

FIRST HORIZON NATIONAL CORP

Form 10-Q

August 05, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2010  
Or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-15185  
First Horizon National Corporation  
(Exact name of registrant as specified in its charter)**

**Tennessee**

**62-0803242**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**165 Madison Avenue  
Memphis, Tennessee**

**38103**

(Address of principal executive offices)

(Zip Code)

(Registrant's telephone number, including area code) **(901) 523-4444**

(Former name, former address and former fiscal year, if changed since last report)

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

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

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  Smaller reporting company

(Do not check if a smaller reporting company)

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

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<b>Class</b>	<b>Outstanding on June 30, 2010</b>
Common Stock, \$.625 par value	228,832,882

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This financial information reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the interim periods presented.

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	<b>First Horizon National Corporation</b>		
	June 30		December
<i>(Dollars in thousands except restricted amounts)(Unaudited)</i>	<b>2010</b>	2009	31 2009
<b>Assets:</b>			
Cash and due from banks	\$ 364,857	\$ 419,696	\$ 465,712
Federal funds sold and securities purchased under agreements to resell	<b>602,910</b>	531,638	452,883
Total cash and cash equivalents	<b>967,767</b>	951,334	918,595
Interest-bearing cash	<b>275,148</b>	672,553	539,300
Trading securities	<b>1,806,789</b>	1,117,212	699,900
Loans held for sale	<b>505,237</b>	481,284	452,501
Securities available for sale (Note 3)	<b>2,489,819</b>	2,821,079	2,694,468
Loans, net of unearned income (Restricted \$0.8 billion) (Note 4) (a)	<b>17,154,050</b>	19,585,827	18,123,884
Less: Allowance for loan losses (Restricted \$50.1 million) (a)	<b>781,269</b>	961,482	896,914
Total net loans	<b>16,372,781</b>	18,624,345	17,226,970
Mortgage servicing rights (Note 5)	<b>201,746</b>	337,096	302,611
Goodwill (Note 6)	<b>162,180</b>	192,408	165,528
Other intangible assets, net (Note 6)	<b>35,645</b>	41,937	38,256
Capital markets receivables	<b>828,866</b>	959,514	334,404
Premises and equipment, net	<b>307,452</b>	325,666	313,824
Real estate acquired by foreclosure	<b>122,548</b>	116,584	125,190
Other assets (Restricted \$24.7 million) (a)	<b>2,178,248</b>	2,117,931	2,257,131
<b>Total assets (Restricted \$0.8 billion) (a)</b>	<b>\$ 26,254,226</b>	\$ 28,758,943	\$ 26,068,678
<b>Liabilities and equity:</b>			
Deposits:			
Savings	\$ 5,385,698	\$ 4,593,215	\$ 4,847,709
Time deposits	<b>1,545,475</b>	2,149,812	1,895,992
Other interest-bearing deposits	<b>3,237,183</b>	2,110,787	3,169,474
Certificates of deposit \$100,000 and more	<b>623,955</b>	1,434,008	559,944
Interest-bearing	<b>10,792,311</b>	10,287,822	10,473,119
Noninterest-bearing (Restricted \$0.9 million) (a)	<b>4,409,505</b>	4,689,639	4,394,096
Total deposits (Restricted \$0.9 million) (a)	<b>15,201,816</b>	14,977,461	14,867,215
Federal funds purchased and securities sold under agreements to repurchase	<b>2,278,890</b>	2,404,985	2,874,353
Trading liabilities	<b>481,477</b>	286,282	293,387
Other short-term borrowings and commercial paper	<b>487,449</b>	2,555,704	761,758

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Term borrowings (Restricted \$ .8 billion) (a)	<b>2,926,675</b>	2,511,674	2,190,544
Other collateralized borrowings		723,677	700,589
<b>Total long-term debt</b>	<b>2,926,675</b>	3,235,351	2,891,133
Capital markets payables	<b>754,079</b>	965,442	292,975
Other liabilities (Restricted \$ .1 million) (a)	<b>836,607</b>	939,736	785,389
<b>Total liabilities (Restricted \$ .8 billion) (a)</b>	<b>22,966,993</b>	25,364,961	22,766,210
Equity:			
First Horizon National Corporation Shareholders' Equity:			
Preferred stock - no par value (shares authorized - 5,000,000; shares issued - series CPP 866,540 on June 30, 2010, June 30, 2009, and December 31, 2009) (Note 12)	<b>806,856</b>	790,596	798,685
Common stock - \$.625 par value (shares authorized - 400,000,000; shares issued - 228,832,882 on June 30, 2010; 228,037,480 on June 30, 2009; and 228,116,804 on December 31, 2009) (b)	<b>143,021</b>	134,505	138,738
Capital surplus	<b>1,296,484</b>	1,128,286	1,208,649
Capital surplus common stock warrant - CPP (Note 12)	<b>83,860</b>	83,860	83,860
Undivided profits	<b>767,769</b>	1,100,462	891,580
Accumulated other comprehensive loss, net	<b>(105,922)</b>	(138,892)	(114,209)
<b>Total First Horizon National Corporation Shareholders' Equity</b>	<b>2,992,068</b>	3,098,817	3,007,303
Noncontrolling interest (Note 12)	<b>295,165</b>	295,165	295,165
<b>Total equity</b>	<b>3,287,233</b>	3,393,982	3,302,468
<b>Total liabilities and equity</b>	<b>\$ 26,254,226</b>	\$ 28,758,943	\$ 26,068,678

See accompanying notes to consolidated financial statements.

- (a) Restricted balances parenthetically presented are as of June 30, 2010.
- (b) Outstanding shares have been restated to reflect stock dividends distributed through July 1, 2010.

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	<b>First Horizon National Corporation</b>			
	Three Months Ended		Six Months Ended	
	June 30		June 30	
<i>(Dollars in thousands except per share data)(Unaudited)</i>	<b>2010</b>	2009	<b>2010</b>	2009
<b>Interest income:</b>				
Interest and fees on loans	\$ 173,472	\$ 197,688	\$ 346,815	\$ 403,427
Interest on investment securities	29,092	36,460	60,247	76,562
Interest on loans held for sale	5,565	6,577	10,533	14,309
Interest on trading securities	11,450	14,067	21,164	29,722
Interest on other earning assets	786	703	1,102	1,568
<b>Total interest income</b>	<b>220,365</b>	255,495	<b>439,861</b>	525,588
<b>Interest expense:</b>				
Interest on deposits:				
Savings	8,095	8,865	15,513	24,269
Time deposits	9,894	16,268	20,488	34,512
Other interest-bearing deposits	2,654	896	5,172	1,964
Certificates of deposit \$100,000 and more	3,414	7,968	6,788	17,427
Interest on trading liabilities	5,043	5,265	10,458	10,733
Interest on short-term borrowings	1,747	3,535	3,669	7,798
Interest on long-term debt	7,454	13,612	15,314	33,212
<b>Total interest expense</b>	<b>38,301</b>	56,409	<b>77,402</b>	129,915
<b>Net interest income</b>	<b>182,064</b>	199,086	<b>362,459</b>	395,673
Provision for loan losses	70,000	260,000	175,000	560,000
<b>Net interest income/(expense) after provision for loan losses</b>	<b>112,064</b>	(60,914)	<b>187,459</b>	(164,327)
<b>Noninterest income:</b>				
Capital markets	100,876	179,384	215,447	385,084
Mortgage banking	63,301	15,483	98,185	131,232
Deposit transactions and cash management	39,018	41,815	74,785	80,847
Trust services and investment management	7,839	7,651	15,109	14,471
Brokerage management fees and commissions	6,032	6,469	12,371	13,101
Insurance commissions	4,575	6,555	9,758	13,473
Equity securities gains/(losses), net	75	(330)	(1,831)	(332)
All other income and commissions	26,327	27,156	72,482	45,653
<b>Total noninterest income</b>	<b>248,043</b>	284,183	<b>496,306</b>	683,529
<b>Adjusted gross income after provision for loan losses</b>	<b>360,107</b>	223,269	<b>683,765</b>	519,202
<b>Noninterest expense:</b>				



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Employee compensation, incentives, and benefits	<b>164,915</b>	193,392	<b>345,096</b>	435,567
Mortgage banking repurchase and foreclosure provision	<b>55,996</b>	29,099	<b>96,671</b>	41,366
Legal and professional fees	<b>18,109</b>	14,742	<b>32,083</b>	28,611
Occupancy	<b>15,658</b>	15,536	<b>30,475</b>	31,258
Operations services	<b>15,322</b>	16,708	<b>29,930</b>	32,047
Deposit insurance premiums	<b>9,196</b>	21,353	<b>17,689</b>	28,981
Equipment rentals, depreciation, and maintenance	<b>7,705</b>	8,238	<b>13,737</b>	16,866
Computer software	<b>7,376</b>	6,474	<b>14,542</b>	13,357
Contract employment	<b>7,274</b>	8,966	<b>13,448</b>	19,127
Communications and courier	<b>5,893</b>	6,931	<b>12,148</b>	13,851
Foreclosed real estate	<b>5,137</b>	21,798	<b>15,607</b>	31,831
Miscellaneous loan costs	<b>4,546</b>	7,414	<b>8,658</b>	12,553
Amortization of intangible assets	<b>1,382</b>	1,509	<b>2,762</b>	3,145
All other expense	<b>23,340</b>	50,326	<b>51,676</b>	101,729
<b>Total noninterest expense</b>	<b>341,849</b>	402,486	<b>684,522</b>	810,289
<b>Income/(loss) before income taxes</b>	<b>18,258</b>	(179,217)	<b>(757)</b>	(291,087)
Benefit for income taxes	<b>(1,826)</b>	(74,043)	<b>(18,219)</b>	(121,466)
<b>Income/(loss) from continuing operations</b>	<b>20,084</b>	(105,174)	<b>17,462</b>	(169,621)
Income/(loss) from discontinued operations, net of tax	<b>394</b>	(308)	<b>(6,877)</b>	(956)
<b>Net income/(loss)</b>	<b>\$ 20,478</b>	\$(105,482)	<b>\$ 10,585</b>	\$(170,577)
Net income attributable to noncontrolling interest	<b>2,844</b>	2,844	<b>5,688</b>	5,594
<b>Net income/(loss) attributable to controlling interest</b>	<b>\$ 17,634</b>	\$(108,326)	<b>\$ 4,897</b>	\$(176,171)
Preferred stock dividends	<b>14,938</b>	14,856	<b>29,856</b>	29,811
<b>Net income/(loss) available to common shareholders</b>	<b>\$ 2,696</b>	\$(123,182)	<b>\$ (24,959)</b>	\$(205,982)
<b>Earnings/(loss) per share from continuing operations (Note 8)</b>	<b>\$ 0.01</b>	\$ (0.54)	<b>\$ (0.08)</b>	\$ (0.91)
<b>Diluted earnings/(loss) per share from continuing operations (Note 8)</b>	<b>\$ 0.01</b>	\$ (0.54)	<b>\$ (0.08)</b>	\$ (0.91)
<b>Earnings/(loss) per share available to common shareholders (Note 8)</b>	<b>\$ 0.01</b>	\$ (0.54)	<b>\$ (0.11)</b>	\$ (0.91)
<b>Diluted earnings/(loss) per share available to common shareholders (Note 8)</b>	<b>\$ 0.01</b>	\$ (0.54)	<b>\$ (0.11)</b>	\$ (0.91)
<b>Weighted average common shares (Note 8)</b>	<b>226,627</b>	226,476	<b>226,585</b>	226,477
<b>Diluted average common shares (Note 8)</b>	<b>232,830</b>	226,476	<b>226,585</b>	226,477

See accompanying notes to consolidated condensed financial statements.

Certain previously reported amounts have been reclassified to agree with current presentation.

**Table of Contents****CONSOLIDATED CONDENSED STATEMENTS OF EQUITY**

<i>(Dollars in thousands)(Unaudited)</i>	<b>First Horizon National Corporation</b>					
	<b>2010</b>			<b>2009</b>		
	Controlling Interest	Noncontrolling Interest	Total	Controlling Interest	Noncontrolling Interest	Total
Balance, January 1	<b>\$3,007,303</b>	<b>\$295,165</b>	<b>\$3,302,468</b>	\$3,279,467	\$295,165	\$3,574,632
Adjustment to reflect adoption of amendments to ASC 810	<b>(10,562)</b>		<b>(10,562)</b>			
Net income/(loss)	<b>4,897</b>	<b>5,688</b>	<b>10,585</b>	(176,171)	5,594	(170,577)
Other comprehensive income/(loss):						
Unrealized fair value adjustments, net of tax:						
Securities available for sale	<b>3,264</b>		<b>3,264</b>	16,854		16,854
Recognized pension and other employee benefit plans net periodic benefit costs	<b>5,022</b>		<b>5,022</b>	(3,915)		(3,915)
Comprehensive income/(loss)	<b>13,183</b>	<b>5,688</b>	<b>18,871</b>	(163,232)	5,594	(157,638)
Preferred stock (CPP) accretion	<b>8,172</b>		<b>8,172</b>	7,916		7,916
Preferred stock (CPP) dividends	<b>(29,835)</b>		<b>(29,835)</b>	(29,791)		(29,791)
Common stock repurchased	<b>(481)</b>		<b>(481)</b>	(365)		(365)
Common stock issued for stock options and restricted stock	<b>179</b>		<b>179</b>	1,263		1,263
Stock-based compensation expense	<b>4,116</b>		<b>4,116</b>	3,339		3,339
Dividends paid to noncontrolling interest of subsidiary preferred stock		<b>(5,688)</b>	<b>(5,688)</b>		(5,594)	(5,594)
Other changes in equity	<b>(7)</b>		<b>(7)</b>	220		220
<b>Balance, June 30</b>	<b>\$2,992,068</b>	<b>\$295,165</b>	<b>\$3,287,233</b>	\$3,098,817	\$295,165	\$3,393,982

See accompanying notes to consolidated condensed financial statements.

**Table of Contents****CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

	<b>First Horizon National Corporation</b>	
	Six Months Ended June 30	
<i>(Dollars in thousands)(Unaudited)</i>	<b>2010</b>	2009
<b>Operating Activities</b>		
Net income/(loss)	\$ 10,585	\$ (170,577)
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:		
Provision for loan losses	175,000	560,000
(Benefit)/provision for deferred income tax	134,163	(120,293)
Depreciation and amortization of premises and equipment	15,054	16,901
Amortization of intangible assets	2,762	3,145
Net other amortization and accretion	21,232	23,549
(Increase)/decrease in derivatives, net	(21,757)	199,383
Market value adjustment on mortgage servicing rights	57,455	(79,330)
Mortgage banking repurchase and foreclosure provision	96,671	41,366
Fair value adjustment to foreclosed real estate	9,409	17,576
Goodwill impairment	3,348	
Stock-based compensation expense	4,116	3,339
Excess tax provision from stock-based compensation arrangements	17	
Equity securities losses, net	1,831	332
Gains on repurchases of debt	(17,060)	(60)
Net losses on disposal of fixed assets	1,107	5,139
Net (increase)/decrease in:		
Trading securities	(1,116,647)	(225,229)
Loans held for sale	(52,736)	85,370
Capital markets receivables	(494,462)	219,418
Interest receivable	2,583	12,262
Mortgage servicing rights due to sale	24,558	77,591
Other assets	60,343	(216,446)
Net increase/(decrease) in:		
Capital markets payables	461,104	(149,986)
Interest payable	(3,351)	(21,338)
Other liabilities	(80,544)	126,205
Trading liabilities	188,090	(73,220)
Total adjustments	(527,714)	505,674
Net cash provided/(used) by operating activities	(517,129)	335,097
<b>Investing Activities</b>		
Available for sale securities:		
Sales	56,240	19,606
Maturities	554,320	376,361
Purchases	(401,747)	(60,865)
Premises and equipment:		

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Purchases	(9,789)	(13,775)
Net (increase)/decrease in:		
Securitization retained interests classified as trading securities	4,983	53,783
Loans	853,245	1,219,491
Interest-bearing cash	264,152	(464,761)
Net cash provided by investing activities	1,321,404	1,129,840
<b>Financing Activities</b>		
Common stock:		
Exercise of stock options	93	3
Repurchase of shares	(481)	(365)
Excess tax provision from stock-based compensation arrangements	(17)	
Cash dividends paid preferred stock CPP	(21,664)	(21,784)
Cash dividends paid preferred stock noncontrolling interest	(5,688)	(5,494)
Long-term debt:		
Payments/maturities	(104,335)	(1,471,617)
Net cash paid for repurchase of debt	(87,840)	(4,710)
Net increase/(decrease) in:		
Deposits	334,601	735,663
Short-term borrowings	(869,772)	(1,070,079)
Net cash used by financing activities	(755,103)	(1,838,383)
Net increase/(decrease) in cash and cash equivalents	49,172	(373,446)
Cash and cash equivalents at beginning of period	918,595	1,324,780
Cash and cash equivalents at end of period	\$ 967,767	\$ 951,334
<b>Supplemental Disclosures</b>		
Total interest paid	\$ 80,405	\$ 150,878
Total income taxes paid	716	106,734
Transfer from loans to real estate acquired by foreclosure	100,551	77,664

See accompanying notes to consolidated financial statements.

Certain previously reported amounts have been reclassified to agree with current presentation.

**Table of Contents****Notes to Consolidated Condensed Financial Statements****Note 1 Financial Information**

The unaudited interim Consolidated Condensed Financial Statements of First Horizon National Corporation ( FHN ), including its subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States of America and follow general practices within the industries in which it operates. This preparation requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions are based on information available as of the date of the financial statements and could differ from actual results. In the opinion of management, all necessary adjustments have been made for a fair presentation of financial position and results of operations for the periods presented. The operating results for the interim 2010 periods are not necessarily indicative of the results that may be expected going forward. For further information, refer to the audited consolidated financial statements in the 2009 Annual Report to shareholders.

***Principles of Consolidation and Basis of Presentation.*** The consolidated financial statements include the accounts of FHN and other entities in which it has a controlling financial interest. Variable Interest Entities ( VIE ) for which FHN or a subsidiary has been determined to be the primary beneficiary are also consolidated. Following adoption of the provisions of Financial Accounting Standards Board ( FASB ) Accounting Standards Update 2009-17 on January 1, 2010, the assets and liabilities of FHN s consolidated residential mortgage securitization trusts have been parenthetically disclosed on the face of the Consolidated Condensed Statements of Condition as restricted in accordance with the presentation requirements of ASC 810, as amended, due to the assets being pledged to settle the trusts obligations and the trusts security holders having no recourse to FHN.

***Loans Held for Sale and Securitization and Residual Interests.*** Prior to fourth quarter 2008, FHN originated first lien mortgage loans ( the warehouse ) for the purpose of selling them in the secondary market, through sales to agencies for securitization, proprietary securitizations, and to a lesser extent through other loan sales. In addition, FHN evaluated its liquidity position in conjunction with determining its ability and intent to hold loans for the foreseeable future and sold certain of the second lien mortgages and home equity lines of credit ( HELOC ) it produced in the secondary market through securitizations and loan sales through third quarter 2007. For periods ending prior to January 1, 2010, loan securitizations involved the transfer of the loans to qualifying special purposes entities ( QSPE ) that were not subject to consolidation in accordance with ASC 860, Transfers and Servicing . Upon the effective date of the provisions of FASB Accounting Standards Update 2009-16 and FASB Accounting Standards Update 2009-17 on January 1, 2010, the concept of a QSPE was removed from Generally Accepted Accounting Principles ( GAAP ) and the criteria in ASC 810, Consolidation , for determining the primary beneficiary of a VIE were amended, resulting in the re-evaluation of all securitization trusts to which FHN had previously transferred loans for consolidation under ASC 810 s revised consolidation criteria. Following the re-evaluation of the trusts for consolidation upon adoption of the amendments to ASC 810, the majority of the mortgage securitization trusts to which FHN transferred loans remains unconsolidated as FHN is deemed not to be the primary beneficiary based on the interests it retained in the trusts. Under ASC 810, as amended, continual reconsideration of conclusions reached regarding which interest holder is the primary beneficiary of a trust is required. See Note 14 Variable Interest Entities for additional information regarding FHN s consolidated and nonconsolidated mortgage securitization trusts.

***Accounting Changes.*** Effective upon its issuance in February 2010, FHN adopted the provisions of FASB Accounting Standards Update 2010-09, Subsequent Events Amendments to Certain Recognition and Disclosure Requirements ( ASU 2010-09 ). ASU 2010-09 amends ASC 855 to clarify that an entity must disclose the date through which subsequent events have been evaluated in both originally issued and restated financial statements unless the entity has a regulatory requirement to review subsequent events up through the filing or furnishing of financial statements with the Securities and Exchange Commission. Upon adoption of the provisions of ASU 2010-09, FHN revised its disclosures accordingly.

Effective January 1, 2010, FHN adopted the provisions of FASB Accounting Standards Update 2010-06, Improving Disclosures about Fair Value Measurements ( ASU 2010-06 ), with the exception of the requirement to provide the activity of purchases, sales, issuances, and settlements related to recurring Level 3 measurements on a gross basis in the Level 3 reconciliation which is effective for quarters beginning after December 15, 2010. ASU 2010-06 updates

ASC 820 to require disclosure of significant transfers into and out of Level 1 and Level 2 of the fair value hierarchy, as well as disclosure of an entity's policy for determining when transfers between all levels of the hierarchy are recognized. The updated provisions of ASC 820 also require that fair value measurement disclosures be provided by each class of assets and liabilities, and that disclosures providing a description of the valuation techniques and inputs used to measure fair value be included for both recurring and nonrecurring fair value measurements classified as either Level 2 or Level 3. Under ASC 820, as amended, separate disclosure is required in the Level 3 reconciliation of total gains and losses recognized in other comprehensive income. Comparative

**Table of Contents****Note 1 Financial Information (continued)**

disclosures are required only for periods ending subsequent to initial adoption. Upon adoption of the amendments to ASC 820, FHN revised its disclosures accordingly.

Effective January 1, 2010, FHN adopted the provisions of FASB Accounting Standards Update 2009-16, Accounting for Transfers of Financial Assets (ASU 2009-16). ASU 2009-16 updates ASC 860 to provide for the removal of the QSPE concept from GAAP, resulting in the evaluation of all former QSPEs for consolidation in accordance with ASC 810 on and after the effective date of the amendments. The amendments to ASC 860 modify the criteria for achieving sale accounting for transfers of financial assets and define the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. The updated provisions of ASC 860 also provide that a transferor should recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. ASC 860, as amended, requires enhanced disclosures which are generally consistent with, and supersede, the disclosures previously required by the Codification update to ASC 810 and ASC 860 which was effective for periods ending after December 15, 2008. Upon adoption of the amendments to ASC 860, FHN applied the amended disclosure requirements to transfers that occurred both before and after the effective date of the Codification update, with comparative disclosures included only for periods subsequent to initial adoption for those disclosures not previously required. The adoption of the Codification update to ASC 860 had no material effect on FHN's statement of condition or results of operations.

Effective January 1, 2010, FHN adopted the provisions of Accounting Standards Update 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17). ASU 2009-17 amends ASC 810 to revise the criteria for determining the primary beneficiary of a VIE by replacing the quantitative-based risks and rewards test previously required with a qualitative analysis. While ASC 810, as amended, retains the previous guidance in ASC 810 which requires a reassessment of whether an entity is a VIE only when certain triggering events occur, it adds an additional criteria which triggers a reassessment of an entity's status when an event occurs such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct the activities of the entity that most significantly impact the entity's economic performance. Additionally, the amendments to ASC 810 require continual reconsideration of conclusions regarding which interest holder is the VIE's primary beneficiary. Under ASC 810, as amended, separate presentation is required on the face of the balance sheet of the assets of a consolidated VIE that can only be used to settle the VIE's obligations and the liabilities of a consolidated VIE for which creditors or beneficial interest holders have no recourse to the general credit of the primary beneficiary. ASC 810, as amended, also requires enhanced disclosures which are generally consistent with, and supersede, the disclosures previously required by the Codification update to ASC 810 and ASC 860 which was effective for periods ending after December 15, 2008. Comparative disclosures are required only for periods subsequent to initial adoption for those disclosures not required under such previous guidance. Upon adoption of the amendments to ASC 810, FHN re-evaluated all former QSPEs and entities already subject to ASC 810 under the revised consolidation methodology. Based on such re-evaluation, consumer loans with an aggregate unpaid principal balance of \$245.2 million were prospectively consolidated as of January 1, 2010, along with secured borrowings of \$236.3 million, as the retention of mortgage servicing rights (MSR) and other retained interests, including residual interests and subordinated bonds, results in FHN being considered the related trusts' primary beneficiary under the qualitative analysis required by ASC 810, as amended. MSR and trading assets held in relation to the newly consolidated trusts were removed from the mortgage servicing rights and trading securities sections of the Consolidated Condensed Statements of Condition, respectively, upon adoption of the amendments to ASC 810. As the assets of FHN's consolidated residential mortgage securitization trusts are pledged to settle the obligations due to the holders of the trusts' securities and since the security holders have no recourse to FHN, the asset and liability balances have been parenthetically disclosed on the face of the Consolidated Condensed Statements of Condition as restricted in accordance with the presentation requirements of ASC 810, as amended. Since FHN determined that calculation of carrying values was not practicable, the unpaid principal balance measurement methodology was used upon adoption, with the allowance for loan losses (ALLL) related to the newly consolidated loans determined using FHN's standard practices. FHN recognized a reduction to the opening balance of undivided



profits of approximately \$10.6 million for the cumulative effect of adopting the amendments to ASC 810, including the effect of the recognition of an adjustment to the ALLL of approximately \$24.6 million (\$15.6 million net of tax) in relation to the newly consolidated loans. Further, upon adoption of the amendments to ASC 810, the deconsolidation of certain small issuer trust preferred trusts for which FTBNA holds the majority of the mandatorily redeemable preferred capital securities (trust preferreds) issued but is not considered the primary beneficiary under the qualitative analysis required by ASC 810, as amended, resulted in reduction of loans net of unearned income and term borrowings on the Consolidated Condensed Statements of Condition by \$30.5 million.

**Table of Contents****Note 1 Financial Information (continued)**

Effective January 1, 2010, FHN adopted the provisions of FASB Accounting Standards Update 2010-10,

Amendments for Certain Investment Funds ( ASU 2010-10 ). ASU 2010-10 delays the application of ASU 2009-17 for a reporting entity's interest in an entity that has the attributes of an investment company or for which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies. For entities that do not qualify for the deferral, ASU 2010-10 clarifies that related parties should be considered when evaluating whether each of the criteria related to permitted levels of decision maker or service provider fees in ASC 810 are met. Additionally, ASU 2010-10 amends ASC 810 to provide that when evaluating whether a fee is a variable interest in situations in which a decision maker or service provider holds another interest in the related VIE, a quantitative calculation may be used but should not be the sole basis for evaluating whether the other variable interest is more than insignificant. The adoption of the Codification update to ASC 810 had no effect on FHN's statement of condition or results of operations.

**Accounting Changes Issued but Not Currently Effective.** In July 2010, the FASB issued Accounting Standards Update 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ( ASU 2010-20 ). ASU 2010-20 provides enhanced disclosures related to the credit quality of financing receivables and the allowance for credit losses, and provides that new and existing disclosures should be disaggregated based on how an entity develops its allowance for credit losses and how it manages credit exposures. Under the provisions of ASU 2010-20, additional disclosures required for financing receivables include information regarding the aging of past due receivables, credit quality indicators, and modifications of financing receivables. The provisions of ASU 2010-20 are effective for periods ending after December 15, 2010, with the exception of the amendments to the rollforward of the allowance for credit losses and the disclosures about modifications which are effective for periods beginning after December 15, 2010. Comparative disclosures are required only for periods ending subsequent to initial adoption. FHN is currently assessing the effects of adopting the provisions of ASU 2010-20.

In March 2010, the FASB issued Accounting Standards Update 2010-11, Scope Exception Related to Embedded Credit Derivatives ( ASU 2010-11 ). ASU 2010-11 amends ASC 815 to provide clarifying language regarding when embedded credit derivative features are not considered embedded derivatives subject to potential bifurcation and separate accounting. The provisions of ASU 2010-11 are effective for periods beginning after June 15, 2010 and require re-evaluation of certain preexisting contracts to determine whether the accounting for such contracts is consistent with the amended guidance in ASU 2010-11. If the fair value option is elected for an instrument upon adoption of the amendments to ASC 815, re-evaluation of such preexisting contracts is not required. The effect of adopting the provisions of ASU 2010-11 will not be material to FHN.

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**Note 2 Acquisitions/Divestitures**

In first quarter 2010, FHN exited its institutional research business, FTN Equity Capital Markets, and incurred a pre-tax goodwill impairment of \$3.3 million (approximately \$2 million after taxes). FHN exited this business through an immediate cessation of operations on February 1, 2010. Additional charges, primarily representing severance and contract terminations, of \$6.1 million were included within the Income/(loss) from discontinued operations, net of tax line on the Consolidated Condensed Statements of Income in first quarter 2010 related to the effects of closing FTN ECM. These charges are included with the amounts described in Note 17 Restructuring, Repositioning, and Efficiency. FHN had initially reached an agreement for the sale of this business which resulted in a pre-tax goodwill impairment of \$14.3 million (approximately \$9 million after taxes) in 2009; however, the contracted sale failed to close and was terminated in early 2010. The financial results of this business, including the goodwill impairments, are reflected in the Income/(loss) from discontinued operations, net of tax line on the Consolidated Condensed Statements of Income for all periods presented.

In 2009, FHN executed the sale and closure of its Atlanta insurance business and Louisville First Express Remittance Processing location ( FERP ). FHN recognized a loss of \$7.5 million on the sale of the Atlanta insurance business and a \$1.7 million loss on the FERP divestiture. These losses are reflected on the Consolidated Condensed Statements of Income as a loss on divestiture within noninterest income. The losses on divestitures primarily reflect goodwill write-offs associated with the sale. FHN continues to have an insurance business within its Tennessee banking footprint and continues to operate other remittance processing locations.

In addition to the divestitures mentioned above, FHN acquires or divests assets from time to time in transactions that are considered business combinations or divestitures but are not material to FHN individually or in the aggregate.

**Table of Contents****Note 3 Investment Securities**

The following tables summarize FHN's available for sale securities on June 30, 2010 and 2009:

<i>(Dollars in thousands)</i>	Amortized Cost	On June 30, 2010		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
<b>Securities available for sale:</b>				
U.S. Treasuries	\$ 68,315	\$ 253	\$	\$ 68,568
Government agency issued MBS (a)	852,915	62,686		915,601
Government agency issued CMO (a)	1,054,579	41,927		1,096,506
Other U.S. government agencies (a)	101,355	6,268		107,623
States and municipalities	41,875			41,875
Equity (b)	258,667	437	(4)	259,100
Other	511	35		546
Total securities available for sale (c)	<b>\$2,378,217</b>	<b>\$111,606</b>	<b>\$ (4)</b>	<b>\$2,489,819</b>

- (a) Includes securities issued by government sponsored entities.
- (b) Includes restricted investments in FHLB-Cincinnati stock of \$125.5 million and FRB stock of \$66.2 million. The remainder is money market, venture capital, and cost method investments. Additionally, \$31.2 million is restricted pursuant to reinsurance contract agreements.
- (c) Includes \$2.1 billion of securities pledged to secure public

deposits,  
securities sold  
under agreements  
to repurchase and  
for other  
purposes. As of  
June 30, 2010,  
FHN had pledged  
\$1.3 billion of the  
\$2.1 billion  
pledged available  
for sale securities  
as collateral for  
securities sold  
under repurchase  
agreements.

<i>(Dollars in thousands)</i>	Amortized Cost	On June 30, 2009		Fair Value
		Gross Unrealized Gains	Gross Unrealized Losses	
<b>Securities available for sale:</b>				
U.S. Treasuries	\$ 47,945	\$ 466	\$ (5)	\$ 48,406
Government agency issued MBS (a)	1,068,909	48,638		1,117,547
Government agency issued CMO (a)	1,125,714	43,717		1,169,431
Other U.S. government agencies (a)	121,416	3,802		125,218
States and municipalities	46,200	45		46,245
Equity (b)	311,852	303	(111)	312,044
Other	2,212	11	(35)	2,188
<b>Total securities available for sale (c)</b>	<b>\$2,724,248</b>	<b>\$96,982</b>	<b>\$(151)</b>	<b>\$2,821,079</b>

(a) Includes  
securities issued  
by government  
sponsored  
entities.

(b) Includes restricted  
investments in  
FHLB-Cincinnati  
stock of  
\$125.5 million  
and FRB stock of  
\$66.2 million.  
The remainder is  
money market,  
venture capital,  
and cost method  
investments.

Additionally,  
\$59.2 million is  
restricted  
pursuant to  
reinsurance  
contract  
agreements.

- (c) Includes  
\$2.4 billion of  
securities pledged  
to secure public  
deposits,  
securities sold  
under agreements  
to repurchase and  
for other  
purposes. As of  
June 30, 2009,  
FHN had pledged  
\$1.4 billion of the  
\$2.4 billion  
pledged available  
for sale securities  
as collateral for  
securities sold  
under repurchase  
agreements.

National banks chartered by the federal government are, by law, members of the Federal Reserve System. Each member bank is required to own stock in its regional Federal Reserve Bank (FRB). Given this requirement, Federal Reserve stock may not be sold, traded, or pledged as collateral for loans. Membership in the Federal Home Loan Bank (FHLB) network requires ownership of capital stock. Member banks are entitled to borrow funds from the FHLB and are required to pledge mortgage loans as collateral. Investments in the FHLB are non-transferable and, generally, membership is maintained primarily to provide a source of liquidity as needed.

**Table of Contents****Note 3 Investment Securities (continued)**

Provided below are the amortized cost and fair value by contractual maturity for the available for sale securities portfolio on June 30, 2010:

<i>(Dollars in thousands)</i>	Available for Sale	
	Amortized Cost	Fair Value
Within 1 year	\$ 43,153	\$ 43,201
After 1 year; within 5 years	42,050	43,495
After 5 years; within 10 years	87,407	92,435
After 10 years	38,935	38,935
Subtotal	211,545	218,066
Government agency issued MBS and CMO	1,907,494	2,012,107
Equity and other securities	259,178	259,646
Total	<b>\$2,378,217</b>	<b>\$2,489,819</b>

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

For the three months ended June 30, 2010 and 2009, recognized gains and losses from the sale of available for sale securities were immaterial.

The following tables provide information on investments within the available for sale portfolio that have unrealized losses on June 30, 2010 and 2009:

<i>(Dollars in thousands)</i>	On June 30, 2010					
	Less than 12 months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity	\$40	\$ (4)	\$	\$	\$40	\$ (4)
Total temporarily impaired securities	<b>\$40</b>	<b>\$ (4)</b>	<b>\$</b>	<b>\$</b>	<b>\$40</b>	<b>\$ (4)</b>

<i>(Dollars in thousands)</i>	On June 30, 2009					
	Less than 12 months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasuries	\$7,989	\$ (5)	\$	\$	\$7,989	\$ (5)
Other			284	(35)	284	(35)
Total debt securities	7,989	(5)	284	(35)	8,273	(40)
Equity			120	(111)	120	(111)

Total temporarily impaired securities	\$7,989	\$ (5)	\$404	\$(146)	\$8,393	\$(151)
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FHN has reviewed investment securities that are in unrealized loss positions in accordance with its accounting policy for other-than-temporary impairment and does not consider them other-than-temporarily impaired. FHN does not intend to sell the debt securities and it is more-likely-than-not that FHN will not be required to sell the securities prior to recovery. Additionally, the decline in value is primarily attributable to interest rates and not credit losses. For the three and six months ended June 30, 2010 and 2009, there were no realized gains or losses related to debt securities within the available for sale securities portfolio. For equity securities, FHN has both the ability and intent to hold these securities for the time necessary to recover the amortized cost. There were no other-than-temporary impairments for the three months ended June 30, 2010. Other-than-temporary impairments of equity securities of \$.5 million were recognized for the three months ended June 30, 2009. For the six months ended June 30, 2010 and 2009, other-than-temporary impairments were recognized of \$.2 million and \$.5 million, respectively.



**Table of Contents****Note 4 Loans**

The composition of the loan portfolio is detailed below:

<i>(Dollars in thousands)</i>	June 30 2010	2009	December 31 2009
Commercial:			
Commercial, financial and industrial	<b>\$ 7,014,080</b>	\$ 7,400,396	\$ 7,159,370
Real estate commercial	<b>1,400,233</b>	1,506,911	1,479,888
Real estate construction	<b>596,255</b>	1,337,330	924,475
Retail:			
Real estate residential	<b>6,954,423</b>	7,785,906	7,362,458
Real estate construction	<b>53,460</b>	557,822	229,487
Other retail	<b>112,616</b>	129,848	121,526
Credit card receivables	<b>189,153</b>	186,376	192,036
Restricted real estate loans	<b>833,830</b>	681,238	654,644
Loans, net of unearned income	<b>17,154,050</b>	19,585,827	18,123,884
Less: Allowance for loan losses (Restricted (a) \$50.1 million)	<b>781,269</b>	961,482	896,914
Total net loans	<b>\$ 16,372,781</b>	\$ 18,624,345	\$ 17,226,970

(a) Restricted balances parenthetically presented are as of June 30, 2010.

FHN has a concentration of loans secured by residential real estate (49 percent of total loans), the majority of which is in the retail real estate residential portfolio (40 percent of total loans). This portfolio is primarily comprised of home equity lines and loans. Restricted real estate loans, which is primarily HELOC but also includes some first and second mortgages, is 5 percent of total loans. The remaining residential real estate loans are primarily in the construction portfolios (4 percent of total loans) with national exposures being significantly reduced since 2008. Additionally, on June 30, 2010, FHN had bank-related and trust preferred loans (including loans to bank and insurance-related businesses) totaling \$.7 billion (4 percent of total loans) that are included within the Commercial, Financial, and Industrial portfolio. Due to higher credit losses experienced throughout the financial services industry and the limited availability of market liquidity, these loans have experienced stress during the economic downturn. On June 30, 2010, FHN did not have any concentrations of Commercial, Financial, and Industrial loans in any single industry of 10 percent or more of total loans.

On June 30, 2010 and 2009, FHN had \$142.4 million and \$45.4 million, respectively, of portfolio loans that have been restructured in accordance with regulatory guidelines. Additionally, FHN had restructured \$34.7 million of loans held for sale as of June 30, 2010. There were no held-for-sale loans that were restructured during 2009. For restructured loans in the portfolio, FHN had loan loss reserves of \$26.4 million or 19 percent as of June 30, 2010. A majority of these modified loans are within the consumer portfolio. On June 30, 2010 and 2009, there were no significant outstanding commitments to advance additional funds to customers whose loans had been restructured.

Nonperforming loans consist of loans which management has identified as individually impaired, other nonaccrual loans, and loans which have been restructured. Generally, classified nonaccrual commercial loans over \$1 million are

deemed to be individually impaired. The following table presents information concerning nonperforming loans:

<i>(Dollars in thousands)</i>	June 30		December 31
	<b>2010</b>	2009	2009
Impaired loans	<b>\$ 466,783</b>	\$ 547,697	\$ 509,073
Other nonaccrual loans (a)	<b>323,746</b>	579,261	428,611
Total nonperforming loans (b)	<b>\$ 790,529</b>	\$ 1,126,958	\$ 937,684

(a) On June 30, 2010 and 2009, and on December 31, 2009, other nonaccrual loans included \$51.0 million, \$22.7 million, and \$38.3 million, respectively, of loans held for sale.

(b) On June 30, 2010, total nonperforming loans included \$53.4 million of loans that have been restructured.

**Table of Contents****Note 4 Loans (continued)**

Generally, interest payments received on impaired and nonaccrual loans are applied to principal. Once all principal has been received, additional payments are recognized as interest income on a cash basis. The following table presents information concerning impaired loans:

<i>(Dollars in thousands)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Total interest recognized on impaired loans	\$ 309	\$ 421	\$ 185	\$ 664
Average balance of impaired loans	511,795	536,990	510,887	516,023

Activity in the allowance for loan losses related to non-impaired and impaired loans for the six months ended June 30, 2010 and 2009 is summarized as follows:

<i>(Dollars in thousands)</i>	Non-impaired	Impaired	Total
Balance on December 31, 2008	\$ 836,907	\$ 12,303	\$ 849,210
Provision for loan losses	402,092	157,908	560,000
Charge-offs	(303,446)	(164,045)	(467,491)
Recoveries	17,345	2,418	19,763
Net charge-offs	(286,101)	(161,627)	(447,728)
Balance on June 30, 2009	\$ 952,898	\$ 8,584	\$ 961,482
Balance on December 31, 2009	\$ 876,121	\$ 20,793	\$ 896,914
Adjustment for adoption of amendments to ASC 810	24,578		24,578
Provision for loan losses	5,023	169,977	175,000
Charge-offs	(229,284)	(110,659)	(339,943)
Recoveries	24,582	138	24,720
Net charge-offs	(204,702)	(110,521)	(315,223)
<b>Balance on June 30, 2010</b>	<b>\$ 701,020</b>	<b>\$ 80,249</b>	<b>\$ 781,269</b>

**Table of Contents****Note 5 Mortgage Servicing Rights**

FHN recognizes all classes of mortgage servicing rights ( MSR ) at fair value. Classes of MSR are determined in accordance with FHN's risk management practices and market inputs used in determining the fair value of the servicing asset. See Note 16 Fair Value, the Determination of Fair Value section for a discussion of FHN's MSR valuation methodology. The balance of MSR included on the Consolidated Condensed Statements of Condition represents the rights to service approximately \$33.2 billion of mortgage loans on June 30, 2010, for which a servicing right has been capitalized.

In first quarter 2010, FHN adopted the amendments to ASC 810 which resulted in the consolidation of loans FHN previously sold through proprietary securitizations but retained MSR and significant subordinated interests subsequent to the transfer. In conjunction with the consolidation of these loans, FHN derecognized the associated servicing assets which are reflected in the rollforward below. Following is a summary of changes in capitalized MSR for the six months ended June 30, 2010 and 2009:

<i>(Dollars in thousands)</i>	First Liens	Second Liens	HELOC
Fair value on January 1, 2009	\$ 354,394	\$ 13,558	\$ 8,892
Addition of mortgage servicing rights	189		11
Reductions due to loan payments	(35,993)	(3,660)	(1,195)
Reductions due to sale	(77,591)		
Changes in fair value due to:			
Changes in valuation model inputs or assumptions	79,330	1	
Other changes in fair value	(1,392)	108	444
<b>Fair value on June 30, 2009</b>	<b>\$ 318,937</b>	<b>\$ 10,007</b>	<b>\$ 8,152</b>
Fair value on January 1, 2010	\$ 296,115	\$ 1,174	\$ 5,322
Adjustment due to adoption of amendments to ASC 810	(197)	(928)	(1,168)
Reductions due to loan payments	(16,031)	(7)	(521)
Reductions due to sale	(24,558)		
Changes in fair value due to:			
Changes in valuation model inputs or assumptions	(58,366)	(6)	(90)
Other changes in fair value	990	9	8
<b>Fair value on June 30, 2010</b>	<b>\$ 197,953</b>	<b>\$ 242</b>	<b>\$ 3,551</b>

Servicing, late, and other ancillary fees recognized within mortgage banking income were \$26.0 million and \$27.8 million for the three months ended June 30, 2010 and 2009, respectively, and \$53.7 million and \$62.9 million for the six months ended June 30, 2010 and 2009, respectively. Servicing, late, and other ancillary fees recognized within other income and commissions were \$1.1 million and \$3.6 million for the three months ended June 30, 2010 and 2009, respectively, and \$2.2 million and \$7.4 million for the six months ended June 30, 2010 and 2009, respectively.

FHN services a portfolio of mortgage loans related to transfers performed by other parties utilizing securitization trusts. The servicing assets represent FHN's sole interest in these transactions. The total MSR recognized by FHN related to these transactions was \$5.1 million and \$7.4 million at June 30, 2010 and 2009, respectively. The aggregate principal balance serviced by FHN for these transactions was \$.7 billion and \$1.0 billion at June 30, 2010 and 2009, respectively. FHN has no obligation to provide financial support and has not provided any form of support to the related trusts. The MSR recognized by FHN has been included in the first lien mortgage loans column within the rollforward of MSR.

As of June 30, 2010, FHN had transferred \$25.9 million of MSR to third parties in transactions that did not qualify for sales treatment due to certain recourse provisions that were included within the sale agreements. These MSR are included within the first liens mortgage loans column within the rollforward of MSR. The proceeds from these transfers have been recognized within other short term borrowings and commercial paper in the Consolidated Condensed Statements of Condition as of June 30, 2010 and 2009.

**Table of Contents****Note 6 Intangible Assets**

The following is a summary of intangible assets, net of accumulated amortization, included in the Consolidated Condensed Statements of Condition:

<i>(Dollars in thousands)</i>	Goodwill	Other Intangible Assets (a)
December 31, 2008	\$ 192,408	\$45,082
Amortization expense		(3,145)
June 30, 2009	\$ 192,408	\$41,937
December 31, 2009	\$ 165,528	\$38,256
Amortization expense		(2,762)
Impairment (b) (c)	(3,348)	
Additions		151
<b>June 30, 2010</b>	<b>\$ 162,180</b>	<b>\$35,645</b>

(a) Represents customer lists, acquired contracts, premium on purchased deposits, and covenants not to compete.

(b) See Note 17 Restructuring, Repositioning, and Efficiency for further details related to goodwill impairments.

(c) See Note 2 Acquisitions/Divestitures for further details regarding goodwill included within divestitures.

The gross carrying amount of other intangible assets subject to amortization is \$125.8 million on June 30, 2010, net of \$90.1 million of accumulated amortization. Estimated aggregate amortization expense is expected to be \$2.8 million for the remainder of 2010, and \$5.3 million, \$4.3 million, \$3.9 million, \$3.6 million, and \$3.4 million for the twelve-month periods of 2011, 2012, 2013, 2014, and 2015, respectively.

The following is a summary of gross goodwill and accumulated impairment losses and write-offs detailed by reportable segments included in the Consolidated Condensed Statements of Condition through December 31, 2009. Gross goodwill and accumulated impairments and divestiture-related write-offs were determined beginning on January 1, 2002, when a change in accounting requirements resulted in goodwill being assessed for impairment rather than being amortized.

<i>(Dollars in thousands)</i>	Non-Strategic	Regional Banking	Capital Markets	Total
Gross goodwill	\$ 168,032	\$ 64,759	\$ 97,421	\$ 330,212
Accumulated impairments	(98,380)			(98,380)
Accumulated divestiture related write-offs	(66,304)			(66,304)
<b>December 31, 2009</b>	<b>\$ 3,348</b>	<b>\$ 64,759</b>	<b>\$ 97,421</b>	<b>\$ 165,528</b>

Certain previously reported amounts have been reclassified to agree with current presentation.

There is no goodwill associated with the Corporate segment.

The following is a summary of goodwill detailed by reportable segments for the six months ended June 30:

<i>(Dollars in thousands)</i>	Non-Strategic	Regional Banking	Capital Markets	Total
December 31, 2008	\$ 30,228	\$ 64,759	\$ 97,421	\$ 192,408
<b>June 30, 2009</b>	<b>\$ 30,228</b>	<b>\$ 64,759</b>	<b>\$ 97,421</b>	<b>\$ 192,408</b>
December 31, 2009 Impairment	\$ 3,348 (3,348)	\$ 64,759	\$ 97,421	\$ 165,528 (3,348)
<b>June 30, 2010</b>	<b>\$</b>	<b>\$ 64,759</b>	<b>\$ 97,421</b>	<b>\$ 162,180</b>

Certain previously reported amounts have been reclassified to agree with current presentation.

There is no goodwill associated with the Corporate segment.

**Table of Contents****Note 6 Intangible Assets (continued)**

The following is a summary of gross goodwill and accumulated impairment losses and write-offs detailed by reportable segments included in the Consolidated Condensed Statements of Condition through June 30, 2010. Gross goodwill and accumulated impairments and divestiture-related write-offs were determined beginning on January 1, 2002, when a change in accounting requirements resulted in goodwill being assessed for impairment rather being amortized.

<i>(Dollars in thousands)</i>	Non-Strategic	Regional Banking	Capital Markets	Total
Gross goodwill	\$ 168,032	\$64,759	\$97,421	\$ 330,212
Accumulated impairments	(101,728)			(101,728)
Accumulated divestiture related write-offs	(66,304)			(66,304)
<b>June 30, 2010</b>	<b>\$</b>	<b>\$64,759</b>	<b>\$97,421</b>	<b>\$ 162,180</b>

Certain previously reported amounts have been reclassified to agree with current presentation.  
There is no goodwill associated with the Corporate segment.



**Table of Contents****Note 7 Regulatory Capital**

FHN is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on FHN's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, specific capital guidelines that involve quantitative measures of assets, liabilities, and certain derivatives as calculated under regulatory accounting practices must be met. Capital amounts and classification are also subject to qualitative judgment by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require FHN to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets (leverage). Management believes, as of June 30, 2010, that FHN met all capital adequacy requirements to which it was subject.

The actual capital amounts and ratios of FHN and FTBNA are presented in the table below. In addition, FTBNA must also calculate its capital ratios after excluding financial subsidiaries as defined by the Gramm-Leach-Bliley Act of 1999. Based on this calculation, FTBNA's Total Capital, Tier 1 Capital, and Leverage ratios were 19.26 percent, 15.73 percent, and 13.01 percent, respectively, on June 30, 2010, and were 18.62 percent, 14.34 percent, and 11.64 percent, respectively, on June 30, 2009.

<i>(Dollars in thousands)</i>	First Horizon National Corporation		First Tennessee Bank National Association	
	Amount	Ratio	Amount	Ratio
<b>On June 30, 2010:</b>				
Actual:				
Total Capital	\$ 4,447,600	21.34%	\$ 4,288,175	20.78%
Tier 1 Capital	3,499,759	16.80	3,383,022	16.39
Leverage	3,499,759	13.74	3,383,022	13.39

For Capital Adequacy Purposes: