with the changes in market interest rates on home mortgages. Additionally, the fair value of the Company's only non-U.S. government-sponsored enterprise mortgage-backed security has been negatively affected by liquidity risk considerations and by concerns about potential default and delinquency risk of the underlying individual mortgage loans. The Company concluded in 2009 and again in 2011 that a portion of its unrealized loss position of this security is other-than-temporary. Accordingly, the



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Company recorded an impairment charge related to potential credit loss of \$400 thousand in 2009 and \$200 thousand in 2011 on this security. The amount related to credit loss was determined based on a discounted cash flow method that takes into account several factors including default rates, prepayment rates, delinquency rates, and foreclosure and loss severity of the underlying collateral. Changes in these factors in the future could result in an increase in the amount deemed to be credit-related other-than-temporary impairment, which would result in the Company recognizing additional impairment charges to earnings for this security. Additionally, the Company recorded \$647 thousand and \$736 thousand in accumulated other comprehensive loss (pre-tax) related to this security at March 31, 2012 and December 31, 2011, respectively. No credit-related other-than-temporary impairment occurred during the three-month periods ended March 31, 2012 and 2011. Management will continue to closely monitor this security. The security has an estimated fair value of \$2.738 million and represents all of the unrealized losses at March 31, 2012 in the greater than 12 months category. Management believes that the fair value of obligations of U.S. government sponsored enterprises and obligations of state and political subdivisions has changed due to current market conditions and not due to credit concerns related to the issuers of the securities. The Company does not believe any credit-related other-than-temporary impairments exist related to these investment securities. As of March 31, 2012, there was no intent to sell any of the securities classified as available for sale. Furthermore, Management does not believe it is likely that the Company will be required to sell such securities before a recovery of the carrying value.

The following table summarizes the changes in the amount of credit losses on the Company's investment securities recognized in earnings for the three months ended March 31, 2012 and 2011:

(Dollars in thousands)	Three Months Ended March 31,	
	2012	2011
Beginning balance of credit losses previously recognized in earnings	\$ 600	\$ 400
Amount related to credit loss for securities as to which an other-than-temporary impairment was not previously recognized in earnings		
Amount related to credit loss for securities as to which an other-than-temporary impairment was recognized in earnings		
Ending balance of cumulative credit losses recognized in earnings	\$ 600	\$ 400



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A summary of loans and leases follows:

	March 31, 2012	December 31, 2011
	(Dollars in thousands)	
Commercial, financial and agricultural:		
Commercial and industrial	\$ 282,581	\$ 278,032
Agricultural	1,237	1,028
Equipment leases	11,831	12,814
<b>Total commercial, financial and agricultural</b>	<b>295,649</b>	<b>291,874</b>
Commercial real estate:		
Commercial construction, land and land development	247,231	250,859
Other commercial real estate	412,016	424,690
<b>Total commercial real estate</b>	<b>659,247</b>	<b>675,549</b>
Residential real estate:		
Residential construction	15,829	13,509
Residential mortgage	237,244	245,180
<b>Total residential real estate</b>	<b>253,073</b>	<b>258,689</b>
Consumer, installment and single pay:		
Consumer	43,251	44,713
Other	5,222	6,265