FIRST HORIZON NATIONAL CORP
Form 10-Q
August 08, 2017
Table of Contents

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, 2017

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)

TN	**62-0803242**
(State or other jurisdiction incorporation of organization)	**(IRS Employer Identification No.)**
165 MADISON AVENUE MEMPHIS, TENNESSEE	**38103**
(Address of principal executive office)	**(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, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer
Smaller reporting company	Emerging Growth Company	(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding on June 30, 2017
Common Stock, $.625 par value	234,135,417

Table of Contents

Table of Contents

FIRST HORIZON NATIONAL CORPORATION

INDEX

Table of Contents

PART I.

FINANCIAL INFORMATION

Item 1. Financial Statements

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

Table of Contents

CONSOLIDATED CONDENSED STATEMENTS OF CONDITION

	First Horizon National Corporation	
	(Unaudited)	
	June 30	December 31
(Dollars in thousands, except per share amounts)	**2017**	2016
Assets:		
Cash and due from banks	**$ 387,053**	$ 373,274
Federal funds sold	**34,036**	50,838
Securities purchased under agreements to resell (Note 15)	**657,991**	613,682
Total cash and cash equivalents	**1,079,080**	1,037,794
Interest-bearing cash	**573,666**	1,060,034
Trading securities	**1,315,891**	897,071
Loans held-for-sale (a)	**432,771**	111,248
Securities available-for-sale (Note 3)	**3,949,592**	3,943,499
Securities held-to-maturity (Note 3)	**10,000**	14,347
Loans, net of unearned income (Note 4) (b)	**19,989,319**	19,589,520
Less: Allowance for loan losses (Note 5)	**197,257**	202,068
Total net loans	**19,792,062**	19,387,452
Goodwill (Note 6)	**236,335**	191,371
Other intangible assets, net (Note 6)	**45,121**	21,017
Fixed income receivables	**127,724**	57,411
Premises and equipment, net (June 30, 2017 and December 31, 2016 include $5.0 million and $5.8 million, respectively, classified as held-for-sale)	**292,463**	289,385
Real estate acquired by foreclosure (c)	**11,901**	16,237
Derivative assets (Note 14)	**91,653**	121,654
Other assets	**1,411,697**	1,406,711
Total assets	**$ 29,369,956**	$ 28,555,231
Liabilities and equity:		
Deposits:		
Savings	**$ 8,607,801**	$ 9,428,197
Time deposits	**1,373,618**	1,355,133
Other interest-bearing deposits	**6,049,345**	5,948,439
Interest-bearing	**16,030,764**	16,731,769
Noninterest-bearing	**6,302,585**	5,940,594
Total deposits	**22,333,349**	22,672,363
Federal funds purchased	**314,892**	414,207

Securities sold under agreements to repurchase (Note 15)	**743,684**	453,053
Trading liabilities	**555,793**	561,848
Other short-term borrowings	**1,044,658**	83,177
Term borrowings	**1,033,329**	1,040,656
Fixed income payables	**28,571**	21,002
Derivative liabilities (Note 14)	**92,717**	135,897
Other liabilities	**396,075**	467,944
Total liabilities	**26,543,068**	25,850,147
Equity:		
First Horizon National Corporation Shareholders Equity:		
Preferred stock Series A, non-cumulative perpetual, no par value, liquidation preference of $100,000 per share (shares authorized 1,000; shares issued 1,000 on June 30, 2017 and December 31, 2016)	**95,624**	95,624
Common stock $.625 par value (shares authorized 400,000,000; shares issued 234,135,417 on June 30, 2017 and 233,623,686 on December 31, 2016)	**146,336**	146,015
Capital surplus	**1,395,797**	1,386,636
Undivided profits	**1,131,162**	1,029,032
Accumulated other comprehensive loss, net (Note 8)	**(237,462)**	(247,654)
Total First Horizon National Corporation Shareholders Equity	**2,531,457**	2,409,653
Noncontrolling interest	**295,431**	295,431
Total equity	**2,826,888**	2,705,084
Total liabilities and equity	**$ 29,369,956**	$ 28,555,231

See accompanying notes to consolidated condensed financial statements.

(a) June 30, 2017 and December 31, 2016 include $15.1 million and $19.3 million, respectively, of held-for-sale consumer mortgage loans secured by residential real estate in process of foreclosure.
(b) June 30, 2017 and December 31, 2016 include $28.8 million and $28.5 million, respectively, of held-to-maturity consumer mortgage loans secured by residential real estate properties in process of foreclosure.
(c) June 30, 2017 and December 31, 2016 include $6.6 million and $8.1 million, respectively, of foreclosed residential real estate.

Table of Contents

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

	First Horizon National Corporation			
	Three Months Ended June 30		Six Months Ende	
ars and shares in thousands except per share data, unless otherwise noted) (Unaudited)	**2017**	2016	**2017**	201
est income:				
est and fees on loans	**$ 192,580**	$ 163,054	**$ 373,044**	$ 321,
est on investment securities available-for-sale	**25,657**	23,953	**51,292**	48,
est on investment securities held-to-maturity	**132**	198	**329**	
est on loans held-for-sale	**3,510**	1,198	**4,793**	2,
est on trading securities	**9,418**	8,020	**15,771**	15,
est on other earning assets	**4,044**	953	**8,923**	2,
interest income	**235,341**	197,376	**454,152**	391,
est expense:				
est on deposits:				
gs	**11,194**	4,146	**20,404**	8,
deposits	**2,918**	2,474	**5,751**	4,
interest-bearing deposits	**5,074**	2,526	**9,217**	4,
est on trading liabilities	**4,203**	3,782	**7,984**	7,
est on short-term borrowings	**2,903**	1,203	**4,295**	2,
est on term borrowings	**8,348**	6,981	**16,092**	14,
interest expense	**34,640**	21,112	**63,743**	42,
nterest income	**200,701**	176,264	**390,409**	348,
sion/(provision credit) for loan losses	**(2,000)**	4,000	**(3,000)**	7,
nterest income after provision/(provision credit) for loan losses	**202,701**	172,264	**393,409**	341,
nterest income:				
income	**55,110**	77,913	**105,788**	144,
sit transactions and cash management	**27,858**	26,991	**52,423**	53,
erage, management fees and commissions	**12,029**	10,665	**23,935**	21,
services and investment management	**7,698**	7,224	**14,351**	13,
card income	**5,605**	6,558	**11,060**	11,
-owned life insurance	**4,351**	3,743	**7,598**	7,
securities gains/(losses), net (Note 3 and Note 8)	**405**		**449**	1,
y securities gains/(losses), net (Note 3)		99		
her income and commissions (Note 7)	**14,617**	12,321	**29,008**	25,
noninterest income	**127,673**	145,514	**244,612**	279,
sted gross income after provision/(provision credit) for loan losses	**330,374**	317,778	**638,021**	621,

nterest expense:				
oyee compensation, incentives, and benefits	**139,088**	143,370	**274,020**	280,
pancy	**12,800**	12,736	**25,140**	25,
puter software	**12,285**	11,226	**23,084**	22,
ations services	**11,524**	10,521	**22,399**	20,
ssional fees	**9,659**	4,284	**14,405**	9,
oment rentals, depreciation, and maintenance	**7,036**	7,182	**13,387**	13,
premium expense	**5,927**	4,848	**11,666**	9,
munications and courier	**4,117**	3,039	**7,917**	6,
rtising and public relations	**4,095**	4,481	**8,696**	9,
fees	**3,496**	5,891	**8,779**	10,
ract employment and outsourcing	**3,255**	2,497	**6,213**	4,
rtization of intangible assets	**1,964**	1,299	**3,196**	2,
rchase and foreclosure provision/(provision credit)	**(21,733)**	(31,400)	**(21,971)**	(31,
her expense (Note 7)	**24,404**	46,848	**43,191**	68,
noninterest expense	**217,917**	226,822	**440,122**	453,
me/(loss) before income taxes	**112,457**	90,956	**197,899**	167,
sion/(benefit) for income taxes	**17,253**	30,016	**44,307**	54,
ncome/(loss)	**$ 95,204**	$ 60,940	**$ 153,592**	$ 113,
ncome attributable to noncontrolling interest	**2,852**	2,852	**5,672**	5,
ncome/(loss) attributable to controlling interest	**$ 92,352**	$ 58,088	**$ 147,920**	$ 107,
rred stock dividends	**1,550**	1,550	**3,100**	3,
ncome/(loss) available to common shareholders	**$ 90,802**	$ 56,538	**$ 144,820**	$ 104,
earnings/(loss) per share (Note 9)	**$ 0.39**	$ 0.24	**$ 0.62**	$ (
ed earnings/(loss) per share (Note 9)	**$ 0.38**	$ 0.24	**$ 0.61**	$ (
hted average common shares (Note 9)	**233,482**	231,573	**233,280**	233,
ed average common shares (Note 9)	**236,263**	233,576	**236,225**	235,
dividends declared per common share	**$ 0.09**	$ 0.07	**$ 0.18**	$ (

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

See accompanying notes to consolidated condensed financial statements.

Table of Contents

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	First Horizon National Corporation			
	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands) (Unaudited)	**2017**	2016	**2017**	2016
Net income/(loss)	**$ 95,204**	$ 60,940	**$ 153,592**	$ 113,153
Other comprehensive income/(loss), net of tax:				
Net unrealized gains/(losses) on securities available-for-sale	**8,938**	16,037	**7,375**	55,197
Net unrealized gains/(losses) on cash flow hedges	**2,155**	1,226	**241**	4,691
Net unrealized gains/(losses) on pension and other postretirement plans	**1,403**	844	**2,576**	1,970
Other comprehensive income/(loss)	**12,496**	18,107	**10,192**	61,858
Comprehensive income	**107,700**	79,047	**163,784**	175,011
Comprehensive income attributable to noncontrolling interest	**2,852**	2,852	**5,672**	5,703
Comprehensive income attributable to controlling interest	**$ 104,848**	$ 76,195	**$ 158,112**	$ 169,308
Income tax expense/(benefit) of items included in Other comprehensive income:				
Net unrealized gains/(losses) on securities available-for-sale	**$ 5,543**	$ 9,967	**$ 4,573**	$ 34,304
Net unrealized gains/(losses) on cash flow hedges	**1,336**	762	**149**	2,915
Net unrealized gains/(losses) on pension and other postretirement plans	**870**	525	**1,597**	1,225

See accompanying notes to consolidated condensed financial statements.

4

Table of Contents

CONSOLIDATED CONDENSED STATEMENTS OF EQUITY

	First Horizon National Corporation					
	2017			2016		
ollars in thousands except per share data) (Unaudited)	Controlling Interest	Noncontrolling Interest	Total	Controlling Interest	Noncontrolling Interest	Total
ance, January 1	**$ 2,409,653**	**$ 295,431**	**$ 2,705,084**	$ 2,344,155	$ 295,431	$ 2,639,58
t income/(loss)	**147,920**	**5,672**	**153,592**	107,450	5,703	113,15
her comprehensive income/(loss) (a)	**10,192**		**10,192**	61,858		61,85
mprehensive income	**158,112**	**5,672**	**163,784**	169,308	5,703	175,01
sh dividends declared:						
ferred stock ($3,100 per share for the six months ended e 30, 2017 and 2016)	**(3,100)**		**(3,100)**	(3,100)		(3,10
mmon stock ($.18 and $.14 per share for the six months led June 30, 2017 and 2016, respectively)	**(42,404)**		**(42,404)**	(32,991)		(32,99
mmon stock repurchased (b)	**(4,953)**		**(4,953)**	(89,698)		(89,69
mmon stock issued for:						
ck options and restricted stock equity awards	**4,309**		**4,309**	1,509		1,50
ck-based compensation expense	**9,840**		**9,840**	7,796		7,79
vidends declared noncontrolling interest of subsidiary ferred stock		**(5,672)**	**(5,672)**		(5,703)	(5,70
benefit/(benefit reversal) stock based compensation pense				(486)		(48
lance, June 30	**$ 2,531,457**	**$ 295,431**	**$ 2,826,888**	$ 2,396,493	$ 295,431	$ 2,691,92

See accompanying notes to consolidated condensed financial statements.

(a) Due to the nature of the preferred stock issued by FHN and its subsidiaries, all components of Other comprehensive income/(loss) have been attributed solely to FHN as the controlling interest holder.
(b) 2016 includes $86.4 million repurchased under share repurchase programs.

Table of Contents

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	First Horizon National Corporation	
	Six Months Ended June 30	
(Dollars in thousands) (Unaudited)	**2017**	2016
Operating Activities		
Net income/(loss)	**$ 153,592**	$ 113,153
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:		
Provision/(provision credit) for loan losses	**(3,000)**	7,000
Provision/(benefit) for deferred income taxes	**(16,862)**	34,366
Depreciation and amortization of premises and equipment	**16,617**	16,036
Amortization of intangible assets	**3,196**	2,599
Net other amortization and accretion	**14,288**	10,722
Net (increase)/decrease in derivatives	**(13,683)**	564
Repurchase and foreclosure provision/(provision credit)	**(20,000)**	(31,400)
(Gains)/losses and write-downs on other real estate, net	**180**	(788)
Litigation and regulatory matters	**(753)**	25,652
Stock-based compensation expense	**9,840**	7,796
Equity securities (gains)/losses, net		(19)
Debt securities (gains)/losses, net	**(449)**	(1,654)
Net (gains)/losses on sale/disposal of fixed assets	**(71)**	4,155
Loans held-for-sale:		
Purchases and originations	**(549,331)**	(5,953)
Gross proceeds from settlements and sales	**461,119**	14,668
(Gain)/loss due to fair value adjustments and other	**2,777**	(349)
Net (increase)/decrease in:		
Trading securities	**(280,135)**	(283,283)
Fixed income receivables	**(70,313)**	(156,279)
Interest receivable	**(2,443)**	6,751
Other assets	**1,324**	(36,559)
Net increase/(decrease) in:		
Trading liabilities	**(6,055)**	223,521
Fixed income payables	**(88,920)**	67,328
Interest payable	**1,303**	(5,025)
Other liabilities	**(52,669)**	(36,422)
Total adjustments	**(594,040)**	(136,573)
Net cash provided/(used) by operating activities	**(440,448)**	(23,420)
Investing Activities		
Available-for-sale securities:		
Sales	**63**	1,543
Maturities	**268,155**	315,301
Purchases	**(265,770)**	(311,592)

Held-to-maturity securities:		
Prepayments and maturities	**4,740**	
Premises and equipment:		
Sales	**2,103**	2,786
Purchases	**(20,498)**	(27,034)
Proceeds from sales of other real estate	**7,340**	18,095
Net (increase)/decrease in:		
Loans	**(404,379)**	(921,015)
Interests retained from securitizations classified as trading securities	**397**	1,774
Interest-bearing cash	**490,500**	281,093
Cash (paid)/received for acquisition, net	**(123,971)**	
Net cash provided/(used) by investing activities	**(41,320)**	(639,049)
Financing Activities		
Common stock:		
Stock options exercised	**2,823**	807
Cash dividends paid	**(37,809)**	(30,960)
Repurchase of shares (a)	**(4,953)**	(89,698)
Cash dividends paid preferred stock noncontrolling interest	**(5,672)**	(5,672)
Cash dividends paid Series A preferred stock	**(3,100)**	(3,100)
Term borrowings:		
Payments/maturities	**(7,239)**	(259,938)
Net increase/(decrease) in:		
Deposits	**(338,689)**	663,246
Short-term borrowings	**917,693**	562,671
Net cash provided/(used) by financing activities	**523,054**	837,356
Net increase/(decrease) in cash and cash equivalents	**41,286**	174,887
Cash and cash equivalents at beginning of period	**1,037,794**	1,031,063
Cash and cash equivalents at end of period	**$ 1,079,080**	$ 1,205,950
Supplemental Disclosures		
Total interest paid	**$ 61,908**	$ 47,355
Total taxes paid	**21,805**	11,334
Total taxes refunded	**8,200**	2,425
Transfer from loans to other real estate owned	**3,184**	4,297

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

See accompanying notes to consolidated condensed financial statements.

(a) 2016 includes $86.4 million repurchased under share repurchase programs.

Table of Contents

Notes to the Consolidated Condensed Financial Statements (Unaudited)

Note 1 Financial Information

Basis of Accounting. 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. These adjustments are of a normal recurring nature unless otherwise disclosed in this Quarterly Report on Form 10-Q. The operating results for the interim 2017 period are not necessarily indicative of the results that may be expected going forward. For further information, refer to the audited consolidated financial statements in Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016.

Summary of Accounting Changes. Effective January 1, 2017, FHN adopted the provisions of Accounting Standards Update (ASU) 2016-09, Improvements to Employee Share-Based Payment Accounting, which makes several revisions to equity compensation accounting. Under the new guidance all excess tax benefits and deficiencies that occur when an award vests, is exercised, or expires are recognized in income tax expense as discrete period items. Previously, these transactions were typically recorded directly within equity. Consistent with this change, excess tax benefits and deficiencies are no longer included within estimated proceeds when performing the treasury stock method for calculation of diluted earnings per share. Excess tax benefits are also recognized at the time an award is exercised or vests compared to the previous requirement to delay recognition until the deduction reduces taxes payable. The presentation of excess tax benefits in the statement of cash flows shifted to an operating activity from the prior classification as a financing activity.

ASU 2016-09 also provides an accounting policy election to recognize forfeitures of awards as they occur when estimating stock-based compensation expense rather than the previous requirement to estimate forfeitures from inception. Further, ASU 2016-09 permits employers to use a net-settlement feature to withhold taxes on equity compensation awards up to the maximum statutory tax rate without affecting the equity classification of the award. Under previous guidance, withholding of equity awards in excess of the minimum statutory requirement resulted in liability classification for the entire award. The related cash remittance by the employer for employee taxes is treated as a financing activity in the statement of cash flows. Transition to the new guidance was accomplished through a combination of retrospective (cash flows), cumulative-effect adjustment to equity (forfeitures) and prospective methodologies (tax windfalls and shortfalls). FHN estimates, based on currently enacted tax rates, that adoption of ASU 2016-09 in 2017 will result in an incremental effect on tax provision ranging from $2.0 million of tax benefit to $1.0 million of additional tax provision. The actual effects of adoption in 2017 will primarily depend upon the share price of the FHN s common stock, which affects the vesting of certain performance awards, probability of exercise of certain stock options and the magnitude of windfalls for all awards upon either vesting or exercise. The effects on earnings per share calculations and election to account for forfeitures as incurred have not been significant.

Effective January 1, 2017, FHN early adopted the provisions of ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory which requires recognition of the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Therefore, ASU 2016-16 reverses the previous requirement to delay recognition of the tax consequences of these transactions until the associated assets are sold to an outside party. Adoption of ASU 2016-16 did not have a significant effect on FHN.

Accounting Changes Issued but Not Currently Effective

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 does not change revenue recognition for financial assets. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This is accomplished through a five-step recognition framework

Note 1 Financial Information (Continued)

involving 1) the identification of contracts with customers, 2) identification of performance obligations, 3) determination of the transaction price, 4) allocation of the transaction price to the performance obligations and 5) recognition of revenue as performance obligations are satisfied. Additionally, qualitative and quantitative information is required for disclosure regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In February 2016, the FASB issued ASU 2016-08, Principal versus Agent Considerations, which provides additional guidance on whether an entity should recognize revenue on a gross or net basis, based on which party controls the specified good or service before that good or service is transferred to a customer. In April 2016, the FASB issued ASU 2016-10, Identifying Performance Obligations and Licensing, which clarifies the original guidance included in ASU 2014-09 for identification of the goods or services provided to customers and enhances the implementation guidance for licensing arrangements. ASU 2016-12, Narrow-Scope Improvements and Practical Expedients, was issued in May 2016 to provide additional guidance for the implementation and application of ASU 2014-09. Technical Corrections and Improvements ASU 2016-20 was issued in December 2016 and provides further guidance on certain issues. These ASUs are effective in annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is permitted for annual reporting periods beginning after December 15, 2016, and associated interim periods. Transition to the new requirements may be made by retroactively revising prior financial statements (with certain practical expedients permitted) or by a cumulative effect through retained earnings. If the latter option is selected, additional disclosures are required for comparability. FHN will not early adopt these ASUs and is evaluating their effects on its revenue recognition practices. Currently, FHN anticipates that it will elect to adopt the provisions of the revenue recognition standards through a cumulative effect to retained earnings with comparability disclosures provided throughout 2018.

In February 2017, the FASB issued ASU 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets which clarifies the meaning and application of the term in substance nonfinancial asset in transactions involving both financial and nonfinancial assets. If substantially all of the fair value of the assets that are promised to the counterparty in a contract are concentrated in nonfinancial assets, then all of the financial assets promised to the counterparty are in substance nonfinancial assets within the scope of revenue recognition guidance for nonfinancial assets. ASU 2017-05 also clarifies that an entity should identify each distinct nonfinancial asset or in substance nonfinancial asset promised to a counterparty and derecognize each asset when a counterparty obtains control of it with the amount of revenue recognized based on the allocation guidance provided in ASU 2014-09. ASU 2017-05 also requires an entity to derecognize a distinct nonfinancial asset or distinct in substance nonfinancial asset in a partial sale transaction when it 1) does not have (or ceases to have) a controlling financial interest in the legal entity that holds the asset in accordance with Topic 810 and 2) transfers control of the asset in accordance with the provisions of ASU 2014-09. Once an entity transfers control of a distinct nonfinancial asset or distinct in substance nonfinancial asset, it is required to measure any noncontrolling interest it receives (or retains) at fair value. ASU 2017-05 has the same effective date and transition provisions as ASU 2014-09 and the two standards must be adopted simultaneously although the transition methods may be different. FHN is evaluating the effects of ASU 2017-05 on its revenue recognition practices. Currently, FHN anticipates that it will elect to adopt the provisions of ASU 2017-05 through a cumulative effect to retained earnings with comparability disclosures provided throughout 2018.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 makes several revisions to the accounting, presentation and disclosure for financial instruments. Equity investments (except those accounted for under the equity method, those that result in consolidation of the investee, and those held by entities subject to specialized industry accounting which already apply fair value through earnings) are required to be measured at fair value with changes in fair value recognized in net income. This excludes FRB and FHLB stock holdings which are specifically exempted from the provisions of ASU 2016-01. An entity may elect to measure equity investments that do not have readily determinable market values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar instruments from the same issuer. ASU 2016-01 also requires a qualitative impairment review for equity investments without readily determinable fair values, with measurement at fair value required if impairment is determined to exist. For liabilities for which fair value has been elected, ASU 2016-01 revises current accounting to record the portion of fair value changes resulting from instrument-specific credit risk within other comprehensive income rather than earnings. FHN has not elected fair value accounting for any existing financial liabilities. Additionally, ASU 2016-01 clarifies that the need for a valuation allowance on a deferred tax asset related to available-for-sale securities should be

Table of Contents

Note 1 Financial Information (Continued)

assessed in combination with all other deferred tax assets rather than being assessed in isolation. ASU 2016-01 also makes several changes to existing fair value presentation and disclosure requirements, including a provision that all disclosures must use an exit price concept in the determination of fair value. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Transition will be through a cumulative effect adjustment to retained earnings for equity investments with readily determinable fair values. Equity investments without readily determinable fair values, for which the accounting election is made, will have any initial fair value marks recorded through earnings prospectively after adoption.

Upon adoption, FHN will reclassify all equity investments out of available-for-sale securities, leaving only debt securities within this classification. FHN has evaluated the nature of its current equity investments and determined that substantially all qualify for the election available to assets without readily determinable fair values, including its holdings of Visa Class B shares. Accordingly, FHN intends to apply this election and any fair value marks for these investments will be recognized through earnings on a prospective basis subsequent to adoption. FHN continues to evaluate the appropriate characteristics of similar instruments as well as related valuation inputs and methodologies for its equity investments without readily determinable fair values. The requirements of ASU 2016-01 related to assessment of deferred tax assets and disclosure of the fair value of financial instruments will not have a significant effect on FHN because its current accounting and disclosure practices conform to the requirements of ASU 2016-01. FHN also continues to evaluate the impact of ASU 2016-01 on other aspects of its current accounting and disclosure practices.

In February 2016, the FASB issued ASU 2016-02, Leases, which requires a lessee to recognize in its statement of condition a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 leaves lessor accounting largely unchanged from prior standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. All other leases must be classified as financing or operating leases which depends on the relationship of the lessee s rights to the economic value of the leased asset. For finance leases, interest on the lease liability is recognized separately from amortization of the right-of-use asset in earnings, resulting in higher expense in the earlier portion of the lease term. For operating leases, a single lease cost is calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.

In transition to ASU 2016-02, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply, which would result in continuing to account for leases that commence before the effective date in accordance with previous requirements (unless the lease is modified) except that lessees are required to recognize a right-of-use asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous requirements. ASU 2016-02 also requires expanded qualitative and quantitative disclosures to assess the amount, timing, and uncertainty of cash flows arising from lease arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. FHN is evaluating the impact of ASU 2016-02 on its current accounting and disclosure practices.

In March 2016, the FASB issued ASU 2016-04, Recognition of Breakage of Certain Prepaid Stored-Value Products, which indicates that liabilities related to the sale of prepaid stored-value products are considered financial liabilities and should have a breakage estimate applied for estimated unused funds. ASU 2016-04 does not apply to stored-value products that can only be redeemed for cash, are subject to escheatment or are linked to a segregated bank account. ASU 2016-04 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. FHN is evaluating the impact of ASU 2016-04 on its current accounting and disclosure practices.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which revises the measurement and recognition of credit losses for assets measured at amortized cost (e.g., held-to-maturity (HTM) loans and debt securities) and available-for-sale (AFS) debt securities. Under ASU 2016-13, for assets measured at amortized cost, the

Table of Contents

Note 1 Financial Information (Continued)

current expected credit loss (CECL) is measured as the difference between amortized cost and the net amount expected to be collected. This represents a departure from existing GAAP as the incurred loss methodology for recognizing credit losses delays recognition until it is probable a loss has been incurred. The measurement of current expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Additionally, current disclosures of credit quality indicators in relation to the amortized cost of financing receivables will be further disaggregated by year of origination. ASU 2016-13 leaves the methodology for measuring credit losses on AFS debt securities largely unchanged, with the maximum credit loss representing the difference between amortized cost and fair value. However, such credit losses will be recognized through an allowance for credit losses, which permits recovery of previously recognized credit losses if circumstances change.

ASU 2016-13 also revises the recognition of credit losses for purchased financial assets with a more-than insignificant amount of credit deterioration since origination (PCD assets). For PCD assets, the initial allowance for credit losses is added to the purchase price. Only subsequent changes in the allowance for credit losses are recorded as a credit loss expense for PCD assets. Interest income for PCD assets will be recognized based on the effective interest rate, excluding the discount embedded in the purchase price that is attributable to the acquirer s assessment of credit losses at acquisition. Currently, credit losses for purchased credit-impaired assets are included in the initial basis of the assets with subsequent declines in credit resulting in expense while subsequent improvements in credit are reflected as an increase in the future yield from the assets.

The provisions of ASU 2016-13 will be generally adopted through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in the year of adoption. Prospective implementation is required for debt securities for which an other-than-temporary-impairment (OTTI) had been previously recognized. Amounts previously recognized in accumulated other comprehensive income (AOCI) as of the date of adoption that relate to improvements in cash flows expected to be collected will continue to be accreted into income over the remaining life of the asset. Recoveries of amounts previously written off relating to improvements in cash flows after the date of adoption will be recorded in earnings when received. A prospective transition approach will be used for existing PCD assets where, upon adoption, the amortized cost basis will be adjusted to reflect the addition of the allowance for credit losses. Thus, an entity will not be required to reassess its purchased financial assets that exist as of the date of adoption to determine whether they would have met at acquisition the new criteria of more-than-insignificant credit deterioration since origination. An entity will accrete the remaining noncredit discount (based on the revised amortized cost basis) into interest income at the effective interest rate at the adoption date.

ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in fiscal years beginning after December 15, 2018. FHN is still evaluating the impact of ASU 2016-13 on its current accounting and disclosure practices.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments, which clarifies multiple cash flow presentation issues including providing guidance as to classification on the cash flow statement for certain cash receipts and cash payments where diversity in practice exists. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The provisions of ASU 2016-15 will be applied retroactively and will result in proceeds from bank-owned life insurance (BOLI) being classified as an investing activity rather than their prior classification as an operating activity.

In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost which requires the disaggregation of the service cost component from the other components of net benefit cost for pension and postretirement plans. Service cost must be included in the same income statement line item as other compensation-related expenses. All other components of net benefit cost are required to be presented in the income statement separately from the service cost component, with disclosure of the line items where these amounts are recorded. The presentation requirements of ASU 2017-07 must be applied retrospectively and adoption is required for annual periods beginning after December 15, 2017, including interim periods within those annual periods. FHN s disclosures for pension and postretirement costs provide details of the service cost and all other components for expenses recognized for its applicable benefit plans. These amounts are currently included in Employee compensation, incentives, and benefits expense in the Consolidated Condensed Statements of Income. Upon adoption of ASU 2017-07 FHN will reclassify the expense components

Table of Contents

Note 1 Financial Information (Continued)

other than service cost into All other expense and revise its disclosures accordingly. The amounts to be reclassified are presented in Note 11 Pension, Savings, and Other Employee Benefits in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 and in Note 18 Pension, Savings, and Other Employee Benefits in Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016.

In March 2017, the FASB issued ASU 2017-08, Premium Amortization on Purchased Callable Debt Securities which shortens the amortization period for securities that have explicit, noncontingent call features that are callable at fixed prices and on preset dates. In contrast to the current requirement for premium amortization to extend to the contractual maturity date, ASU 2017-08 requires the premium to be amortized to the earliest call date. ASU 2017-08 does not change the amortization of discounts, which will continue to be amortized to maturity. The new guidance does not apply to debt securities where the prepayment date is not preset or the price is not known in advance, which includes debt securities that qualify for amortization based on estimated prepayment rates. ASU 2017-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 with early adoption permitted. Transition is accomplished through a cumulative-effect adjustment directly to retained earnings as of the beginning of the year of adoption. Based upon the current composition of its debt securities portfolios, FHN does not anticipate a significant effect upon adoption.

Table of Contents

Note 2 Acquisitions and Divestitures

On May 4, 2017, FHN and Capital Bank Financial Corp. (Capital Bank or CBF) announced that they had entered into an agreement and plan of merger. Under the agreement FHN will acquire Capital Bank, which is headquartered in Charlotte, North Carolina, and reported approximately $10 billion of assets at March 31, 2017. At the time of announcement Capital Bank operated 193 branches in North and South Carolina, Tennessee, Florida and Virginia. Collectively, Capital Bank shareholders will receive approximately $411 million in cash plus FHN common shares which are expected to represent approximately 29 percent of FHN s outstanding common shares immediately after consummation of the merger. The total transaction value, measured at the time of announcement, was approximately $2.2 billion. The agreement calls for two members of Capital Bank s board of directors to join FHN s board after closing. The transaction is expected to close in fourth quarter 2017, subject to regulatory approvals, approval by shareholders of FHN and of Capital Bank, and other customary conditions.

On April 3, 2017, FTN Financial acquired substantially all of the assets and assumed substantially all of the liabilities of Coastal Securities, Inc. (Coastal), a national leader in the trading, securitization, and analysis of Small Business Administration (SBA) loans, for approximately $131 million in cash. Coastal, which was based in Houston, TX, also traded United States Department of Agriculture (USDA) loans and fixed income products and provided municipal underwriting and advisory services to its clients. Coastal s government-guaranteed loan products, combined with FTN Financial s existing SBA trading activities, have established an additional major product sector for FTN Financial.

The following schedule details acquired assets and liabilities and consideration paid, as well as preliminary adjustments to record the assets and liabilities at their estimated fair values as of April 3, 2017:

	Coastal Securities, Inc. Purchase Accounting/		
(Dollars in thousands)	As Acquired	Fair Value Adjustments	As recorded by FHN
Assets:			
Cash and due from banks	$ 7,502	$	$ 7,502
Interest-bearing cash	4,132		4,132
Trading securities	423,662	(284,580)	139,082
Loans held-for-sale		236,088	236,088
Investment securities		1,413	1,413
Other intangible assets, net		27,300	27,300
Premises and equipment, net	1,229		1,229
Other assets	1,658	14	1,672
Total assets acquired	$ 438,183	$ (19,765)	$ 418,418
Liabilities:			
Securities sold under agreements to repurchase	$ 201,595	$	$ 201,595
Other short-term borrowings	33,509		33,509
Fixed income payables	143,647	(47,158)	96,489
Other liabilities	958	(642)	316

Total liabilities assumed	379,709	(47,800)	331,909
Net Assets Acquired	$ 58,474	$ 28,035	86,509
Consideration paid:			
Cash			(131,473)
Goodwill			$ 44,964

The valuation of other intangible assets, including customer relationships and noncompete agreements, are preliminary as management continues to review the valuation assumptions and methodologies for these assets. In relation to the acquisition,

Table of Contents

Note 2 Acquisitions and Divestitures (Continued)

FHN has recorded $45.0 million in goodwill, representing the excess of acquisition consideration over the estimated fair value of net assets acquired (refer to Note 6 Intangible Assets for additional information), and all of which is expected to be deductible for tax purposes. The goodwill is the result of adding an experienced workforce, establishing an additional major product sector for FTN Financial, expected synergies, and other factors. FHN s operating results for 2017 include the operating results of the acquired assets and assumed liabilities of Coastal subsequent to the acquisition on April 3, 2017.

In second quarter 2016, FHN recognized $6.4 million of acquisition-related expenses primarily associated with the CBF and Coastal acquisitions. These expenses were primarily included in Professional fees, Legal fees, and Employee compensation, incentives and benefits on the Consolidated Condensed Statements of Income.

On September 16, 2016, FTBNA acquired $537.4 million in unpaid principal balance (UPB) of restaurant franchise loans from GE Capital s Southeast and Southwest regional portfolios. Subsequent to the acquisition the acquired loans were combined with existing FTBNA relationships to establish a franchise finance specialty banking business.

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

13

Table of Contents

Note 3 Investment Securities

The following tables summarize FHN s investment securities on June 30, 2017 and December 31, 2016:

	June 30, 2017			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
U.S. treasuries	$ 100	$	$	$ 100
Government agency issued mortgage-backed securities (MBS)	2,130,894	13,160	(14,438)	2,129,616
Government agency issued collateralized mortgage obligations (CMO)	1,646,533	4,754	(19,464)	1,631,823
Equity and other (a)	186,892		(2)	186,890
	$ 3,964,419	**$ 17,914**	**$ (33,904)**	3,948,429
AFS debt securities recorded at fair value through earnings:				
SBA-interest only strips (b)				1,163
Total securities available-for-sale (c)				**$ 3,949,592**
Securities held-to-maturity:				
Corporate bonds	$ 10,000	$	$ (9)	$ 9,991
Total securities held-to-maturity	**$ 10,000**	**$**	**$ (9)**	**$ 9,991**

(a) Includes restricted investments in FHLB-Cincinnati stock of $87.9 million and FRB stock of $68.6 million. The remainder is money market, mutual funds, and cost method investments.

(b) SBA-interest only strips are recorded at elected fair value. See Note 16 Fair Value for additional information.

(c) Includes $3.5 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes.

	December 31, 2016			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
U.S. treasuries	$ 100	$	$	$ 100
Government agency issued MBS	2,217,593	14,960	(23,866)	2,208,687
Government agency issued CMO	1,566,986	4,909	(23,937)	1,547,958

Equity and other (a)	186,756		(2)	186,754
Total securities available-for-sale (b)	**$ 3,971,435**	**$ 19,869**	**$ (47,805)**	**$ 3,943,499**
Securities held-to-maturity:				
States and municipalities	$ 4,347	$ 393	$	$ 4,740
Corporate bonds	10,000	33		10,033
Total securities held-to-maturity	**$ 14,347**	**$ 426**	**$**	**$ 14,773**

(a) Includes restricted investments in FHLB-Cincinnati stock of $87.9 million and FRB stock of $68.6 million. The remainder is money market, mutual funds, and cost method investments.
(b) Includes $3.3 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes.

Table of Contents

Note 3 Investment Securities (Continued)

The amortized cost and fair value by contractual maturity for the available-for-sale and held-to-maturity securities portfolios on June 30, 2017 are provided below:

	Held-to-Maturity		Available-for-Sale	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$	$	$ 100	$ 100
After 1 year; within 5 years				9
After 5 years; within 10 years	10,000	9,991		582
After 10 years				572
Subtotal	10,000	9,991	100	1,263
Government agency issued MBS and CMO (a)			3,777,427	3,761,439
Equity and other			186,892	186,890
Total	**$ 10,000**	**$ 9,991**	**$ 3,964,419**	**$ 3,949,592**

(a) 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.

The table below provides information on gross gains and gross losses from investment securities for the three and six months ended June 30:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2017**	2016	**2017**	2016
Gross gains on sales of securities	**$ 405**	$ 162	**$ 449**	$ 3,999
Gross (losses) on sales of securities		(63)		(2,326)
Net gain/(loss) on sales of securities (a) (b)	**$ 405**	$ 99	**$ 449**	$ 1,673

(a) Cash proceeds from the sale of available for sale securities for the three and six months ended June 30, 2017 were $.1 million. Cash proceeds from the sale of available for sale securities for the three and six months ended June 30, 2016 were $.6 million and $1.5 million, respectively. Six months ended June 30, 2016 includes a $1.7 million gain from an exchange of approximately $294 million of AFS debt securities.

(b)

Three and six months ended June 30, 2017 includes a $.4 million gain associated with the call of a $4.4 million held-to-maturity municipal bond.

The following tables provide information on investments within the available-for-sale portfolio that had unrealized losses as of June 30, 2017 and December 31, 2016:

	As of June 30, 2017					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government agency issued CMO	$ 981,771	$ (14,899)	$ 128,377	$ (4,565)	$ 1,110,148	$ (19,464)
Government agency issued MBS	1,599,386	(14,438)			1,599,386	(14,438)
Total debt securities	2,581,157	(29,337)	128,377	(4,565)	2,709,534	(33,902)
Equity	7	(2)			7	(2)
Total temporarily impaired securities	**$ 2,581,164**	**$ (29,339)**	**$ 128,377**	**$ (4,565)**	**$ 2,709,541**	**$ (33,904)**

15

Table of Contents

Note 3 Investment Securities (Continued)

	As of December 31, 2016					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government agency issued CMO	$ 1,059,471	$ (19,052)	$ 116,527	$ (4,885)	$ 1,175,998	$ (23,937)
Government agency issued MBS	1,912,126	(23,866)			1,912,126	(23,866)
Total debt securities	2,971,597	(42,918)	116,527	(4,885)	3,088,124	(47,803)
Equity	7	(2)			7	(2)
Total temporarily impaired securities	$ 2,971,604	$ (42,920)	$ 116,527	$ (4,885)	$ 3,088,131	$ (47,805)

FHN has reviewed investment securities that were in unrealized loss positions in accordance with its accounting policy for OTTI and does not consider them other-than-temporarily impaired. For debt securities with unrealized losses, FHN does not intend to sell them and it is more-likely-than-not that FHN will not be required to sell them prior to recovery. The decline in value is primarily attributable to changes in interest rates and not credit losses. For equity securities, FHN has both the ability and intent to hold these securities for the time necessary to recover the amortized cost.

Table of Contents

Note 4 Loans

The following table provides the balance of loans, net of unearned income, by portfolio segment as of June 30, 2017 and December 31, 2016:

(Dollars in thousands)	**June 30 2017**	December 31 2016
Commercial:		
Commercial, financial, and industrial	**$ 12,598,219**	$ 12,148,087
Commercial real estate	**2,211,996**	2,135,523
Consumer:		
Consumer real estate (a)	**4,417,459**	4,523,752
Permanent mortgage	**408,095**	423,125
Credit card & other	**353,550**	359,033
Loans, net of unearned income	**$ 19,989,319**	$ 19,589,520
Allowance for loan losses	**197,257**	202,068
Total net loans	**$ 19,792,062**	$ 19,387,452

(a) Balances as of June 30, 2017 and December 31, 2016, include $28.8 million and $35.9 million of restricted real estate loans, respectively. See Note 13 Variable Interest Entities for additional information.

COMPONENTS OF THE LOAN PORTFOLIO

The loan portfolio is disaggregated into segments and then further disaggregated into classes for certain disclosures. GAAP defines a portfolio segment as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. A class is generally determined based on the initial measurement attribute (i.e., amortized cost or purchased credit-impaired), risk characteristics of the loan, and FHN s method for monitoring and assessing credit risk. Commercial loan portfolio segments include commercial, financial and industrial (C&I) and commercial real estate (CRE). Commercial classes within C&I include general C&I, loans to mortgage companies, the trust preferred loans (TRUPS) (i.e. long-term unsecured loans to bank and insurance related businesses) portfolio and purchased credit-impaired (PCI) loans. Loans to mortgage companies include commercial lines of credit to qualified mortgage companies primarily for the temporary warehousing of eligible mortgage loans prior to the borrower s sale of those mortgage loans to third party investors. Commercial classes within CRE include income CRE, residential CRE and PCI loans. Consumer loan portfolio segments include consumer real estate, permanent mortgage, and the credit card and other portfolio. Consumer classes include home equity lines of credit (HELOCs), real estate (R/E) installment and PCI loans within the consumer real estate segment, permanent mortgage (which is both a segment and a class), and credit card and other.

Concentrations

FHN has a concentration of residential real estate loans (24 percent of total loans), the majority of which is in the consumer real estate segment (22 percent of total loans). Loans to finance and insurance companies total $2.7 billion (22 percent of the C&I portfolio, or 14 percent of the total loans). FHN had loans to mortgage companies totaling

$2.1 billion (17 percent of the C&I segment, or 10 percent of total loans) as of June 30, 2017. As a result, 39 percent of the C&I segment is sensitive to impacts on the financial services industry.

Table of Contents

Note 4 Loans (Continued)

Purchased Credit-Impaired Loans

The following table presents a rollforward of the accretable yield for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2017**	2016	**2017**	2016
Balance, beginning of period	**$ 5,198**	$ 8,958	**$ 6,871**	$ 8,542
Accretion	**(919)**	(996)	**(1,770)**	(2,147)
Adjustment for payoffs	**(761)**	(2,452)	**(1,034)**	(4,229)
Adjustment for charge-offs		(11)		(674)
Adjustment for pool excess recovery (a)			**(222)**	
Increase/(decrease) in accretable yield (b)	**409**	705	**114**	4,712
Other	**118**	(33)	**86**	(33)
Balance, end of period	**$ 4,045**	$ 6,171	**$ 4,045**	$ 6,171

(a) Represents the removal of accretable difference for the remaining loans in a pool which is now in a recovery state.

(b) Includes changes in the accretable yield due to both transfers from the nonaccretable difference and the impact of changes in the expected timing of the cash flows.

At June 30, 2017, the ALLL related to PCI loans was $.5 million compared to $.7 million at December 31, 2016. A loan loss provision credit related to PCI loans of $.1 million was recognized during the three months ended June 30, 2017, as compared to $.4 million recognized during the three months ended June 30, 2016. The loan loss provision credit related to PCI loans of $.2 million was recognized during the six months ended June 30, 2017, as compared to $.3 million recognized during the six months ended June 30, 2016.

The following table reflects the outstanding principal balance and carrying amounts of the acquired PCI loans as of June 30, 2017 and December 31, 2016:

	June 30, 2017		December 31, 2016	
(Dollars in thousands)	**Carrying value**	**Unpaid balance**	Carrying value	Unpaid balance
Commercial, financial and industrial	**$ 21,143**	**$ 22,089**	$ 40,368	$ 41,608
Commercial real estate	**4,008**	**5,264**	4,763	6,514
Consumer real estate	**1,013**	**1,388**	1,172	1,677
Credit card and other	**55**	**63**	52	64

Total	**$ 26,219**	**$ 28,804**	$ 46,355	$ 49,863

Table of Contents

Note 4 Loans (Continued)

Impaired Loans

The following tables provide information at June 30, 2017 and December 31, 2016, by class related to individually impaired loans and consumer TDRs, regardless of accrual status. Recorded investment is defined as the amount of the investment in a loan, excluding any valuation allowance but including any direct write-down of the investment. For purposes of this disclosure, PCI loans and the TRUPs valuation allowance have been excluded.

	June 30, 2017			December 31, 2016		
(Dollars in thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance recorded:						
Commercial:						
General C&I	**$ 9,487**	**$ 16,604**	**$**	$ 10,419	$ 16,636	$
Income CRE						
Total	**$ 9,487**	**$ 16,604**	**$**	$ 10,419	$ 16,636	$
Consumer:						
HELOC (a)	**$ 9,937**	**$ 20,411**	**$**	$ 11,383	$ 21,662	$
R/E installment loans (a)	**3,933**	**4,960**		3,957	4,992	
Permanent mortgage (a)	**5,904**	**8,739**		5,311	7,899	
Total	**$ 19,774**	**$ 34,110**	**$**	$ 20,651	$ 34,553	$
Impaired loans with related allowance recorded:						
Commercial:						
General C&I	**$ 25,411**	**$ 25,880**	**$ 2,716**	$ 34,334	$ 34,470	$ 3,294
TRUPS	**3,136**	**3,700**	**925**	3,209	3,700	925
Income CRE	**1,731**	**1,731**	**57**	1,831	2,209	62
Residential CRE	**1,293**	**1,761**	**119**	1,293	1,761	132
Total	**$ 31,571**	**$ 33,072**	**$ 3,817**	$ 40,667	$ 42,140	$ 4,413
Consumer:						
HELOC	**$ 75,778**	**$ 78,449**	**$ 16,061**	$ 84,711	$ 87,126	$ 15,927
R/E installment loans	**48,351**	**49,143**	**11,088**	53,409	54,559	12,875
Permanent mortgage	**80,009**	**91,744**	**11,858**	88,615	100,983	12,470
Credit card & other	**360**	**360**	**161**	306	306	133

Total	**$ 204,498**	**$ 219,696**	**$ 39,168**	$ 227,041	$ 242,974	$ 41,405
Total commercial	**$ 41,058**	**$ 49,676**	**$ 3,817**	$ 51,086	$ 58,776	$ 4,413
Total consumer	**$ 224,272**	**$ 253,806**	**$ 39,168**	$ 247,692	$ 277,527	$ 41,405
Total impaired loans	**$ 265,330**	**$ 303,482**	**$ 42,985**	$ 298,778	$ 336,303	$ 45,818

(a) All discharged bankruptcy loans are charged down to an estimate of net realizable value and do not carry any allowance.

Table of Contents

Note 4 Loans (Continued)

	Three Months Ended June 30				Six Months Ended June 30			
	2017		2016		**2017**		2016	
(Dollars in thousands)	**Average Recorded Investment**	**Interest Income Recognized**	Average Recorded Investment	Interest Income Recognized	**Average Recorded Investment**	**Interest Income Recognized**	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance recorded:								
Commercial:								
General C&I	**$ 9,941**	**$**	$ 13,333	$	**$ 10,174**	**$**	$ 11,278	$
Income CRE			2,468				2,468	
Total	**$ 9,941**	**$**	$ 15,801	$	**$ 10,174**	**$**	$ 13,746	$
Consumer:								
HELOC (a)	**$ 10,331**	**$**	$ 11,105	$	**$ 10,692**	**$**	$ 11,013	$
R/E installment loans (a)	**3,925**		4,407		**3,931**		4,420	
Permanent mortgage (a)	**5,854**		4,161		**5,705**		4,298	
Total	**$ 20,110**	**$**	$ 19,673	$	**$ 20,328**	**$**	$ 19,731	$
Impaired loans with related allowance recorded:								
Commercial:								
General C&I	**$ 28,402**	**$ 189**	$ 31,333	$ 292	**$ 30,632**	**$ 403**	$ 28,127	$ 379
TRUPS	**3,160**		3,291		**3,178**		3,307	
Income CRE	**1,767**	**14**	4,780	20	**1,792**	**28**	4,959	40
Residential CRE	**1,293**	**5**	1,376	6	**1,293**	**10**	1,386	12
Total	**$ 34,622**	**$ 208**	$ 40,780	$ 318	**$ 36,895**	**$ 441**	$ 37,779	$ 431
Consumer:								
HELOC	**$ 78,608**	**$ 577**	$ 88,299	$ 494	**$ 80,841**	**$ 1,141**	$ 88,439	$ 981
R/E installment loans	**49,373**	**317**	58,923	345	**50,637**	**635**	59,447	662
Permanent mortgage	**81,475**	**574**	92,218	541	**83,626**	**1,189**	93,725	1,058
Credit card & other	**315**	**3**	351	3	**301**	**5**	355	6
Total	**$ 209,771**	**$ 1,471**	$ 239,791	$ 1,383	**$ 215,405**	**$ 2,970**	$ 241,966	$ 2,707
Total commercial	**$ 44,563**	**$ 208**	$ 56,581	$ 318	**$ 47,069**	**$ 441**	$ 51,525	$ 431
Total consumer	**$ 229,881**	**$ 1,471**	$ 259,464	$ 1,383	**$ 235,733**	**$ 2,970**	$ 261,697	$ 2,707

Total impaired loans	**$ 274,444**	**$ 1,679**	$ 316,045	$ 1,701	**$ 282,802**	**$ 3,411**	$ 313,222	$ 3,138

(a) All discharged bankruptcy loans are charged down to an estimate of net realizable value and do not carry any allowance.

Asset Quality Indicators

FHN employs a dual grade commercial risk grading methodology to assign an estimate for the probability of default (PD) and the loss given default (LGD) for each commercial loan using factors specific to various industry, portfolio, or product segments that result in a rank ordering of risk and the assignment of grades PD 1 to PD 16. This credit grading system is intended to identify and measure the credit quality of the loan portfolio by analyzing the migration of loans between grading categories. It is also integral to the estimation methodology utilized in determining the allowance for loan losses since an allowance is established for pools of commercial loans based on the credit grade assigned. Each PD grade corresponds to an estimated one-year default probability percentage; a PD 1 has the lowest expected default probability, and probabilities increase as grades progress down the scale. PD 1 through PD 12 are pass grades. PD grades 13-16 correspond to the regulatory-defined categories of special mention (13), substandard (14), doubtful (15), and loss (16). Pass loan grades are required to be reassessed annually or earlier whenever there has been a material change in the financial condition of the borrower or risk characteristics of the relationship. All commercial loans over $1 million and certain commercial loans over $500,000 that are graded 13 or worse are reassessed on a quarterly basis. Loan grading discipline is regularly reviewed internally by Credit Assurance Services to determine if the process continues to result in accurate loan grading across the portfolio. FHN may utilize availability of guarantors/sponsors to support lending decisions during the credit underwriting process and when determining the assignment of internal loan grades. LGD grades are assigned based on a scale of 1-12 and represent FHN s

Table of Contents

Note 4 Loans (Continued)

expected recovery based on collateral type in the event a loan defaults. See Note 5 Allowance for Loan Losses for further discussion on the credit grading system.

The following tables provide the balances of commercial loan portfolio classes with associated allowance, disaggregated by PD grade as of June 30, 2017 and December 31, 2016:

	June 30, 2017							
(Dollars in thousands)	General C&I	Loans to Mortgage Companies	TRUPS (a)	Income CRE	Residential CRE	Total	Percentage of Total	Allowance for Loan Losses
PD Grade:								
1	$ 599,112	$	$	$ 1,342	$	$ 600,454	4%	$ 93
2	912,224			11,375	77	923,676	6	432
3	482,603	615,227		154,399	41	1,252,270	8	294
4	952,746	455,459		250,107	217	1,658,529	11	941
5	1,431,131	209,681		462,468	248	2,103,528	14	8,023
6	1,575,587	464,550		392,030	6,480	2,438,647	17	10,258
7	1,559,070	170,351		412,035	3,312	2,144,768	15	13,480
8	1,061,919	89,754		298,308	5,432	1,455,413	10	23,210
9	491,733	62,426		66,838	5,013	626,010	4	10,802
10	363,620	3,583		47,567	8,123	422,893	3	9,243
11	214,592			44,301	3,183	262,076	2	7,522
12	180,210	21,691		13,000	2,742	217,643	1	7,684
13	107,024		304,236	6,688	111	418,059	3	3,821
14,15,16	210,344	40		8,531	979	219,894	1	23,083
Collectively evaluated for impairment	10,141,915	2,092,762	304,236	2,168,989	35,958	14,743,860	99	118,886
Individually evaluated for impairment	34,897		3,137	1,731	1,293	41,058	1	3,817
Purchased credit-impaired loans	21,272			3,974	51	25,297		146
Total commercial loans	$ 10,198,084	$ 2,092,762	$ 307,373	$ 2,174,694	$ 37,302	$ 14,810,215	100%	$ 122,849

Table of Contents

Note 4 Loans (Continued)

	December 31, 2016							
(Dollars in thousands)	General C&I	Loans to Mortgage Companies	TRUPS (a)	Income CRE	Residential CRE	Total	Percentage of Total	Allowance for Loan Losses
PD Grade:								
1	$ 465,179	$	$	$ 1,078	$	$ 466,257	3%	$ 77
2	791,183			11,742	87	803,012	6	403
3	491,386	462,486		153,670		1,107,542	8	304
4	978,282	332,107		222,422		1,532,811	11	953
5	1,232,401	275,209		365,653	702	1,873,965	13	6,670
6	1,540,519	614,109		338,344	9,338	2,502,310	17	10,403
7	1,556,117	317,283		352,390	2,579	2,228,369	16	14,010
8	963,359	30,974		425,503	2,950	1,422,786	10	25,986
9	611,774	4,299		105,277	4,417	725,767	5	13,857
10	355,359	8,663		50,484	9,110	423,616	3	8,400
11	238,230			20,600	6,541	265,371	2	6,556
12	170,531			15,395	4,168	190,094	1	6,377
13	121,276		304,236	6,748	311	432,571	3	4,225
14,15,16	194,572	59		16,313	1,659	212,603	1	20,297
Collectively evaluated for impairment	9,710,168	2,045,189	304,236	2,085,619	41,862	14,187,074	99	118,518
Individually evaluated for impairment	44,753		3,209	1,831	1,293	51,086	1	4,413
Purchased credit-impaired loans	40,532			4,583	335	45,450		319
Total commercial loans	$ 9,795,453	$ 2,045,189	$ 307,445	$ 2,092,033	$ 43,490	$ 14,283,610	100%	$ 123,250

(a) Balances as of June 30, 2017 and December 31, 2016, presented net of a $25.5 million valuation allowance. Based on the underlying structure of the notes, the highest possible internal grade is 13 .

The consumer portfolio is comprised primarily of smaller-balance loans which are very similar in nature in that most are standard products and are backed by residential real estate. Because of the similarities of consumer loan-types, FHN is able to utilize the Fair Isaac Corporation (FICO) score, among other attributes, to assess the credit quality of consumer borrowers. FICO scores are refreshed on a quarterly basis in an attempt to reflect the recent risk profile of the borrowers. Accruing delinquency amounts are indicators of asset quality within the credit card and other consumer portfolio.

The following table reflects the percentage of balances outstanding by average, refreshed FICO scores for the HELOC, real estate installment, and permanent mortgage classes of loans as of June 30, 2017 and December 31, 2016:

	June 30, 2017			December 31, 2016		
	HELOC	**R/E Installment Loans**	**Permanent Mortgage**	HELOC	R/E Installment Loans	Permanent Mortgage
FICO score 740 or greater	**57.9%**	**71.2%**	**44.5%**	56.9%	70.3%	45.0%
FICO score 720-739	**8.8**	**7.8**	**11.2**	8.8	8.3	9.5
FICO score 700-719	**8.3**	**6.8**	**11.5**	8.6	6.8	9.2
FICO score 660-699	**12.7**	**8.7**	**15.4**	13.2	8.4	17.1
FICO score 620-659	**5.2**	**3.0**	**8.2**	5.6	3.5	9.1
FICO score less than 620 (a)	**7.1**	**2.5**	**9.2**	6.9	2.7	10.1
Total	**100.0%**	**100.0%**	**100.0%**	100.0%	100.0%	100.0%

(a) For this group, a majority of the loan balances had FICO scores at the time of the origination that exceeded 620 but have since deteriorated as the loans have seasoned.

Table of Contents

Note 4 Loans (Continued)

Nonaccrual and Past Due Loans

The following table reflects accruing and non-accruing loans by class on June 30, 2017:

	Accruing				Non-Accruing				
(Dollars in thousands)	Current	30-89 Days Past Due	90+ Days Past Due	Total Accruing	Current	30-89 Days Past Due	90+ Days Past Due	Total Non-Accruing	Total Loans
Commercial (C&I):									
General C&I	$ 10,151,612	$ 3,277	$ 69	**$ 10,154,958**	$ 8,864	$ 1,925	$ 11,065	**$ 21,854**	**$ 10,176,812**
Loans to mortgage companies	2,092,722			**2,092,722**			40	**40**	**2,092,762**
TRUPS (a)	304,236			**304,236**			3,137	**3,137**	**307,373**
Purchased credit-impaired loans	21,046	15	211	**21,272**					**21,272**
Total commercial (C&I)	12,569,616	3,292	280	**12,573,188**	8,864	1,925	14,242	**25,031**	**12,598,219**
Commercial real estate:									
Income CRE	2,169,748	117		**2,169,865**	111		744	**855**	**2,170,720**
Residential CRE	36,456			**36,456**			795	**795**	**37,251**
Purchased credit-impaired loans	3,997	28		**4,025**					**4,025**
Total commercial real estate	2,210,201	145		**2,210,346**	111		1,539	**1,650**	**2,211,996**
Consumer real estate:									
HELOC	1,449,129	14,514	9,440	**1,473,083**	42,500	3,926	8,302	**54,728**	**1,527,811**
R/E installment loans	2,856,164	7,465	4,175	**2,867,804**	16,436	1,547	2,464	**20,447**	**2,888,251**
Purchased credit-impaired loans	1,168	133	96	**1,397**					**1,397**
Total consumer real estate	4,306,461	22,112	13,711	**4,342,284**	58,936	5,473	10,766	**75,175**	**4,417,459**
Permanent mortgage	369,803	3,334	7,154	**380,291**	13,241	1,522	13,041	**27,804**	**408,095**
Credit card & other:									

Credit card	182,539	1,316	1,173	**185,028**					**185,028**
Other	167,580	672	85	**168,337**			130	**130**	**168,467**
Purchased credit-impaired loans	55			**55**					**55**
Total credit card & other	350,174	1,988	1,258	**353,420**			130	**130**	**353,550**
Total loans, net of unearned income	$ 19,806,255	$ 30,871	$ 22,403	**$ 19,859,529**	$ 81,152	$ 8,920	$ 39,718	**$ 129,790**	**$ 19,989,319**

(a) TRUPS is presented net of the valuation allowance of $25.5 million.

23

Table of Contents

Note 4 Loans (Continued)

The following table reflects accruing and non-accruing loans by class on December 31, 2016:

	Accruing				Non-Accruing				
(Dollars in thousands)	**Current**	**30-89 Days Past Due**	**90+ Days Past Due**	**Total Accruing**	**Current**	**30-89 Days Past Due**	**90+ Days Past Due**	**Total Non-Accruing**	**Total Loans**
Commercial (C&I):									
General C&I	$ 9,720,231	$ 5,199	$ 23	**$ 9,725,453**	$ 16,106	$ 374	$ 12,988	**$ 29,468**	**$ 9,754,921**
Loans to mortgage companies	2,041,408	3,722		**2,045,130**			59	**59**	**2,045,189**
TRUPS (a)	304,236			**304,236**			3,209	**3,209**	**307,445**
Purchased credit-impaired loans	40,113	185	234	**40,532**					**40,532**
Total commercial (C&I)	12,105,988	9,106	257	**12,115,351**	16,106	374	16,256	**32,736**	**12,148,087**
Commercial real estate:									
Income CRE	2,085,455	14		**2,085,469**	232	460	1,289	**1,981**	**2,087,450**
Residential CRE	42,182	178		**42,360**			795	**795**	**43,155**
Purchased credit-impaired loans	4,809	109		**4,918**					**4,918**
Total commercial real estate	2,132,446	301		**2,132,747**	232	460	2,084	**2,776**	**2,135,523**
Consumer real estate:									
HELOC	1,602,640	17,997	10,859	**1,631,496**	46,964	4,201	8,922	**60,087**	**1,691,583**
R/E installment loans	2,794,866	7,844	5,158	**2,807,868**	17,989	2,383	2,353	**22,725**	**2,830,593**
Purchased credit-impaired loans	1,319	164	93	**1,576**					**1,576**
Total consumer real estate	4,398,825	26,005	16,110	**4,440,940**	64,953	6,584	11,275	**82,812**	**4,523,752**
Permanent mortgage	385,972	4,544	5,428	**395,944**	11,867	2,194	13,120	**27,181**	**423,125**
Credit card & other:									
Credit card	188,573	1,622	1,456	**191,651**					**191,651**

Other	166,062	992	134	**167,188**			142	**142**	**167,330**
Purchased credit-impaired loans	52			**52**					**52**
Total credit card & other	354,687	2,614	1,590	**358,891**			142	**142**	**359,033**
Total loans, net of unearned income	$ 19,377,918	$ 42,570	$ 23,385	**$ 19,443,873**	$ 93,158	$ 9,612	$ 42,877	**$ 145,647**	**$ 19,589,520**

(a) TRUPS is presented net of the valuation allowance of $25.5 million.

Table of Contents

Note 4 Loans (Continued)

Troubled Debt Restructurings

As part of FHN s ongoing risk management practices, FHN attempts to work with borrowers when necessary to extend or modify loan terms to better align with their current ability to repay. Extensions and modifications to loans are made in accordance with internal policies and guidelines which conform to regulatory guidance. Each occurrence is unique to the borrower and is evaluated separately.

A modification is classified as a TDR if the borrower is experiencing financial difficulty and it is determined that FHN has granted a concession to the borrower. FHN may determine that a borrower is experiencing financial difficulty if the borrower is currently in default on any of its debt, or if it is probable that a borrower may default in the foreseeable future. Many aspects of a borrower s financial situation are assessed when determining whether they are experiencing financial difficulty. Concessions could include extension of the maturity date, reductions of the interest rate (which may make the rate lower than current market for a new loan with similar risk), reduction or forgiveness of accrued interest, or principal forgiveness. The assessments of whether a borrower is experiencing (or is likely to experience) financial difficulty, and whether a concession has been granted, are subjective in nature and management s judgment is required when determining whether a modification is classified as a TDR.

For all classes within the commercial portfolio segment, TDRs are typically modified through forbearance agreements (generally 6 to 12 months). Forbearance agreements could include reduced interest rates, reduced payments, release of guarantor, or entering into short sale agreements. FHN s proprietary modification programs for consumer loans are generally structured using parameters of U.S. government-sponsored programs such as the former Home Affordable Modification Program (HAMP). Within the HELOC and R/E installment loans classes of the consumer portfolio segment, TDRs are typically modified by reducing the interest rate (in increments of 25 basis points to a minimum of 1 percent for up to 5 years) and a possible maturity date extension to reach an affordable housing debt-to-income ratio. After 5 years, the interest rate generally returns to the original interest rate prior to modification; for certain modifications, the modified interest rate increases 2 percent per year until the original interest rate prior to modification is achieved. Permanent mortgage TDRs are typically modified by reducing the interest rate (in increments of 25 basis points to a minimum of 2 percent for up to 5 years) and a possible maturity date extension to reach an affordable housing debt-to-income ratio. After 5 years, the interest rate steps up 1 percent every year until it reaches the Federal Home Loan Mortgage Corporation Weekly Survey Rate cap. Contractual maturities may be extended to 40 years on permanent mortgages and to 30 years for consumer real estate loans. Within the credit card class of the consumer portfolio segment, TDRs are typically modified through either a short-term credit card hardship program or a longer-term credit card workout program. In the credit card hardship program, borrowers may be granted rate and payment reductions for 6 months to 1 year. In the credit card workout program, customers are granted a rate reduction to 0 percent and term extensions for up to 5 years to pay off the remaining balance.

Despite the absence of a loan modification, the discharge of personal liability through bankruptcy proceedings is considered a concession. As a result, FHN classifies all non-reaffirmed residential real estate loans discharged in Chapter 7 bankruptcy as nonaccruing TDRs.

On June 30, 2017 and December 31, 2016, FHN had \$252.7 million and \$285.2 million of portfolio loans classified as TDRs, respectively. For TDRs in the loan portfolio, FHN had loan loss reserves of \$42.1 million, or 17 percent as of June 30, 2017, and \$44.9 million, or 16 percent as of December 31, 2016. Additionally, \$66.1 million and \$69.3 million of loans held-for-sale as of June 30, 2017 and December 31, 2016, respectively, were classified as

TDRs.

Table of Contents

Note 4 Loans (Continued)

The following tables reflect portfolio loans that were classified as TDRs during the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30, 2017			Six Months Ended June 30, 2017		
(Dollars in thousands)	**Number**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**	**Number**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**
Commercial (C&I):						
General C&I	**1**	**$ 815**	**$ 799**	**2**	**$ 842**	**$ 836**
Total commercial (C&I)	**1**	**815**	**799**	**2**	**842**	**836**
Consumer real estate:						
HELOC	**27**	**2,293**	**2,270**	**62**	**4,882**	**4,743**
R/E installment loans	**14**	**799**	**782**	**28**	**1,756**	**1,684**
Total consumer real estate	**41**	**3,092**	**3,052**	**90**	**6,638**	**6,427**
Permanent mortgage	**4**	**699**	**693**	**9**	**2,009**	**1,996**
Credit card & other	**23**	**144**	**140**	**29**	**165**	**160**
Total troubled debt restructurings	**69**	**$ 4,750**	**$ 4,684**	**130**	**$ 9,654**	**$ 9,419**

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
(Dollars in thousands)	Number	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial (C&I):						
General C&I	4	$ 19,175	$ 18,067	5	$ 19,883	$ 18,775
Total commercial (C&I)	4	19,175	18,067	5	19,883	18,775
Consumer real estate:						
HELOC	53	5,258	5,246	152	12,698	12,616
R/E installment loans	19	3,326	3,614	34	4,224	4,509
Total consumer real estate	72	8,584	8,860	186	16,922	17,125

Permanent mortgage	4		841		840	4		841		840
Credit card & other	1		2		2	5		21		20
Total troubled debt restructurings	81	$	28,602	$	27,769	200	$	37,667	$	36,760

26

Table of Contents

Note 4 Loans (Continued)

The following tables present TDRs which re-defaulted during the three and six months ended June 30, 2017 and 2016, and as to which the modification occurred 12 months or less prior to the re-default. For purposes of this disclosure, FHN generally defines payment default as 30 or more days past due.

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
(Dollars in thousands)	Number	Recorded Investment	Number	Recorded Investment
Commercial (C&I):				
General C&I	2	$ 2,228	3	$ 8,007
Total commercial (C&I)	2	2,228	3	8,007
Consumer real estate:				
HELOC			4	685
R/E installment loans				
Total consumer real estate			4	685
Permanent mortgage	1	538	1	538
Credit card & other	1	11	3	18
Total troubled debt restructurings	4	$ 2,777	11	$ 9,248

	Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
(Dollars in thousands)	Number	Recorded Investment	Number	Recorded Investment
Commercial (C&I):				
General C&I		$		$
Total commercial (C&I)				
Consumer real estate:				
HELOC	1	102	2	138
R/E installment loans	1	180	1	180
Total consumer real estate	2	282	3	318

Permanent mortgage						
Credit card & other						
Total troubled debt restructurings	2	$	282	3	$	318

27

Table of Contents

Note 5 Allowance for Loan Losses

The ALLL includes the following components: reserves for commercial loans evaluated based on pools of credit graded loans and reserves for pools of smaller-balance homogeneous consumer loans, both determined in accordance with ASC 450-20-50. The reserve factors applied to these pools are an estimate of probable incurred losses based on management s evaluation of historical net losses from loans with similar characteristics and are subject to qualitative adjustments by management to reflect current events, trends, and conditions (including economic considerations and trends). The current economic conditions and trends, performance of the housing market, unemployment levels, labor participation rate, regulatory guidance, and both positive and negative portfolio segment-specific trends, are examples of additional factors considered by management in determining the ALLL. Additionally, management considers the inherent uncertainty of quantitative models that are driven by historical loss data. Management evaluates the periods of historical losses that are the basis for the loss rates used in the quantitative models and selects historical loss periods that are believed to be the most reflective of losses inherent in the loan portfolio as of the balance sheet date. Management also periodically reviews analysis of the loss emergence period which is the amount of time it takes for a loss to be confirmed (initial charge-off) after a loss event has occurred. FHN performs extensive studies as it relates to the historical loss periods used in the model and the loss emergence period and model assumptions are adjusted accordingly. The ALLL also includes reserves determined in accordance with ASC 310-10-35 for loans determined by management to be individually impaired and an allowance associated with PCI loans. See Note 1 Summary of Significant Accounting Policies and Note 5 Allowance for Loan Losses in the Notes to Consolidated Financial Statements on FHN s Form 10-K for the year ended December 31, 2016, for additional information about the policies and methodologies used in the aforementioned components of the ALLL.

Table of Contents

Note 5 Allowance for Loan Losses (Continued)

The following table provides a rollforward of the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2017 and 2016:

(Dollars in thousands)	C&I	Commercial Real Estate	Consumer Real Estate	Permanent Mortgage	Credit Card and Other	Total
Balance as of April 1, 2017	**$ 93,107**	**$ 30,888**	**$ 49,680**	**$ 15,893**	**$ 12,400**	**$ 201,968**
Charge-offs	**(1,865)**	**(20)**	**(3,951)**	**(843)**	**(3,151)**	**(9,830)**
Recoveries	**600**	**140**	**5,143**	**488**	**748**	**7,119**
Provision/(provision credit) for loan losses	**537**	**(538)**	**(4,803)**	**860**	**1,944**	**(2,000)**
Balance as of June 30, 2017	**92,379**	**30,470**	**46,069**	**16,398**	**11,941**	**197,257**
Balance as of January 1, 2017	**$ 89,398**	**$ 33,852**	**$ 50,357**	**$ 16,289**	**$ 12,172**	**$ 202,068**
Charge-offs	**(2,465)**	**(20)**	**(7,800)**	**(1,326)**	**(6,632)**	**(18,243)**
Recoveries	**2,276**	**361**	**10,819**	**1,391**	**1,585**	**16,432**
Provision/(provision credit) for loan losses	**3,170**	**(3,723)**	**(7,307)**	**44**	**4,816**	**(3,000)**
Balance as of June 30, 2017	**92,379**	**30,470**	**46,069**	**16,398**	**11,941**	**197,257**
Allowance individually evaluated for impairment	**3,641**	**176**	**27,149**	**11,858**	**161**	**42,985**
Allowance collectively evaluated for impairment	**88,609**	**30,277**	**18,536**	**4,540**	**11,780**	**153,742**
Allowance purchased credit-impaired loans	**129**	**17**	**384**			**530**
Loans, net of unearned as of June 30, 2017:						
Individually evaluated for impairment	**38,034**	**3,024**	**137,999**	**85,913**	**360**	**265,330**
Collectively evaluated for impairment	**12,538,913**	**2,204,947**	**4,278,063**	**322,182**	**353,135**	**19,697,240**
Purchased credit-impaired loans	**21,272**	**4,025**	**1,397**		**55**	**26,749**
Total loans, net of unearned income	**$ 12,598,219**	**$ 2,211,996**	**$ 4,417,459**	**$ 408,095**	**$ 353,550**	**$ 19,989,319**
Balance as of April 1, 2016	$ 80,887	$ 25,626	$ 67,321	$ 18,754	$ 11,446	$ 204,034

Charge-offs	(7,869)	(51)	(6,582)	(349)	(3,445)	(18,296)
Recoveries	1,602	909	6,082	484	992	10,069
Provision/(provision credit) for loan losses	6,352	3,780	(7,740)	(1,289)	2,897	4,000
Balance as of June 30, 2016	80,972	30,264	59,081	17,600	11,890	199,807
Balance as of January 1, 2016	$ 73,637	$ 25,159	$ 80,614	$ 18,947	$ 11,885	$ 210,242
Charge-offs	(14,394)	(693)	(13,508)	(461)	(6,852)	(35,908)
Recoveries	2,382	1,131	11,817	1,263	1,880	18,473
Provision/(provision credit) for loan losses	19,347	4,667	(19,842)	(2,149)	4,977	7,000
Balance as of June 30, 2016	80,972	30,264	59,081	17,600	11,890	199,807
Allowance individually evaluated for impairment	4,076	434	31,911	15,583	147	52,151
Allowance collectively evaluated for impairment	76,786	29,449	26,834	2,017	11,743	146,829
Allowance purchased credit-impaired loans	110	381	336			827
Loans, net of unearned as of June 30, 2016:						
Individually evaluated for impairment	51,447	8,298	163,339	95,882	356	319,322
Collectively evaluated for impairment	11,117,452	1,951,306	4,475,856	343,132	360,275	18,248,021
Purchased credit-impaired loans	10,546	9,808	1,584		56	21,994
Total loans, net of unearned income	$ 11,179,445	$ 1,969,412	$ 4,640,779	$ 439,014	$ 360,687	$ 18,589,337

Table of Contents

Note 6 Intangible Assets

The following is a summary of other intangible assets included in the Consolidated Condensed Statements of Condition:

	June 30, 2017			December 31, 2016		
(Dollars in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Value**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Core deposit intangibles	**$ 16,850**	**$ (5,677)**	**$ 11,173**	$ 16,850	$ (4,721)	$ 12,129
Customer relationships (a)	**76,865**	**(48,274)**	**28,591**	54,865	(46,302)	8,563
Other (a) (b)	**5,622**	**(265)**	**5,357**	555	(230)	325
Total	**$ 99,337**	**$ (54,216)**	**$ 45,121**	$ 72,270	$ (51,253)	$ 21,017

(a) 2017 increase associated with the Coastal acquisition.

(b) Balance primarily includes noncompete covenants, as well as $322 thousand related to state banking licenses not subject to amortization.

Amortization expense was $2.0 million and $1.3 million for the three months ended June 30, 2017 and 2016, respectively, and $3.2 million and $2.6 million for the six months ended June 30, 2017 and 2016, respectively. As of June 30, 2017 the estimated aggregated amortization expense is expected to be:

(Dollars in thousands)	
Year	**Amortization**
Remainder of 2017	$ 3,929
2018	7,483
2019	7,179
2020	4,303
2021	4,123
2022	3,356

Gross goodwill, accumulated impairments, and accumulated divestiture related write-offs were determined beginning January 1, 2012, when a change in accounting requirements resulted in goodwill being assessed for impairment rather than being amortized. Gross goodwill of $200.0 million with accumulated impairments and accumulated divestiture-related write-offs of $114.1 million and $85.9 million, respectively, were previously allocated to the non-strategic segment, resulting in $0 net goodwill allocated to the non-strategic segment as of June 30, 2017 and December 31, 2016. The regional banking and fixed income segments do not have any accumulated impairments or divestiture related write-offs. The following is a summary of goodwill by reportable segment included in the Consolidated Condensed Statements of Condition as of June 30, 2017 and December 31, 2016.

(Dollars in thousands)	Regional Banking	Fixed Income	Total

December 31, 2015	$ 93,303	$ 98,004	$ 191,307
Additions			
June 30, 2016	$ 93,303	$ 98,004	$ 191,307
December 31, 2016	$ 93,367	$ 98,004	$ 191,371
Additions (a)		44,964	44,964
June 30, 2017	**$ 93,367**	**$ 142,968**	**$ 236,335**

(a) See Note 2 Acquisitions and Divestitures for further details regarding goodwill related to acquisitions.

30

Table of Contents

Note 7 Other Income and Other Expense

Following is detail of All other income and commissions and All other expense as presented in the Consolidated Condensed Statements of Income:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2017**	2016	**2017**	2016
All other income and commissions:				
Other service charges	**$ 3,109**	$ 2,996	**$ 6,093**	$ 5,709
ATM interchange fees	**3,083**	2,879	**5,861**	5,837
Deferred compensation	**1,491**	795	**3,318**	1,124
Electronic banking fees	**1,306**	1,381	**2,629**	2,778
Mortgage banking	**1,268**	598	**2,529**	1,871
Letter of credit fees	**1,122**	1,115	**2,158**	2,176
Insurance commissions	**592**	552	**1,475**	1,039
Other	**2,646**	2,005	**4,945**	5,076
Total	**$ 14,617**	$ 12,321	**$ 29,008**	$ 25,610
All other expense:				
Travel and entertainment	**$ 3,162**	$ 2,495	**$ 5,510**	$ 4,557
Other insurance and taxes	**2,443**	3,014	**4,833**	6,327
Customer relations	**1,543**	1,483	**2,879**	3,362
Employee training and dues	**1,453**	1,338	**2,996**	2,728
Supplies	**1,093**	930	**1,956**	1,956
Tax credit investments	**942**	831	**1,884**	1,537
Miscellaneous loan costs	**699**	565	**1,321**	1,282
Litigation and regulatory matters	**533**	26,000	**241**	25,525
Foreclosed real estate	**446**	(432)	**650**	(690)
Other	**12,090**	10,624	**20,921**	22,343
Total	**$ 24,404**	$ 46,848	**$ 43,191**	$ 68,927

Table of Contents

Note 8 Components of Other Comprehensive Income/(loss)

The following table provides the changes in accumulated other comprehensive income/(loss) by component, net of tax, for the three and six months ended June 30, 2017 and 2016:

(Dollars in thousands)	Securities AFS	Cash Flow Hedges	Pension and Post-retirement Plans	Total
Balance as of April 1, 2017	$ (18,795)	$ (3,179)	$ (227,984)	$ (249,958)
Net unrealized gains/(losses)	9,188	3,059		12,247
Amounts reclassified from AOCI	(250)	(904)	1,403	249
Other comprehensive income/(loss)	8,938	2,155	1,403	12,496
Balance as of June 30, 2017	**$ (9,857)**	**$ (1,024)**	**$ (226,581)**	**$ (237,462)**
Balance as of January 1, 2017	$ (17,232)	$ (1,265)	$ (229,157)	$ (247,654)
Net unrealized gains/(losses)	7,652	1,997		9,649
Amounts reclassified from AOCI	(277)	(1,756)	2,576	543
Other comprehensive income/(loss)	7,375	241	2,576	10,192
Balance as of June 30, 2017	**$ (9,857)**	**$ (1,024)**	**$ (226,581)**	**$ (237,462)**

(Dollars in thousands)	Securities AFS	Cash Flow Hedges	Pension and Post-retirement Plans	Total
Balance as of April 1, 2016	$ 42,554	$ 3,465	$ (216,460)	$ (170,441)
Net unrealized gains/(losses)	16,037	1,600		17,637
Amounts reclassified from AOCI		(374)	844	470
Other comprehensive income/(loss)	16,037	1,226	844	18,107
Balance as of June 30, 2016	$ 58,591	$ 4,691	$ (215,616)	$ (152,334)
Balance as of January 1, 2016	$ 3,394	$	$ (217,586)	$ (214,192)
Net unrealized gains/(losses)	56,217	5,439		61,656
Amounts reclassified from AOCI	(1,020)	(748)	1,970	202
Other comprehensive income/(loss)	55,197	4,691	1,970	61,858
Balance as of June 30, 2016	$ 58,591	$ 4,691	$ (215,616)	$ (152,334)

32

Table of Contents

Note 8 Components of Other Comprehensive Income/(loss) (Continued)

Reclassifications from AOCI, and related tax effects, were as follows:

(Dollars in thousands)	Three Months Ended June 30		Six Months Ended June 30		
Details about AOCI	**2017**	2016	**2017**	2016	**Affected line item in the statement where net income is presented**
Securities AFS:					
Realized (gains)/losses on securities AFS	**$ (405)**	$	**$ (449)**	$ (1,654)	Debt securities gains/(losses), net
Tax expense/(benefit)	**155**		**172**	634	Provision/(benefit) for income taxes
	(250)		**(277)**	(1,020)	
Cash flow hedges:					
Realized (gains)/losses on cash flow hedges	**(1,465)**	(607)	**(2,845)**	(1,213)	Interest and fees on loans
Tax expense/(benefit)	**561**	233	**1,089**	465	Provision/(benefit) for income taxes
	(904)	(374)	**(1,756)**	(748)	
Pension and Postretirement Plans:					
Amortization of prior service cost and net actuarial gain/(loss)	**2,273**	1,369	**4,173**	3,195	Employee compensation, incentives, and benefits
Tax expense/(benefit)	**(870)**	(525)	**(1,597)**	(1,225)	Provision/(benefit) for income taxes
	1,403	844	**2,576**	1,970	
Total reclassification from AOCI	**$ 249**	$ 470	**$ 543**	$ 202	

33

Table of Contents

Note 9 Earnings Per Share

The following table provides reconciliations of net income to net income available to common shareholders and the difference between average basic common shares outstanding and average diluted common shares outstanding:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars and shares in thousands, except per share data)	**2017**	2016	**2017**	2016
Net income/(loss)	**$ 95,204**	$ 60,940	**$ 153,592**	$ 113,153
Net income attributable to noncontrolling interest	**2,852**	2,852	**5,672**	5,703
Net income/(loss) attributable to controlling interest	**92,352**	58,088	**147,920**	107,450
Preferred stock dividends	**1,550**	1,550	**3,100**	3,100
Net income/(loss) available to common shareholders	**$ 90,802**	$ 56,538	**$ 144,820**	$ 104,350
Weighted average common shares outstanding basic	**233,482**	231,573	**233,280**	233,112
Effect of dilutive securities	**2,781**	2,003	**2,945**	2,009
Weighted average common shares outstanding diluted	**236,263**	233,576	**236,225**	235,121
Net income/(loss) per share available to common shareholders	**$ 0.39**	$ 0.24	**$ 0.62**	$ 0.45
Diluted income/(loss) per share available to common shareholders	**$ 0.38**	$ 0.24	**$ 0.61**	$ 0.44

The following table presents outstanding options and other equity awards that were excluded from the calculation of diluted earnings per share because they were either anti-dilutive (the exercise price was higher than the weighted-average market price for the period) or the performance conditions have not been met:

	Three Months Ended June 30		Six Months Ended June 30	
(Shares in thousands)	**2017**	2016	**2017**	2016
Stock options excluded from the calculation of diluted EPS	**2,721**	3,842	**2,512**	3,804
Weighted average exercise price of stock options excluded from the calculation of diluted EPS	**$ 25.24**	$ 22.68	**$ 25.85**	$ 23.06
Other equity awards excluded from the calculation of diluted EPS	**482**	959	**247**	867

Table of Contents

Note 10 Contingencies and Other Disclosures

CONTINGENCIES

Contingent Liabilities Overview

Contingent liabilities arise in the ordinary course of business. Often they are related to lawsuits, arbitration, mediation, and other forms of litigation. Various litigation matters are threatened or pending against FHN and its subsidiaries. Also, FHN at times receives requests for information, subpoenas, or other inquiries from federal, state, and local regulators, from other government authorities, and from other parties concerning various matters relating to FHN s current or former lines of business. Certain matters of that sort are pending at this time, and FHN is cooperating in those matters. Pending and threatened litigation matters sometimes are resolved in court or before an arbitrator, and sometimes are settled by the parties. Regardless of the manner of resolution, frequently the most significant changes in status of a matter occur over a short time period, often following a lengthy period of little substantive activity. In view of the inherent difficulty of predicting the outcome of these matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories or involve a large number of parties, or where claims or other actions may be possible but have not been brought, FHN cannot reasonably determine what the eventual outcome of the matters will be, what the timing of the ultimate resolution of these matters may be, or what the eventual loss or impact related to each matter may be. FHN establishes a loss contingency liability for a litigation matter when loss is both probable and reasonably estimable as prescribed by applicable financial accounting guidance. If loss for a matter is probable and a range of possible loss outcomes is the best estimate available, accounting guidance requires a liability to be established at the low end of the range.

Based on current knowledge, and after consultation with counsel, management is of the opinion that loss contingencies related to threatened or pending litigation matters should not have a material adverse effect on the consolidated financial condition of FHN, but may be material to FHN s operating results for any particular reporting period depending, in part, on the results from that period.

Material Loss Contingency Matters

Summary

As used in this Note, material loss contingency matters generally fall into at least one of the following categories: (i) FHN has determined material loss to be probable and has established a material loss liability in accordance with applicable financial accounting guidance, other than certain matters reported as having been substantially settled or otherwise substantially resolved; (ii) FHN has determined material loss to be probable but is not reasonably able to estimate an amount or range of material loss liability; or (iii) FHN has determined that material loss is not probable but is reasonably possible, and that the amount or range of that reasonably possible material loss is estimable. As defined in applicable accounting guidance, loss is reasonably possible if there is more than a remote chance of a material loss outcome for FHN. Set forth below are disclosures for certain pending or threatened litigation matters, including all matters mentioned in (i) or (ii) and certain matters mentioned in (iii). In addition, certain other matters, or groups of matters, are discussed relating to FHN s former mortgage origination and servicing businesses. In all litigation matters discussed, unless settled or otherwise resolved, FHN believes it has meritorious defenses and intends to pursue those defenses vigorously.

FHN reassesses the liability for litigation matters each quarter as the matters progress. At June 30, 2017, the aggregate amount of liabilities established for all such loss contingency matters was $1.1 million. These liabilities are separate from those discussed under the heading Repurchase and Foreclosure Liability below.

In each material loss contingency matter, except as otherwise noted, there is more than a remote chance that any of the following outcomes will occur: the plaintiff will substantially prevail; the defense will substantially prevail; the plaintiff will prevail in part; or the matter will be settled by the parties. At June 30, 2017, FHN estimates that for all material loss contingency matters, estimable reasonably possible losses in future periods in excess of currently established liabilities could aggregate in a range from zero to approximately $52 million.

Table of Contents

Note 10 Contingencies and Other Disclosures (Continued)

As a result of the general uncertainties discussed above and the specific uncertainties discussed for each matter mentioned below, it is possible that the ultimate future loss experienced by FHN for any particular matter may materially exceed the amount, if any, of currently established liability for that matter. That possibility exists both for matters included in the estimated reasonably possible loss (RPL) range mentioned above and for matters not included in that range.

Material Matters

FHN, along with multiple co-defendants, is defending lawsuits brought by investors which claim that the offering documents under which certificates relating to First Horizon branded securitizations were sold to them were materially deficient. One of those matters is viewed as material currently: Federal Deposit Insurance Corporation (FDIC) as receiver for Colonial Bank, in the U.S. District Court for the Southern District of New York (Case No. 12 Civ. 6166 (LLS)(MHD)). The plaintiff in that suit claims to have purchased (and later sold) certificates totaling $83.4 million, relating to a number of separate securitizations. Plaintiff demands damages and prejudgment interest, among several remedies sought. The current RPL estimate for this matter is subject to significant uncertainties regarding: the dollar amounts claimed; the potential remedies that might be available or awarded; the outcome of any settlement discussions; the availability of significantly dispositive defenses; and the incomplete status of the discovery process. Additional information concerning FHN s former mortgage businesses is provided below in Obligations from Legacy Mortgage Businesses.

Underwriters are co-defendants in the FDIC-New York matter and have demanded, under provisions in the applicable underwriting agreements, that FHN indemnify them for their expenses and any losses they may incur. In addition, FHN has received indemnity demands from underwriters in certain other suits as to which investors claim to have purchased certificates in FH proprietary securitizations but as to which FHN has not been named a defendant.

For most pending indemnity claims FHN is unable to estimate an RPL range due to significant uncertainties regarding: claims as to which the claimant specifies no dollar amount; the potential remedies that might be available or awarded; the availability of significantly dispositive defenses such as statutes of limitations or repose; the outcome of potentially dispositive early-stage motions such as motions to dismiss; the incomplete status of the discovery process; the lack of a precise statement of damages; and lack of precedent claims. The alleged purchase prices of the certificates subject to pending indemnification claims, excluding the FDIC-New York matter, total $409.9 million.

FHN has additional potential exposures related to its former mortgage businesses. A few of those matters have become litigation which FHN currently estimates are immaterial, some are non-litigation claims or threats, some are mere subpoenas or other requests for information, and in some areas FHN has no indication of any active or threatened dispute. Some of those matters might eventually result in loan repurchases or make-whole payments and could be included in the repurchase liability, including indemnity payments, discussed below, and some might eventually result in damages or other litigation-oriented liability, but none are included in the material loss contingency liabilities mentioned above or in the RPL range mentioned above. Additional information concerning such exposures is provided below in Obligations from Legacy Mortgage Businesses.

Matters Related to Capital Bank Financial Transaction

On July 14, 2017, a complaint captioned Robert Garfield v. First Horizon National Corporation, et al., No. CH-17-1022, was filed on behalf of a putative class of FHN shareholders against FHN, its directors, and Capital Bank Financial Corp. (Capital Bank Financial) in the Court of Chancery of Shelby County, Tennessee (30th Judicial District), in connection with FHN s agreement to acquire Capital Bank Financial by merger. The complaint alleges, among other things, that the FHN director defendants breached their fiduciary duties by approving the merger, that Capital Bank Financial aided and abetted such breaches, and that FHN, its directors, and Capital Bank Financial failed to disclose material information in connection with the merger. The complaint seeks, among other things, an order enjoining the merger, as well as other equitable relief and/or money damages, interest, costs, fees (including attorneys fees), and expenses.

Table of Contents

Note 10 Contingencies and Other Disclosures (Continued)

In addition, Capital Bank Financial and the individual members of the Capital Bank Financial board of directors have been named as defendants in three substantially similar putative derivative and class action lawsuits filed by alleged shareholders of Capital Bank Financial. These actions are captioned: (1) Bushansky v. Capital Bank Financial Corp., et al., No. 3:17-cv-00422 (W.D. North Carolina filed July 17, 2017); (2) Parshall v. Capital Bank Financial Corp., et al., No. 3:17-cv-00428 (W.D. North Carolina filed July 19, 2017); and (3) Catherine McNamara v. Capital Bank Financial Corp., et al., No. 3:17-cv-00439 (W.D. North Carolina filed July 25, 2017). The Parshall complaint also names FHN as a defendant. The three complaints allege that the registration statement on Form S-4 which FHN filed on June 29, 2017 omits and/or misrepresents material information which renders it false and misleading. Specifically, the complaints allege that the registration statement omits material information regarding (i) the financial projections of Capital Bank Financial, FHN, and the pro forma combined company; (ii) material information regarding the engagement of an investment banker; (iii) the holdings of certain investment bankers in Capital Bank Financial and FHN; and (iv) certain provisions of non-disclosure agreements between Capital Bank Financial and prospective bidders, which included FHN. The complaints further allege that an investment banker s valuation analyses and fairness opinion were misleading. The complaints seek, among other things, an order enjoining the merger, as well as other equitable relief and/or money damages, interest, costs, fees (including attorneys fees) and expenses.

The outcome of these pending matters, and any additional future litigation concerning FHN s transaction with Capital Bank Financial, is uncertain. Any of these suits, if fully or partially successful, could prevent or delay completion of the transaction and could result in substantial costs to FHN, including any costs associated with the indemnification of FHN s directors and officers and, after the transaction closes, indemnification of Capital Bank Financial s directors and officers.

Material Gain Contingency Matter

In second quarter 2015 FHN reached an agreement with DOJ and HUD to settle potential claims related to FHN s underwriting and origination of loans insured by FHA. Under that agreement FHN paid $212.5 million. FHN believes that certain insurance policies, having an aggregate policy limit of $75 million, provide coverage for FHN s losses and related costs. The insurers have denied and/or reserved rights to deny coverage. FHN sued the insurers to enforce the policies under Tennessee law. The trial court granted summary judgment to the defendants, and FHN has appealed. In connection with this litigation FHN seeks to partly recoup previously recognized expenses associated with the settled matter. Under applicable financial accounting guidance FHN has determined that although material gain from this litigation is not probable, there is a reasonably possible (more than remote) chance of a material gain outcome for FHN. FHN cannot determine a probable outcome that may result from this matter because of the uncertainty of the potential outcomes of the legal proceedings and also due to significant uncertainties regarding: legal interpretation of the relevant contracts; potential remedies that might be available or awarded; and the ultimate effect of counterclaims asserted by the defendants. Additional information concerning FHN s former mortgage businesses is provided below in Obligations from Legacy Mortgage Businesses.

Obligations from Legacy Mortgage Businesses

Loss contingencies mentioned above under Material Matters stem from FHN s former mortgage origination and servicing businesses. FHN retains potential for further exposure, in addition to the matters mentioned, from those former businesses. The following discussion provides context and other information to enhance an understanding of those matters and exposures.

Overview

Prior to September 2008 FHN originated loans through its legacy mortgage business, primarily first lien home loans, with the intention of selling them. Sales typically were effected either as non-recourse whole-loan sales or through non-recourse proprietary securitizations. Conventional conforming single-family residential mortgage loans were sold predominately to two GSEs: Fannie Mae and Freddie Mac. Also, federally insured or guaranteed whole loans were pooled, and payments to investors were guaranteed through Ginnie Mae. Many mortgage loan originations, especially nonconforming mortgage loans, were sold to investors, or certificate-holders, predominantly through FH proprietary securitizations but also, to a lesser extent, through other whole loans sold to private non-Agency purchasers. FHN used only one trustee for all of its FH proprietary

Table of Contents

Note 10 Contingencies and Other Disclosures (Continued)

securitizations. FHN also originated mortgage loans eligible for FHA insurance or VA guaranty. In addition, FHN originated and sold HELOCs and second lien mortgages through other whole loans sold to private purchasers and, to a lesser extent, through FH proprietary securitizations. Currently, only one FH securitization of HELOCs remains outstanding.

For non-recourse loan sales, FHN has exposure for repurchase of loans, make-whole damages, or other related damages, arising from claims that FHN breached its representations and warranties made at closing to the purchasers, including GSEs, other whole loan purchasers, and the trustee of FH proprietary securitizations.

During the time these legacy activities were conducted, FHN frequently sold mortgage loans with servicing retained. As a result, FHN accumulated substantial amounts of MSR on its consolidated balance sheet, as well as contractual servicing obligations and related deposits and receivables. FHN conducted a significant servicing business under its First Horizon Home Loans brand.

MI was required by GSE rules for certain of the loans sold to GSEs and was also provided for certain of the loans that were securitized. MI generally was provided for first lien loans sold or securitized having an LTV ratio at origination of greater than 80 percent.

In 2007, market conditions deteriorated to the point where mortgage-backed securitizations no longer could be sold economically; FHN s last securitization occurred that year. FHN continued selling mortgage loans to GSEs until August 31, 2008, when FHN sold its national mortgage origination and servicing platforms along with a portion of its servicing assets and obligations. FHN contracted to have its remaining servicing obligations sub-serviced. Since the platform sale FHN has sold substantially all remaining servicing assets and obligations.

Certain mortgage-related terms used in this Contingencies section are defined in Mortgage-Related Glossary at the end of this Overview.

Repurchase and Make-Whole Obligations

Starting in 2009, FHN received a high number of claims either to repurchase loans from the purchaser or to pay the purchaser to make them whole for economic losses incurred. These claims have been driven primarily by loan delinquencies. In repurchase or make-whole claims a loan purchaser typically asserts that specified loans violated representations and warranties FHN made when the loans were sold. A significant majority of claims received overall have come from GSEs, and the remainder are from purchasers of other whole loan sales. FHN has not received a loan repurchase or make-whole claim from the FH proprietary securitization trustee.

Generally, FHN reviews each claim and MI cancellation notice individually. FHN s responses include appeal, provide additional information, deny the claim (rescission), repurchase the loan or remit a make-whole payment, or reflect cancellation of MI.

After several years resolving repurchase and make-whole claims with each GSE on a loan-by-loan basis, in 2013 and 2014 FHN entered into DRAs with the GSEs, resolving at once a large fraction of potential claims. Starting in 2014, the overall number of such claims diminished substantially, primarily as a result of the DRAs. Each DRA resolved obligations associated with loans originated from 2000 to 2008, but certain obligations and loans were excluded.

Under each DRA, FHN remains responsible for repurchase obligations related to certain excluded defects (such as title defects and violations of the GSE s Charter Act) and FHN continues to have loan repurchase or monetary compensation obligations under the DRAs related to private mortgage insurance rescissions, cancellations, and denials (with certain exceptions). FHN also has exposure related to loans where there has been a prior bulk sale of servicing, as well as certain other whole-loan sales. With respect to loans where there has been a prior bulk sale of servicing, FHN is not responsible for MI cancellations and denials to the extent attributable to the acts of the current servicer.

Note 10 Contingencies and Other Disclosures (Continued)

While large portions of repurchase claims from the GSEs were settled with the DRAs, comprehensive settlement of repurchase, make-whole, and indemnity claims with non-Agency claimants is not practical. Such claims that are not resolved by the parties can, and sometimes have, become litigation.

FH Proprietary Securitization Actions

FHN has potential financial exposure from FH proprietary securitizations outside of the repurchase/make-whole process. Several investors in certificates sued FHN and others starting in 2009, and several underwriters or other counterparties have demanded that FHN indemnify and defend them in securitization lawsuits. The pending suits generally assert that disclosures made to investors in the offering and sale of certificates were legally deficient.

Servicing Obligations

FHN s national servicing business was sold as part of the platform sale in 2008. A significant amount of MSR was sold at that time, and a significant amount was retained. The related servicing activities, including foreclosure and loss mitigation practices, not sold in 2008 were outsourced through a three-year subservicing arrangement (the 2008 subservicing agreement) with the platform buyer (the 2008 subservicer). The 2008 subservicing agreement expired in 2011 when FHN entered into a replacement agreement with a new subservicer (the 2011 subservicer). In fourth quarter 2013, FHN contracted to sell a substantial majority of its remaining servicing obligations and servicing assets (including advances) to the 2011 subservicer. The servicing was transferred to the buyer in stages, and was substantially completed in first quarter 2014. The servicing still retained by FHN continues to be subserviced.

As servicer, FHN had contractual obligations to the owners of the loans (primarily GSEs) and securitization trustees, to handle billing, custodial, and other tasks related to each loan. Each subservicer undertook to perform those obligations on FHN s behalf during the applicable subservicing period, although FHN legally remained the servicer of record for those loans that were subserviced.

The 2008 subservicer has been subject to a consent decree, and entered into a settlement agreement with regulators related to alleged deficiencies in servicing and foreclosure practices. The 2008 subservicer has made demands of FHN, under the 2008 subservicing agreement, to pay certain resulting costs and damages totaling $43.5 million. FHN disagrees with those demands and has made no payments. This disagreement has the potential to result in litigation and, in any such future litigation, the claim against FHN may be substantial.

A certificate holder has contacted FHN, claiming that it has been damaged from alleged deficiencies in servicing loans held in certain FH proprietary securitization trusts. The holder has sued the FH securitization trustee on related grounds, but has not yet sued FHN. FHN cannot predict how this matter will proceed nor can FHN predict whether this matter ultimately will be material to FHN.

Origination Data

From 2005 through 2008, FHN originated and sold $69.5 billion of mortgage loans to the Agencies. This includes $57.6 billion of loans sold to GSEs and $11.9 billion of loans guaranteed by Ginnie Mae. Although FHN conducted these businesses before 2005, GSE loans originated in 2005 through 2008 account for a substantial majority of all repurchase requests/make-whole claims received since the 2008 platform sale.

From 2005 through 2007, $26.7 billion of mortgage loans were included in FH proprietary securitizations. The last FH securitization occurred in 2007.

Table of Contents

Note 10 Contingencies and Other Disclosures (Continued)

Mortgage-Related Glossary

Agencies	the two GSEs and Ginnie Mae	**HELOC**	home equity line of credit
certificates	securities sold to investors representing interests in mortgage loan securitizations	**HUD**	Dept. of Housing and Urban Development
DOJ	U.S. Department of Justice	**LTV**	loan-to-value, a ratio of the loan amount divided by the home value
DRA	definitive resolution agreement with a GSE	**MI**	private mortgage insurance, insuring against borrower payment default
Fannie Mae, Fannie, FNMA	Federal National Mortgage Association	**MSR**	mortgage servicing rights
FH proprietary securitization	securitization of mortgages sponsored by FHN under its First Horizon brand	**nonconforming loans**	loans that did not conform to Agency program requirements
FHA	Federal Housing Administration	**other whole loans sold**	mortgage loans sold to private, non-Agency purchasers
Freddie Mac, Freddie, FHLMC	Federal Home Loan Mortgage Corporation	**2008 platform sale, platform sale, 2008 sale**	FHN s sale of its national mortgage origination and servicing platforms in 2008
Ginnie Mae, Ginnie, GNMA	Government National Mortgage Association	**pipeline or active pipeline**	pipeline of mortgage repurchase, make-whole, & certain related claims against FHN
GSEs	Fannie Mae and Freddie Mac	**VA**	Veterans Administration

Repurchase and Foreclosure Liability

The repurchase and foreclosure liability is comprised of reserves to cover estimated loss content in the active pipeline, estimated future inflows, as well as estimated loss content related to certain known claims not currently included in the active pipeline. FHN compares the estimated probable incurred losses determined under the applicable loss estimation approaches for the respective periods with current reserve levels. Changes in the estimated required liability levels are recorded as necessary through the repurchase and foreclosure provision.

Based on currently available information and experience to date, FHN has evaluated its loan repurchase, make-whole, and certain related exposures and has accrued for losses of $35.3 million and $66.0 million as of June 30, 2017 and December 31, 2016, respectively, including a smaller amount related to equity-lending junior lien loan sales. Accrued liabilities for FHN s estimate of these obligations are reflected in Other liabilities on the Consolidated Condensed Statements of Condition. Charges/expense reversals to increase/decrease the liability are included within Repurchase and foreclosure provision/(provision credit) on the Consolidated Condensed Statements of Income. The decline in the repurchase and foreclosure liability since year-end is the result of the settlement of certain repurchase claims. The estimates are based upon currently available information and fact patterns that exist as of the balance sheet dates and could be subject to future changes. Changes to any one of these factors could significantly impact the estimate of FHN s liability.

<u>Other FHN Mortgage Exposures</u>

FHN s FHA and VA program lending was substantial prior to the 2008 platform sale, and has continued at a much lower level since then. As lender, FHN made certain representations and warranties as to the compliance of the loans with program requirements. Over the past several years, most recently in first quarter 2015, FHN occasionally has recognized significant losses associated with settling claims and potential claims by government agencies, and by private parties asserting claims on behalf of agencies, related to these origination activities. At June 30, 2017, FHN had not accrued a liability for any matter related to these government lending programs, and no pending or known threatened matter related to these programs represented a material loss contingency described above.

Table of Contents

Note 10 Contingencies and Other Disclosures (Continued)

At June 30, 2017, FHN had not accrued a liability for exposure for repurchase of first-lien loans related to FH proprietary securitizations arising from claims from the trustee that FHN breached its representations and warranties in FH proprietary securitizations at closing. FHN s trustee is a defendant in lawsuits in which the plaintiffs have asserted that the trustee has duties to review loans and otherwise to act against FHN outside of the duties specified in the applicable trust documents; FHN is not a defendant and is not able to assess what, if any, exposure FHN may have as a result of them.

FHN is defending, directly or as indemnitor, certain pending lawsuits brought by purchasers of certificates in FH proprietary securitizations or their assignees. FHN believes a new lawsuit based on federal securities claims that offering disclosures were deficient cannot be brought at this time due to the running of applicable limitation periods, but other investor claims, based on other legal theories, might still be possible. Due to sales of MSR starting in 2008, FHN has limited visibility into current loan information such as principal payoffs, refinance activity, delinquency trends, and loan modification activity.

Many non-GSE purchasers of whole loans from FHN included those loans in their own securitizations. Regarding such other whole loans sold, FHN made representations and warranties concerning the loans and provided indemnity covenants to the purchaser/securitizer. Typically the purchaser/securitizer assigned key contractual rights against FHN to the securitization trustee. As mentioned above, repurchase, make-whole, indemnity, and other monetary claims related to specific loans are included in the active pipeline and repurchase reserve. In addition, currently the following categories of actions are pending which involve FHN and other whole loans sold: (i) FHN has received indemnification requests from purchasers of loans or their assignees in cases where FHN is not a defendant; (ii) FHN has received subpoenas seeking loan reviews in cases where FHN is not a defendant; (iii) FHN has received repurchase, indemnity, and other demands from purchasers or their assignees; and (iv) FHN is a defendant in legal actions involving FHN-originated other whole loans sold, including one of the material matters mentioned above. At June 30, 2017, FHN s repurchase and foreclosure liability considered certain known exposures from other whole loans sold.

Certain government entities have subpoenaed information from FHN and others. These entities include the FDIC (on behalf of certain failed banks) and the FHLBs of San Francisco, Atlanta, and Seattle, among others. These entities purport to act on behalf of several purchasers of FH proprietary securitizations, and of non-FH securitizations which included other whole loans sold. Collectively, the subpoenas seek information concerning: a number of FH proprietary securitizations and/or underlying loan originations; and originations of certain other whole loans sold which, in many cases, were included by the purchaser in its own securitizations. Some subpoenas fail to identify the specific investments made or loans at issue. Moreover, FHN has limited information regarding at least some of the loans under review. Unless and until a review (if related to specific loans) becomes an identifiable repurchase claim, the associated loans are not considered part of the active pipeline.

OTHER DISCLOSURES

Visa Matters

FHN is a member of the Visa USA network. In October 2007, the Visa organization of affiliated entities completed a series of global restructuring transactions to combine its affiliated operating companies, including Visa USA, under a single holding company, Visa Inc. (Visa). Upon completion of the reorganization, the members of the Visa USA network remained contingently liable for certain Visa litigation matters (the Covered Litigation). Based on its proportionate membership share of Visa USA, FHN recognized a contingent liability in fourth quarter 2007 related to this contingent obligation. In March 2008, Visa completed its initial public offering (IPO) and funded an escrow account from its IPO proceeds to be used to make payments related to the Visa litigation matters. FHN received approximately 2.4 million Class B shares in conjunction with Visa s IPO.

Table of Contents

Note 10 Contingencies and Other Disclosures (Continued)

Conversion of these shares into Class A shares of Visa is prohibited until the final resolution of the covered litigation. In conjunction with the prior sales of Visa Class B shares in December 2010 and September 2011, FHN and the purchasers entered into derivative transactions whereby FHN will make, or receive, cash payments whenever the conversion ratio of the Visa Class B shares into Visa Class A shares is adjusted. The conversion ratio is adjusted when Visa deposits funds into the escrow account to cover certain litigation. As of June 30, 2017 and December 31, 2016, the derivative liabilities were $5.7 million and $6.2 million, respectively.

In July 2012, Visa and MasterCard announced a joint settlement (the Settlement) related to the Payment Card Interchange matter, one of the Covered Litigation matters. Based on the amount of the Settlement attributable to Visa and an assessment of FHN s contingent liability accrued for Visa litigation matters, the Settlement did not have a material impact on FHN. The Settlement was vacated upon appeal in June 2016 and the Supreme Court declined to hear the case in March 2017. Accordingly, the outcome of this matter remains uncertain. Additionally, other Covered Litigation matters are also pending judicial resolution. So long as any Covered Litigation matter remains pending, FHN s ability to transfer its Visa holdings is restricted, with limited exceptions.

FHN now holds approximately 1.1 million Visa Class B shares. FHN s Visa shares are not considered to be marketable and therefore are included in the Consolidated Condensed Statements of Condition at their historical cost of $0. As of June 30, 2017, the conversion ratio is 165 percent reflecting a Visa stock split in March 2015, and the contingent liability is $.8 million. Future funding of the escrow would dilute this conversion ratio by an amount that is not determinable at present. Based on the closing price on June 30, 2017, assuming conversion into Class A shares at the current conversion ratio, FHN s Visa holdings would have a value of approximately $172 million. Recognition of this value is dependent upon the final resolution of the remainder of Visa s Covered Litigation matters without further reduction of the conversion ratio.

Indemnification Agreements and Guarantees

In the ordinary course of business, FHN enters into indemnification agreements for legal proceedings against its directors and officers and standard representations and warranties for underwriting agreements, merger and acquisition agreements, loan sales, contractual commitments, and various other business transactions or arrangements. The extent of FHN s obligations under these agreements depends upon the occurrence of future events; therefore, it is not possible to estimate a maximum potential amount of payouts that could be required with such agreements.

Table of Contents

Note 11 Pension, Savings, and Other Employee Benefits

Pension plan. FHN sponsors a noncontributory, qualified defined benefit pension plan to employees hired or re-hired on or before September 1, 2007. Pension benefits are based on years of service, average compensation near retirement or other termination, and estimated social security benefits at age 65. Benefits under the plan are frozen so that years of service and compensation changes after 2012 do not affect the benefit owed. Minimum contributions are based upon actuarially determined amounts necessary to fund the total benefit obligation. Decisions to contribute to the plan are based upon pension funding requirements under the Pension Protection Act, the maximum amount deductible under the Internal Revenue Code, the actual performance of plan assets, and trends in the regulatory environment. FHN contributed $165 million to the qualified pension plan in third quarter 2016. The contribution had no effect on FHN s 2016 Consolidated Statements of Income. FHN did not make any contributions to the qualified pension plan in the first half of 2017. Management does not currently anticipate that FHN will make a contribution to the qualified pension plan for the remainder of 2017.

FHN also maintains non-qualified plans including a supplemental retirement plan that covers certain employees whose benefits under the qualified pension plan have been limited by tax rules. These other non-qualified plans are unfunded, and contributions to these plans cover all benefits paid under the non-qualified plans. Payments made under the non-qualified plans were $5.1 million for 2016. FHN anticipates making benefit payments under the non-qualified plans of $5.0 million in 2017.

Savings plan. FHN provides all qualifying full-time employees with the opportunity to participate in FHN s tax qualified 401(k) savings plan. The qualified plan allows employees to defer receipt of earned salary, up to tax law limits, on a tax-advantaged basis. Accounts, which are held in trust, may be invested in a wide range of mutual funds and in FHN common stock. Up to tax law limits, FHN provides a 100 percent match for the first 6 percent of salary deferred, with company matching contributions invested according to a participant s current investment elections. Through a non-qualified savings restoration plan, FHN provides a restorative benefit to certain highly-compensated employees who participate in the savings plan and whose contribution elections are capped by tax limitations.

Other employee benefits. FHN provides postretirement life insurance benefits to certain employees and also provides postretirement medical insurance benefits to retirement-eligible employees. The postretirement medical plan is contributory with FHN contributing a fixed amount for certain participants. FHN s postretirement benefits include certain prescription drug benefits.

The components of net periodic benefit cost for the three months ended June 30 are as follows:

	Pension Benefits		Other Benefits	
(Dollars in thousands)	**2017**	2016	**2017**	2016
Components of net periodic benefit cost				
Service cost	**$ 10**	$ 10	**$ 27**	$ 27
Interest cost	**7,380**	7,882	**325**	317
Expected return on plan assets	**(8,890)**	(9,772)	**(237)**	(229)
Amortization of unrecognized:				
Prior service cost/(credit)	**13**	50	**24**	42
Actuarial (gain)/loss	**2,380**	2,067	**(143)**	(232)
Net periodic benefit cost/(credit)	**$ 893**	$ 237	**$ (4)**	$ (75)

Table of Contents

Note 11 Pension, Savings, and Other Employee Benefits (Continued)

The components of net periodic benefit cost for the six months ended June 30 are as follows:

	Pension Benefits		Other Benefits	
(Dollars in thousands)	**2017**	2016	**2017**	2016
Components of net periodic benefit cost				
Service cost	**$ 19**	$ 20	**$ 54**	$ 55
Interest cost	**14,759**	15,764	**651**	634
Expected return on plan assets	**(17,781)**	(19,545)	**(474)**	(458)
Amortization of unrecognized:				
Prior service cost/(credit)	**26**	99	**48**	85
Actuarial (gain)/loss	**4,760**	4,135	**(285)**	(465)
Net periodic benefit cost/(credit)	**$ 1,783**	$ 473	**$ (6)**	$ (149)

44

Table of Contents

Note 12 Business Segment Information

FHN has four business segments: regional banking, fixed income, corporate, and non-strategic. The regional banking segment offers financial products and services, including traditional lending and deposit taking, to consumer and commercial customers in Tennessee and other selected markets. Regional banking also provides investments, financial planning, trust services and asset management, credit card, and cash management. Additionally, the regional banking segment includes correspondent banking which provides credit, depository, and other banking related services to other financial institutions nationally. The fixed income segment consists of fixed income securities sales, trading, and strategies for institutional clients in the U.S. and abroad, as well as loan sales, portfolio advisory services, and derivative sales. The corporate segment consists of unallocated corporate expenses, expense on subordinated debt issuances, bank-owned life insurance, unallocated interest income associated with excess equity, net impact of raising incremental capital, revenue and expense associated with deferred compensation plans, funds management, tax credit investment activities, derivative valuation adjustments related to prior sales of Visa Class B shares, and acquisition-related costs. The non-strategic segment consists of the wind-down national consumer lending activities, legacy mortgage banking elements including servicing fees, and the associated ancillary revenues and expenses related to these businesses. Non-strategic also includes the wind-down trust preferred loan portfolio and exited businesses.

Periodically, FHN adapts its segments to reflect managerial or strategic changes. FHN may also modify its methodology of allocating expenses and equity among segments which could change historical segment results. Business segment revenue, expense, asset, and equity levels reflect those which are specifically identifiable or which are allocated based on an internal allocation method. Because the allocations are based on internally developed assignments and allocations, to an extent they are subjective. Generally, all assignments and allocations have been consistently applied for all periods presented. The following table reflects the amounts of consolidated revenue, expense, tax, and average assets for each segment for the three and six months ended June 30:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2017**	2016	**2017**	2016
Consolidated				
Net interest income	**$ 200,701**	$ 176,264	**$ 390,409**	$ 348,338
Provision/(provision credit) for loan losses	**(2,000)**	4,000	**(3,000)**	7,000
Noninterest income	**127,673**	145,514	**244,612**	279,819
Noninterest expense	**217,917**	226,822	**440,122**	453,749
Income/(loss) before income taxes	**112,457**	90,956	**197,899**	167,408
Provision/(benefit) for income taxes (a)	**17,253**	30,016	**44,307**	54,255
Net income/(loss)	**$ 95,204**	$ 60,940	**$ 153,592**	$ 113,153
Average assets	**$ 28,876,350**	$ 26,828,548	**$ 28,841,422**	$ 26,723,621

Table of Contents

Note 12 Business Segment Information (Continued)

(Dollars in thousands)	Three Months Ended June 30 **2017**	Three Months Ended June 30 2016	Six Months Ended June 30 **2017**	Six Months Ended June 30 2016
Regional Banking				
Net interest income	**$ 201,997**	$ 178,318	**$ 395,386**	$ 350,627
Provision/(provision credit) for loan losses	**260**	10,883	**3,358**	25,651
Noninterest income	**64,737**	61,275	**123,713**	120,551
Noninterest expense	**152,659**	164,524	**300,723**	309,920
Income/(loss) before income taxes	**113,815**	64,186	**215,018**	135,607
Provision/(benefit) for income taxes	**41,136**	22,333	**77,724**	47,709
Net income/(loss)	**$ 72,679**	$ 41,853	**$ 137,294**	$ 87,898
Average assets	**$ 18,431,757**	$ 16,575,643	**$ 18,194,854**	$ 16,260,417
Fixed Income				
Net interest income	**$ 4,979**	$ 3,146	**$ 6,130**	$ 5,813
Noninterest income	**55,205**	78,083	**106,027**	145,205
Noninterest expense	**54,001**	62,802	**102,686**	121,427
Income/(loss) before income taxes	**6,183**	18,427	**9,471**	29,591
Provision/(benefit) for income taxes	**1,946**	6,785	**2,970**	10,677
Net income/(loss)	**$ 4,237**	$ 11,642	**$ 6,501**	$ 18,914
Average assets	**$ 2,696,430**	$ 2,470,724	**$ 2,288,336**	$ 2,370,201
Corporate				
Net interest income/(expense)	**$ (14,995)**	$ (15,847)	**$ (29,095)**	$ (30,208)
Noninterest income	**6,218**	4,909	**11,694**	10,632
Noninterest expense	**24,563**	15,930	**41,443**	29,391
Income/(loss) before income taxes	**(33,340)**	(26,868)	**(58,844)**	(48,967)
Provision/(benefit) for income taxes (a)	**(35,711)**	(12,744)	**(48,769)**	(23,959)
Net income/(loss)	**$ 2,371**	$ (14,124)	**$ (10,075)**	$ (25,008)
Average assets	**$ 6,226,743**	$ 5,833,303	**$ 6,789,751**	$ 6,097,764
Non-Strategic				
Net interest income	**$ 8,720**	$ 10,647	**$ 17,988**	$ 22,106
	(2,260)	(6,883)	**(6,358)**	(18,651)

Provision/(provision credit) for loan losses				
Noninterest income	**1,513**	1,247	**3,178**	3,431
Noninterest expense	**(13,306)**	(16,434)	**(4,730)**	(6,989)
Income/(loss) before income taxes	**25,799**	35,211	**32,254**	51,177
Provision/(benefit) for income taxes	**9,882**	13,642	**12,382**	19,828
Net income/(loss)	**$ 15,917**	$ 21,569	**$ 19,872**	$ 31,349
Average assets	**$ 1,521,420**	$ 1,948,878	**$ 1,568,481**	$ 1,995,239

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

a) Provision/(benefit) for income taxes for consolidated results and the Corporate segment for the three and six months ended June 30, 2017, relative to the prior year periods, was affected by a decline in the effective tax rate in 2017 primarily related to the reversal of the valuation allowance for the deferred tax asset related to its 2012 federal capital loss carryforward based on capital gain transactions initiated in second quarter 2017. See Note 15 Income Taxes in the Notes to Consolidated Financial Statements on FHN s Form 10-K for the year ended December 31, 2016, for additional information.

Table of Contents

Note 13 Variable Interest Entities

ASC 810 defines a VIE as a legal entity where (a) the equity investors, as a group, lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, (b) the equity investors, as a group, lack either, (1) the power through voting rights, or similar rights, to direct the activities of an entity that most significantly impact the entity s economic performance, (2) the obligation to absorb the expected losses of the entity, or (3) the right to receive the expected residual returns of the entity, or (c) the entity is structured with non-substantive voting rights. A variable interest is a contractual ownership or other interest that fluctuates with changes in the fair value of the VIE s net assets exclusive of variable interests. Under ASC 810, as amended, a primary beneficiary is required to consolidate a VIE when it has a variable interest in a VIE that provides it with a controlling financial interest. For such purposes, the determination of whether a controlling financial interest exists is based on whether a single party has both the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant.

Consolidated Variable Interest Entities

FHN holds variable interests in a proprietary HELOC securitization trust it established as a source of liquidity for consumer lending operations. Based on its restrictive nature, the trust is considered a VIE as the holders of equity at risk do not have the power through voting rights or similar rights to direct the activities that most significantly impact the trust s economic performance. The retention of MSR and a residual interest results in FHN potentially absorbing losses or receiving benefits that are significant to the trust. FHN is considered the primary beneficiary, as it is assumed to have the power, as Master Servicer, to most significantly impact the activities of the VIE. Consolidation of the trust results in the recognition of the trust proceeds as restricted borrowings since the cash flows on the securitized loans can only be used to settle the obligations due to the holders of trust securities. Through first quarter 2016 the trust experienced a rapid amortization period and FHN was obligated to provide subordinated funding. During the period, cash payments from borrowers were accumulated to repay outstanding debt securities while FHN continued to make advances to borrowers when they drew on their lines of credit. FHN then transferred the newly generated receivables into the securitization trust. FHN is reimbursed for these advances only after other parties in the securitization have received all of the cash flows to which they are entitled. If loan losses requiring draws on the related monoline insurers policies (which protect bondholders in the securitization) exceed a certain level, FHN may not receive reimbursement for all of the funds advanced to borrowers, as the senior bondholders and the monoline insurers typically have priority for repayment. Amounts funded from monoline insurance policies are considered restricted term borrowings in FHN s Consolidated Condensed Statements of Condition. Except for recourse due to breaches of representations and warranties made by FHN in connection with the sale of the loans to the trust, the creditors of the trust hold no recourse to the assets of FHN.

FHN has established certain rabbi trusts related to deferred compensation plans offered to its employees. FHN contributes employee cash compensation deferrals to the trusts and directs the underlying investments made by the trusts. The assets of these trusts are available to FHN s creditors only in the event that FHN becomes insolvent. These trusts are considered VIEs as there is no equity at risk in the trusts since FHN provided the equity interest to its employees in exchange for services rendered. FHN is considered the primary beneficiary of the rabbi trusts as it has the power to direct the activities that most significantly impact the economic performance of the rabbi trusts through its ability to direct the underlying investments made by the trusts. Additionally, FHN could potentially receive benefits or absorb losses that are significant to the trusts due to its right to receive any asset values in excess of liability payoffs and its obligation to fund any liabilities to employees that are in excess of a rabbi trust s assets.

Note 13 Variable Interest Entities (Continued)

The following table summarizes VIEs consolidated by FHN as of June 30, 2017 and December 31, 2016:

	June 30, 2017		December 31, 2016	
	On-Balance Sheet Consumer Loan Securitization	**Rabbi Trusts Used for Deferred Compensation Plans**	On-Balance Sheet Consumer Loan Securitization	Rabbi Trusts Used for Deferred Compensation Plans
(Dollars in thousands)	**Carrying Value**	**Carrying Value**	Carrying Value	Carrying Value
Assets:				
Cash and due from banks	**$**	**N/A**	$	N/A
Loans, net of unearned income	**28,765**	**N/A**	35,873	N/A
Less: Allowance for loan losses	**52**	**N/A**	587	N/A
Total net loans	**28,713**	**N/A**	35,286	N/A
Other assets	**72**	**$ 77,760**	283	$ 74,160
Total assets	**$ 28,785**	**$ 77,760**	$ 35,569	$ 74,160
Liabilities:				
Term borrowings	**$ 15,886**	**N/A**	$ 23,126	N/A
Other liabilities	**3**	**$ 58,088**	3	$ 54,746
Total liabilities	**$ 15,889**	**$ 58,088**	$ 23,129	$ 54,746

Nonconsolidated Variable Interest Entities

Low Income Housing Partnerships. First Tennessee Housing Corporation (FTHC), a wholly-owned subsidiary of FTBNA, makes equity investments as a limited partner in various partnerships that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit (LIHTC) pursuant to Section 42 of the Internal Revenue Code. The purpose of these investments is to achieve a satisfactory return on capital and to support FHN s community reinvestment initiatives. The activities of the limited partnerships include the identification, development, and operation of multi-family housing units that are leased to qualifying residential tenants generally within FHN s primary geographic region. LIHTC partnerships are considered VIEs as FTHC, the holder of the equity investment at risk, does not have the ability to direct the activities that most significantly affect the performance of the entity through voting rights or similar rights. FTHC could absorb losses that are significant to the LIHTC partnerships as it has a risk of loss for its capital contributions and funding commitments to each partnership. The general partners are considered the primary beneficiaries as managerial functions give them the power to direct the activities that most significantly impact the entities economic performance and the managing members are exposed to all losses beyond FTHC s initial capital contributions and funding commitments.

FHN accounts for all qualifying LIHTC investments under the proportional amortization method. Under this method an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense/(benefit). LIHTC investments that do not qualify for the proportional amortization method are accounted for using the equity method. Expenses associated with these investments were not significant for the three and six months ended June 30, 2017 and 2016. The following table summarizes the impact to the Provision/(benefit) for income taxes on the Consolidated Condensed Statements of Income for the three and six months ended June 30, 2017, and 2016 for LIHTC investments accounted for under the proportional amortization method.

Table of Contents

Note 13 Variable Interest Entities (Continued)

	Three Months Ended June 30		Six Months Ended June 30,	
(Dollars in thousands)	**2017**	2016	**2017**	2016
Provision/(benefit) for income taxes:				
Amortization of qualifying LIHTC investments	**$ 2,362**	$ 2,330	**$ 4,640**	$ 4,628
Low income housing tax credits	**(2,598)**	(2,534)	**(4,998)**	(5,057)
Other tax benefits related to qualifying LIHTC investments	**(910)**	(1,069)	**(1,829)**	(2,179)

Table of Contents

Note 13 Variable Interest Entities (Continued)

Other Tax Credit Investments. First Tennessee New Markets Corporation (FTNMC), a wholly-owned subsidiary of FTBNA, makes equity investments through wholly-owned subsidiaries as a non-managing member in various limited liability companies (LLCs) that sponsor community development projects utilizing the New Market Tax Credit (NMTC) pursuant to Section 45 of the Internal Revenue Code. The purpose of these investments is to achieve a satisfactory return on capital and to support FHN s community reinvestment initiatives. The activities of the LLCs include providing investment capital for low-income communities within FHN s primary geographic region. A portion of the funding of FTNMC s investment in a NMTC LLC is obtained via a loan from an unrelated third-party that is typically a community development enterprise. The NMTC LLCs are considered VIEs as FTNMC, the holder of the equity investment at risk, does not have the ability to direct the activities that most significantly affect the performance of the entity through voting rights or similar rights. While FTNMC could absorb losses that are significant to the NMTC LLCs as it has a risk of loss for its initial capital contributions, the managing members are considered the primary beneficiaries as managerial functions give them the power to direct the activities that most significantly impact the NMTC LLCs economic performance and the managing members are exposed to all losses beyond FTNMC s initial capital contributions.

FTHC also makes equity investments as a limited partner or non-managing member in entities that receive Historic Tax Credits pursuant to Section 47 of the Internal Revenue Code. The purpose of these entities is the rehabilitation of historic buildings with the tax credits provided to incent private investment in the historic cores of cities and towns. These entities are considered VIEs as FTHC, the holder of the equity investment at risk, does not have the ability to direct the activities that most significantly affect the performance of the entity through voting rights or similar rights. FTHC could absorb losses that are significant to the entities as it has a risk of loss for its capital contributions and funding commitments to each partnership. The managing members are considered the primary beneficiaries as managerial functions give them the power to direct the activities that most significantly impact the entities economic performance and the managing members are exposed to all losses beyond FTHC s initial capital contributions and funding commitments.

Small Issuer Trust Preferred Holdings. FTBNA holds variable interests in trusts which have issued mandatorily redeemable preferred capital securities (trust preferreds) for smaller banking and insurance enterprises. FTBNA has no voting rights for the trusts activities. The trusts only assets are junior subordinated debentures of the issuing enterprises. The creditors of the trusts hold no recourse to the assets of FTBNA. These trusts meet the definition of a VIE as the holders of the equity investment at risk do not have the power through voting rights, or similar rights, to direct the activities that most significantly impact the trusts economic performance. Based on the nature of the trusts activities and the size of FTBNA s holdings, FTBNA could potentially receive benefits or absorb losses that are significant to the trusts regardless of whether a majority of a trust s securities are held by FTBNA. However, since FTBNA is solely a holder of the trusts securities, it has no rights which would give it the power to direct the activities that most significantly impact the trusts economic performance and thus it is not considered the primary beneficiary of the trusts. FTBNA has no contractual requirements to provide financial support to the trusts.

On-Balance Sheet Trust Preferred Securitization. In 2007, FTBNA executed a securitization of certain small issuer trust preferreds for which the underlying trust meets the definition of a VIE as the holders of the equity investment at risk do not have the power through voting rights, or similar rights, to direct the activities that most significantly impact the entity s economic performance. FTBNA could potentially receive benefits or absorb losses that are significant to the trust based on the size and priority of the interests it retained in the securities issued by the trust. However, since FTBNA did not retain servicing or other decision making rights, FTBNA is not the primary beneficiary as it does not have the power to direct the activities that most significantly impact the trust s economic performance. Accordingly, FTBNA has accounted for the funds received through the securitization as a term borrowing in its Consolidated Condensed Statements of Condition. FTBNA has no contractual requirements to provide financial support to the trust.

Proprietary Residential Mortgage Securitizations. FHN holds variable interests (primarily principal-only strips) in proprietary residential mortgage securitization trusts it established prior to 2008 as a source of liquidity for its mortgage banking operations. Prior to fourth quarter 2016 these interests included MSR and interest-only strips. Except for recourse due to breaches of representations and warranties made by FHN in connection with the sale of the loans to the trusts, the creditors of

Note 13 Variable Interest Entities (Continued)

the trusts hold no recourse to the assets of FHN. Additionally, FHN has no contractual requirements to provide financial support to the trusts. Based on their restrictive nature, the trusts are considered VIEs as the holders of equity at risk do not have the power through voting rights, or similar rights, to direct the activities that most significantly impact the trusts economic performance. While it held MSR, FHN was assumed to have the power as servicer to most significantly impact the activities of such VIEs. However, in situations where FHN did not have the ability to participate in significant portions of a securitization trust s cash flows, FHN was not considered the primary beneficiary of the trust. Therefore, these trusts were not consolidated by FHN.

Holdings in Agency Mortgage-Backed Securities. FHN holds securities issued by various Agency securitization trusts. Based on their restrictive nature, the trusts meet the definition of a VIE since the holders of the equity investments at risk do not have the power through voting rights, or similar rights, to direct the activities that most significantly impact the entities economic performance. FHN could potentially receive benefits or absorb losses that are significant to the trusts based on the nature of the trusts activities and the size of FHN s holdings. However, FHN is solely a holder of the trusts securities and does not have the power to direct the activities that most significantly impact the trusts economic performance, and is not considered the primary beneficiary of the trusts. FHN has no contractual requirements to provide financial support to the trusts.

Commercial Loan Troubled Debt Restructurings. For certain troubled commercial loans, FTBNA restructures the terms of the borrower s debt in an effort to increase the probability of receipt of amounts contractually due. Following a troubled debt restructuring, the borrower entity typically meets the definition of a VIE as the initial determination of whether an entity is a VIE must be reconsidered as events have proven that the entity s equity is not sufficient to permit it to finance its activities without additional subordinated financial support or a restructuring of the terms of its financing. As FTBNA does not have the power to direct the activities that most significantly impact such troubled commercial borrowers operations, it is not considered the primary beneficiary even in situations where, based on the size of the financing provided, FTBNA is exposed to potentially significant benefits and losses of the borrowing entity. FTBNA has no contractual requirements to provide financial support to the borrowing entities beyond certain funding commitments established upon restructuring of the terms of the debt that allows for preparation of the underlying collateral for sale.

Sale Leaseback Transaction. FTB has entered into an agreement with a single asset leasing entity for the sale and leaseback of an office building. In conjunction with this transaction, FTB loaned funds to a related party of the buyer that were used for the purchase price of the building. FTB also entered into a construction loan agreement with the single asset entity for renovation of the building. Since this transaction did not qualify as a sale, it is being accounted for using the deposit method which creates a net asset or liability for all cash flows between FTB and the buyer. The buyer-lessor in this transaction meets the definition of a VIE as it does not have sufficient equity at risk since FTB is providing the funding for the purchase and renovation. A related party of the buyer-lessor has the power to direct the activities that most significantly impact the operations and could potentially receive benefits or absorb losses that are significant to the transactions, making it the primary beneficiary. Therefore, FTB does not consolidate the leasing entity.

The following table summarizes FHN s nonconsolidated VIEs as of June 30, 2017:

(Dollars in thousands)	Maximum Loss Exposure	Liability Recognized	Classification
Type			
Low income housing partnerships	$ 73,890	$ 19,479	(a)
Other tax credit investments (b) (c)	20,951		Other assets
Small issuer trust preferred holdings (d)	332,913		Loans, net of unearned income
On-balance sheet trust preferred securitization	49,361	64,812	(e)
Proprietary residential mortgage securitizations	2,459		Trading securities
Holdings of agency mortgage-backed securities (d)	4,346,895		(f)
Commercial loan troubled debt restructurings (g)	33,673		Loans, net of unearned income
Sale-leaseback transaction	14,827		(h)

(a) Maximum loss exposure represents $54.4 million of current investments and $19.5 million of accrued contractual funding commitments. Accrued funding commitments represent unconditional contractual obligations for future funding events, and are also recognized in Other liabilities. FHN currently expects to be required to fund these accrued commitments by the end of 2020.

(b) A liability is not recognized as investments are written down over the life of the related tax credit.

Table of Contents

Note 13 Variable Interest Entities (Continued)

(c) Maximum loss exposure represents current investment balance. Of the initial investment, $18.0 million was funded through loans from community development enterprises.
(d) Maximum loss exposure represents the value of current investments. A liability is not recognized as FHN is solely a holder of the trusts securities.
(e) Includes $112.5 million classified as Loans, net of unearned income, and $1.7 million classified as Trading securities which are offset by $64.8 million classified as Term borrowings.
(f) Includes $.6 billion classified as Trading securities and $3.8 billion classified as Securities available-for-sale.
(g) Maximum loss exposure represents $28.4 million of current receivables and $5.2 million of contractual funding commitments on loans related to commercial borrowers involved in a troubled debt restructuring.
(h) Maximum loss exposure represents the current loan balance plus additional funding commitments less amounts received from the buyer-lessor.

The following table summarizes FHN s nonconsolidated VIEs as of December 31, 2016:

(Dollars in thousands)	Maximum Loss Exposure	Liability Recognized	Classification
Type			
Low income housing partnerships	$ 73,582	$ 17,398	(a)
Other tax credit investments (b) (c)	21,898		Other assets
Small issuer trust preferred holdings (d)	332,985		Loans, net of unearned income
On-balance sheet trust preferred securitization	49,361	64,812	(e)
Proprietary residential mortgage securitizations	2,568		Trading securities
Holdings of agency mortgage-backed securities (d)	4,163,313		(f)
Commercial loan troubled debt restructurings (g)	42,696		Loans, net of unearned income
Sale-leaseback transaction	11,827		(h)

(a) Maximum loss exposure represents $56.2 million of current investments and $17.4 million of accrued contractual funding commitments. Accrued funding commitments represent unconditional contractual obligations for future funding events, and are also recognized in Other liabilities. FHN currently expects to be required to fund these accrued commitments by the end of 2017.
(b) A liability is not recognized as investments are written down over the life of the related tax credit.
(c) Maximum loss exposure represents current investment balance. Of the initial investment, $18.0 million was funded through loans from community development enterprises.
(d) Maximum loss exposure represents the value of current investments. A liability is not recognized as FHN is solely a holder of the trusts securities.

(e) Includes $112.5 million classified as Loans, net of unearned income, and $1.7 million classified as Trading securities which are offset by $64.8 million classified as Term borrowings.

(f) Includes $.4 billion classified as Trading securities and $3.8 billion classified as Securities available-for-sale.

(g) Maximum loss exposure represents $37.5 million of current receivables and $5.2 million of contractual funding commitments on loans related to commercial borrowers involved in a troubled debt restructuring.

(h) Maximum loss exposure represents the current loan balance plus additional funding commitments less amounts received from the buyer-lessor.

Note 14 Derivatives

In the normal course of business, FHN utilizes various financial instruments (including derivative contracts and credit-related agreements) through its fixed income and risk management operations, as part of its risk management strategy and as a means to meet customers needs. Derivative instruments are subject to credit and market risks in excess of the amount recorded on the balance sheet as required by GAAP. The contractual or notional amounts of these financial instruments do not necessarily represent the amount of credit or market risk. However, they can be used to measure the extent of involvement in various types of financial instruments. Controls and monitoring procedures for these instruments have been established and are routinely reevaluated. The Asset/Liability Committee (ALCO) controls, coordinates, and monitors the usage and effectiveness of these financial instruments.

Credit risk represents the potential loss that may occur if a party to a transaction fails to perform according to the terms of the contract. The measure of credit exposure is the replacement cost of contracts with a positive fair value. FHN manages credit risk by entering into financial instrument transactions through national exchanges, primary dealers or approved counterparties, and by using mutual margining and master netting agreements whenever possible to limit potential exposure. FHN also maintains collateral posting requirements with certain counterparties to limit credit risk. Commencing in first quarter 2017, a central clearinghouse revised the treatment of daily margin posted or received from collateral to legal settlements of the related derivative contracts. This change resulted in a reduction in derivative assets and liabilities and corresponding reductions in collateral posted and received as these amounts are now presented net by contract in the Consolidated Condensed Statements of Condition. This change has no effect on hedge accounting or gains/losses for the applicable derivative contracts. On June 30, 2017 and December 31, 2016, respectively, FHN had $40.4 million and $47.8 million of cash receivables and $30.0 million and $32.8 million of cash payables related to collateral posting under master netting arrangements, inclusive of collateral posted related to contracts with adjustable collateral posting thresholds and over-collateralized positions, with derivative counterparties. With exchange-traded contracts, the credit risk is limited to the clearinghouse used. For non-exchange traded instruments, credit risk may occur when there is a gain in the fair value of the financial instrument and the counterparty fails to perform according to the terms of the contract and/or when the collateral proves to be of insufficient value. See additional discussion regarding master netting agreements and collateral posting requirements later in this note under the heading Master Netting and Similar Agreements. Market risk represents the potential loss due to the decrease in the value of a financial instrument caused primarily by changes in interest rates or the prices of debt instruments. FHN manages market risk by establishing and monitoring limits on the types and degree of risk that may be undertaken. FHN continually measures this risk through the use of models that measure value-at-risk and earnings-at-risk.

Derivative Instruments. FHN enters into various derivative contracts both in a dealer capacity to facilitate customer transactions and as a risk management tool. Where contracts have been created for customers, FHN enters into upstream transactions with dealers to offset its risk exposure. Contracts with dealers that require central clearing are novated to a clearing agent who becomes FHN s counterparty. Derivatives are also used as a risk management tool to hedge FHN s exposure to changes in interest rates or other defined market risks.

Forward contracts are over-the-counter contracts where two parties agree to purchase and sell a specific quantity of a financial instrument at a specified price, with delivery or settlement at a specified date. Futures contracts are exchange-traded contracts where two parties agree to purchase and sell a specific quantity of a financial instrument at a specified price, with delivery or settlement at a specified date. Interest rate option contracts give the purchaser the right, but not the obligation, to buy or sell a specified quantity of a financial instrument, at a specified price, during a specified period of time. Caps and floors are options that are linked to a notional principal amount and an underlying indexed interest rate. Interest rate swaps involve the exchange of interest payments at specified intervals between two parties without the exchange of any underlying principal. Swaptions are options on interest rate swaps that give the purchaser the right, but not the obligation, to enter into an interest rate swap agreement during a specified period of time.

Table of Contents

Note 14 Derivatives (Continued)

Trading Activities

FHN s fixed income segment trades U.S. Treasury, U.S. Agency, government-guaranteed loan, mortgage-backed, corporate and municipal fixed income securities, and other securities for distribution to customers. When these securities settle on a delayed basis, they are considered forward contracts. Fixed income also enters into interest rate contracts, including caps, swaps, and floors, for its customers. In addition, fixed income enters into futures and option contracts to economically hedge interest rate risk associated with a portion of its securities inventory. These transactions are measured at fair value, with changes in fair value recognized currently in fixed income noninterest income. Related assets and liabilities are recorded on the Consolidated Condensed Statements of Condition as Derivative assets and Derivative liabilities. The FTN Financial Risk Committee and the Credit Risk Management Committee collaborate to mitigate credit risk related to these transactions. Credit risk is controlled through credit approvals, risk control limits, and ongoing monitoring procedures. Total trading revenues were $45.6 million and $69.3 million for the three months ended June 30, 2017 and 2016, respectively, and $88.3 million and $126.9 million for the six months ended June 30, 2017 and 2016, respectively. Trading revenues are inclusive of both derivative and non-derivative financial instruments, and are included in fixed income noninterest income.

The following tables summarize FHN s derivatives associated with fixed income trading activities as of June 30, 2017 and December 31, 2016:

	June 30, 2017		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Customer Interest Rate Contracts	$ 1,903,647	$ 34,224	$ 12,508
Offsetting Upstream Interest Rate Contracts	1,903,647	12,368	31,374
Option Contracts Purchased	25,000	78	
Forwards and Futures Purchased	4,245,499	3,403	10,366
Forwards and Futures Sold	4,562,708	12,646	2,212

	December 31, 2016		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Customer Interest Rate Contracts	$ 1,697,992	$ 39,495	$ 14,996
Offsetting Upstream Interest Rate Contracts	1,697,992	14,996	39,495
Option Contracts Purchased	17,500	63	
Option Contracts Written	5,000		8
Forwards and Futures Purchased	2,916,750	6,257	26,659
Forwards and Futures Sold	3,085,396	27,330	6,615

Interest Rate Risk Management

FHN s ALCO focuses on managing market risk by controlling and limiting earnings volatility attributable to changes in interest rates. Interest rate risk exists to the extent that interest-earning assets and interest-bearing liabilities have different maturity or repricing characteristics. FHN uses derivatives, primarily swaps, that are designed to moderate the impact on earnings as interest rates change. Interest paid or received for swaps utilized by FHN to hedge the fair value of long term debt is recognized as an adjustment of the interest expense of the liabilities whose risk is being managed. FHN s interest rate risk management policy is to use derivatives to hedge interest rate risk or market value of assets or liabilities, not to speculate. In addition, FHN has entered into certain interest rate swaps and caps as a part of a product offering to commercial customers that includes customer derivatives paired with upstream offsetting market instruments that, when completed, are designed to mitigate interest rate risk. These contracts do not qualify for hedge accounting and are measured at fair value with gains or losses included in current earnings in Noninterest expense on the Consolidated Condensed Statements of Income.

FHN has designated a derivative transaction in a hedging strategy to manage interest rate risk on $400.0 million of senior debt issued by FTBNA which matures in December 2019. This qualifies for hedge accounting under ASC 815-20 using the long-haul method. FHN entered into a pay floating, receive fixed interest rate swap to hedge the interest rate risk of the senior debt.

Table of Contents

Note 14 Derivatives (Continued)

The balance sheet impact of this swap was $.2 million in Derivative liabilities as of June 30, 2017 and $1.6 million in Derivative assets as of December 31, 2016. There was an insignificant level of ineffectiveness related to this hedge.

FHN has designated a derivative transaction in a hedging strategy to manage interest rate risk on $500.0 million of senior debt which matures in December 2020. This qualifies for hedge accounting under ASC 815-20 using the long-haul method. FHN entered into a pay floating, receive fixed interest rate swap to hedge the interest rate risk of the senior debt. The balance sheet impact of this swap was $.6 million and $7.3 million in Derivative liabilities as of June 30, 2017 and December 31, 2016, respectively. There was an insignificant level of ineffectiveness related to this hedge.

Table of Contents

Note 14 Derivatives (Continued)

The following tables summarize FHN s derivatives associated with interest rate risk management activities as of June 30, 2017 and December 31, 2016:

	June 30, 2017		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Customer Interest Rate Contracts Hedging			
Hedging Instruments and Hedged Items:			
Customer Interest Rate Contracts	$ 1,513,114	$ 17,056	$ 12,944
Offsetting Upstream Interest Rate Contracts	1,513,114	11,878	15,630
Debt Hedging			
Hedging Instruments:			
Interest Rate Swaps	$ 900,000	N/A	$ 796
Hedged Items:			
Term Borrowings	N/A	N/A	$ 900,000(a)

	December 31, 2016		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Customer Interest Rate Contracts Hedging			
Hedging Instruments and Hedged Items:			
Customer Interest Rate Contracts	$ 1,357,920	$ 17,566	$ 14,277
Offsetting Upstream Interest Rate Contracts	1,357,920	14,277	18,066
Debt Hedging			
Hedging Instruments:			
Interest Rate Swaps	$ 900,000	$ 1,628	$ 7,276
Hedged Items:			
Term Borrowings	N/A	N/A	$ 900,000(a)

(a) Represents par value of term borrowings being hedged.

The following table summarizes gains/(losses) on FHN s derivatives associated with interest rate risk management activities for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
(Dollars in thousands)	**Gains/(Losses)**	**Gains/(Losses)**	**Gains/(Losses)**	**Gains/(Losses)**
Customer Interest Rate Contracts Hedging				
Hedging Instruments and Hedged Items:				
Customer Interest Rate Contracts (a)	$ 4,099	$ 8,154	823	20,713
	(4,099)	(8,154)	(823)	(20,713)

Offsetting Upstream Interest Rate Contracts (a)				
Debt Hedging				
Hedging Instruments:				
Interest Rate Swaps (a)	$ 1,808	$ 6,660	$ (992)	$ 26,606
Hedged Items:				
Term Borrowings (a) (b)	(1,804)	(6,557)	929	(26,211)

(a) Gains/losses included in the All other expense section of the Consolidated Condensed Statements of Income.

(b) Represents gains and losses attributable to changes in fair value due to interest rate risk as designated in ASC 815-20 hedging relationships.

Note 14 – Derivatives (Continued)

In first quarter 2016, FHN entered into a pay floating, receive fixed interest rate swap in a hedging strategy to manage its exposure to the variability in cash flows related to the interest payments for the following five years on $250 million principal of debt instruments, which primarily consist of held-to-maturity trust preferred loans that have variable interest payments based on 3-month LIBOR. In first quarter 2017, FHN initiated cash flow hedges of $650 million notional amount that have durations between three and seven years. The debt instruments primarily consist of held-to-maturity commercial loans that have variable interest payments based on 1-month LIBOR. These qualify for hedge accounting as cash flow hedges under ASC 815-20. Changes in the fair value of these derivatives are recorded as a component of AOCI, to the extent that the hedging relationships are effective. Amounts are reclassified from AOCI to earnings as the hedged cash flows affect earnings. FTB measures the ineffectiveness using the Hypothetical Derivative Method. AOCI is adjusted to an amount that reflects the lesser of either the cumulative change in fair value of the swaps or the cumulative change in the fair value of the hypothetical derivative instruments. To the extent that any ineffectiveness exists in the hedge relationships, the amounts are recorded in current period earnings. Interest paid or received for these swaps is recognized as an adjustment to interest income of the assets whose cash flows are being hedged.

The following tables summarize FHN s derivative activities associated with cash flow hedges as of June 30, 2017 and December 31, 2016:

	June 30, 2017		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Cash Flow Hedges			
Hedging Instruments:			
Interest Rate Swaps	$ 900,000	N/A	$ 1,058
Hedged Items:			
Variability in Cash Flows Related to Debt Instruments (Primarily Loans)	N/A	$ 900,000	N/A

	December 31, 2016		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Cash Flow Hedges			
Hedging Instruments:			
Interest Rate Swaps	$ 250,000	N/A	$ 2,045
Hedged Items:			
Variability in Cash Flows Related to Debt Instruments (Primarily Loans)	N/A	$ 250,000	N/A

The following table summarizes gains/(losses) on FHN s derivatives associated with cash flow hedges for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30	Six Months Ended June 30

(Dollars in thousands)	**2017 Gains/(Losses)**	**2016 Gains/(Losses)**	**2017 Gains/(Losses)**	**2016 Gains/(Losses)**
Cash Flow Hedges				
Hedging Instruments:				
Interest Rate Swaps (a) (b)	$ 3,491	$ 1,988	$ 390	$ 7,606
Hedged Items:				
Variability in Cash Flows Related to Debt Instruments (Primarily Loans)	N/A	N/A	N/A	N/A

(a) Amount represents the pre-tax gains/(losses) included within AOCI.

(b) Includes approximately $0.8 million of losses expected to be reclassified into earnings in the next twelve months.

Note 14 – Derivatives (Continued)

FHN hedges held-to-maturity trust preferred loans which have an initial fixed rate term before conversion to a floating rate. FHN has entered into pay fixed, receive floating interest rate swaps to hedge the interest rate risk associated with this initial term. Interest paid or received for these swaps is recognized as an adjustment of the interest income of the assets whose risk is being hedged. Basis adjustments remaining at the end of the hedge term are being amortized as an adjustment to interest income over the remaining life of the loans. Gains or losses are included in Other income and commissions on the Consolidated Condensed Statements of Income. These hedges expire in third quarter 2017.

The following tables summarize FHN s derivative activities associated with held-to-maturity trust preferred loans as of June 30, 2017 and December 31, 2016:

	June 30, 2017		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Loan Portfolio Hedging			
Hedging Instruments:			
Interest Rate Swaps	$ 6,500	N/A	$ 79
Hedged Items:			
Trust Preferred Loans (a)	N/A	$ 6,500(b)	N/A

	December 31, 2016		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Loan Portfolio Hedging			
Hedging Instruments:			
Interest Rate Swaps	$ 6,500	N/A	$ 208
Hedged Items:			
Trust Preferred Loans (a)	N/A	$ 6,500(b)	N/A

(a) Assets included in the Loans, net of unearned income section of the Consolidated Condensed Statements of Condition.
(b) Represents principal balance being hedged.

The following table summarizes gains/(losses) on FHN s derivatives associated with held-to-maturity trust preferred loans for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30		Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
(Dollars in thousands)	**Gains/(Losses)**	**Gains/(Losses)**	**Gains/(Losses)**	**Gains/(Losses)**
Loan Portfolio Hedging				
Hedging Instruments:				
Interest Rate Swaps	$ 68	$ 66	$ 142	$ 109

Hedged Items:				
Trust Preferred Loans (a)	$ (67)	$ (65)	$ (141)	$ 106

(a) Represents gains and losses attributable to changes in fair value due to interest rate risk as designated in ASC 815-20 hedging relationships.

58

Table of Contents

Note 14 – Derivatives (Continued)

Other Derivatives

In conjunction with the sales of a portion of its Visa Class B shares, FHN and the purchaser entered into derivative transactions whereby FHN will make or receive cash payments whenever the conversion ratio of the Visa Class B shares into Visa Class A shares is adjusted. As of June 30, 2017 and December 31, 2016, the derivative liabilities associated with the sales of Visa Class B shares were $5.7 million and $6.2 million, respectively. See the Visa Matters section of Note 10 Contingencies and Other Disclosures for more information regarding FHN s Visa shares.

FHN utilizes cross currency swaps and cross currency interest rate swaps to economically hedge its exposure to foreign currency risk and interest rate risk associated with non-U.S. dollar denominated loans. As of June 30, 2017 and December 31, 2016, these loans were valued at $1.3 million and $3.8 million, respectively. The balance sheet amount and the gains/losses associated with these derivatives were not significant.

Master Netting and Similar Agreements

As previously discussed, FHN uses master netting agreements, mutual margining agreements and collateral posting requirements to minimize credit risk on derivative contracts. Master netting and similar agreements are used when counterparties have multiple derivatives contracts that allow for a right of setoff, meaning that a counterparty may net offsetting positions and collateral with the same counterparty under the contract to determine a net receivable or payable. The following discussion provides an overview of these arrangements which may vary due to the derivative type and market in which a derivative transaction is executed.

Interest rate derivatives are subject to agreements consistent with standard agreement forms of the International Swap and Derivatives Association (ISDA). Currently, all interest rate derivative contracts are entered into as over-the-counter transactions and collateral posting requirements are based on the net asset or liability position with each respective counterparty. For contracts that require central clearing, novation to a counterparty with access to a clearinghouse occurs and margin is posted. Cash margin received (posted) that is considered settlements for the derivative contracts is included in the respective derivative asset (liability) value. Cash margin that is considered collateral received (posted) for interest rate derivatives is recognized as a liability (asset) on FHN s Consolidated Condensed Statements of Condition.

Interest rate derivatives with customers that are smaller financial institutions typically require posting of collateral by the counterparty to FHN. This collateral is subject to a threshold with daily adjustments based upon changes in the level or fair value of the derivative position. Positions and related collateral can be netted in the event of default. Collateral pledged by a counterparty is typically cash or securities. The securities pledged as collateral are not recognized within FHN s Consolidated Condensed Statements of Condition. Interest rate derivatives associated with lending arrangements share the collateral with the related loan(s). The derivative and loan positions may be netted in the event of default. For disclosure purposes, the entire collateral amount is allocated to the loan.

Interest rate derivatives with larger financial institutions entered into prior to required central clearing typically contain provisions whereby the collateral posting thresholds under the agreements adjust based on the credit ratings of both counterparties. If the credit rating of FHN and/or FTBNA is lowered, FHN could be required to post additional collateral with the counterparties. Conversely, if the credit rating of FHN and/or FTBNA is increased, FHN could have collateral released and be required to post less collateral in the future. Also, if a counterparty s credit ratings were to decrease, FHN and/or FTBNA could require the posting of additional collateral; whereas if a counterparty s credit ratings were to increase, the counterparty could require the release of excess collateral. Collateral for these arrangements is adjusted daily based on changes in the net fair value position with each counterparty.

The net fair value, determined by individual counterparty, of all derivative instruments with adjustable collateral posting thresholds was $31.0 million of assets and $39.3 million of liabilities on June 30, 2017, and $35.9 million of assets and $49.0 million of liabilities on December 31, 2016. As of June 30, 2017 and December 31, 2016, FHN had received collateral of $110.9 million and $137.6 million and posted collateral of $32.0 million and $39.3 million, respectively, in the normal course of business related to these agreements.

Note 14 Derivatives (Continued)

Certain agreements entered into prior to required central clearing also contain accelerated termination provisions, inclusive of the right of offset, if a counterparty s credit rating falls below a specified level. If a counterparty s debt rating (including FHN s and FTBNA s) were to fall below these minimums, these provisions would be triggered, and the counterparties could terminate the agreements and require immediate settlement of all derivative contracts under the agreements. The net fair value, determined by individual counterparty, of all derivative instruments with credit-risk-related contingent accelerated termination provisions was $30.9 million of assets and $16.8 million of liabilities on June 30, 2017, and $35.9 million of assets and $19.6 million of liabilities on December 31, 2016. As of June 30, 2017 and December 31, 2016, FHN had received collateral of $110.9 million and $137.5 million and posted collateral of $11.2 million and $12.9 million, respectively, in the normal course of business related to these contracts.

FHN s fixed income segment buys and sells various types of securities for its customers. When these securities settle on a delayed basis, they are considered forward contracts, and are generally not subject to master netting agreements. For futures and options, FHN transacts through a third party, and the transactions are subject to margin and collateral maintenance requirements. In the event of default, open positions can be offset along with the associated collateral.

For this disclosure, FHN considers the impact of master netting and other similar agreements which allow FHN to settle all contracts with a single counterparty on a net basis and to offset the net derivative asset or liability position with the related securities and cash collateral. The application of the collateral cannot reduce the net derivative asset or liability position below zero, and therefore any excess collateral is not reflected in the following tables.

The following table provides details of derivative assets and collateral received as presented on the Consolidated Condensed Statements of Condition as of June 30, 2017 and December 31, 2016:

				Gross amounts not offset in the Statements of Condition		
(Dollars in thousands)	Gross amounts of recognized assets	Gross amounts offset in the Statements of Condition	Net amounts of assets presented in the Statements of Condition (a)	Derivative liabilities available for offset	Collateral Received	Net amount
Derivative assets:						
June 30, 2017 (b)	**$ 75,526**	**$**	**$ 75,526**	**$ (22,842)**	**$ (47,292)**	**$ 5,392**
December 31, 2016 (b)	87,962		87,962	(25,953)	(52,888)	9,121

(a) Included in Derivative assets on the Consolidated Condensed Statements of Condition. As of June 30, 2017 and December 31, 2016, $16.1 million and $33.7 million, respectively, of derivative assets (primarily fixed income forward contracts) have been excluded from these tables because they are generally not subject to master netting or similar agreements.

(b) Amounts are comprised entirely of interest rate derivative contracts.

The following table provides details of derivative liabilities and collateral pledged as presented on the Consolidated Condensed Statements of Condition as of June 30, 2017 and December 31, 2016:

				Gross amounts not offset in the Statements of Condition		
(Dollars in thousands)	Gross amounts of recognized liabilities	Gross amounts offset in the Statements of Condition	Net amounts of liabilities presented in the Statements of Condition (a)	Derivative assets available for offset	Collateral pledged	Net amount
Derivative liabilities:						
June 30, 2017 (b)	**$ 74,389**	**$**	**$ 74,389**	**$ (22,842)**	**$ (47,615)**	**$ 3,932**
December 31, 2016 (b)	96,363		96,363	(25,953)	(60,746)	9,664

60

Table of Contents

Note 14 Derivatives (Continued)

(a) Included in Derivative liabilities on the Consolidated Condensed Statements of Condition. As of June 30, 2017 and December 31, 2016, $18.3 million and $39.5 million, respectively, of derivative liabilities (primarily fixed income forward contracts) have been excluded from these tables because they are generally not subject to master netting or similar agreements.

(b) Amounts are comprised entirely of interest rate derivative contracts.

Table of Contents

Note 15 Master Netting and Similar Agreements Repurchase, Reverse Repurchase, and Securities Borrowing Transactions

For repurchase, reverse repurchase and securities borrowing transactions, FHN and each counterparty have the ability to offset all open positions and related collateral in the event of default. Due to the nature of these transactions, the value of the collateral for each transaction approximates the value of the corresponding receivable or payable. For repurchase agreements through FHN s fixed income business (Securities purchased under agreements to resell and Securities sold under agreements to repurchase), transactions are collateralized by securities and/or government guaranteed loans which are delivered on the settlement date and are maintained throughout the term of the transaction. For FHN s repurchase agreements through banking activities (Securities sold under agreements to repurchase), securities are typically pledged at settlement and not released until maturity. For asset positions, the collateral is not included on FHN s Consolidated Condensed Statements of Condition. For liability positions, securities collateral pledged by FHN is generally represented within FHN s trading or available-for-sale securities portfolios.

For this disclosure, FHN considers the impact of master netting and other similar agreements that allow FHN to settle all contracts with a single counterparty on a net basis and to offset the net asset or liability position with the related securities collateral. The application of the collateral cannot reduce the net asset or liability position below zero, and therefore any excess collateral is not reflected in the tables below.

The following table provides details of Securities purchased under agreements to resell as presented on the Consolidated Condensed Statements of Condition and collateral pledged by counterparties as of June 30, 2017 and December 31, 2016:

				Gross amounts not offset in the Statements of Condition		
(Dollars in thousands)	Gross amounts of recognized assets	Gross amounts offset in the Statements of Condition	Net amounts of assets presented in the Statements of Condition	Offsetting securities sold under agreements to repurchase	Securities collateral (not recognized on FHN s Statements of Condition)	Net amount
Securities purchased under agreements to resell:						
June 30, 2017	**$ 657,991**	**$**	**$ 657,991**	**$ (804)**	**$ (650,369)**	**$ 6,818**
December 31, 2016	613,682		613,682	(1,628)	(603,813)	8,241

The following table provides details of Securities sold under agreements to repurchase as presented on the Consolidated Condensed Statements of Condition and collateral pledged by FHN as of June 30, 2017 and December 31, 2016:

	Gross amounts not offset in the Statements of Condition	
(Dollars in thousands)		Net amount

	Gross amounts of recognized liabilities	Gross amounts offset in the Statements of Condition	Net amounts of liabilities presented in the Statements of Condition	Offsetting securities purchased under agreements to resell	Securities/ government guaranteed loans collateral	
Securities sold under agreements to repurchase:						
June 30, 2017	**$ 743,684**	**$**	**$ 743,684**	**$ (804)**	**$ (742,727)**	**$ 153**
December 31, 2016	453,053		453,053	(1,628)	(451,414)	11

62

Table of Contents

Note 15 Master Netting and Similar Agreements Repurchase, Reverse Repurchase, and Securities Borrowing Transactions (Continued)

Due to the short duration of Securities sold under agreements to repurchase and the nature of collateral involved, the risks associated with these transactions are considered minimal. The following tables provide details, by collateral type, of the remaining contractual maturity of Securities sold under agreements to repurchase as of June 30, 2017 and December 31, 2016:

	June 30, 2017		
(Dollars in thousands)	**Overnight and Continuous**	**Up to 30 Days**	**Total**
Securities sold under agreements to repurchase:			
U.S. treasuries	**$ 31,598**	**$**	**$ 31,598**
Government agency issued MBS	**427,561**		**427,561**
Government agency issued CMO		**13,867**	**13,867**
Government guaranteed loans (SBA and USDA)	**270,658**		**270,658**
Total Securities sold under agreements to repurchase	**$ 729,817**	**$ 13,867**	**$ 743,684**

	December 31, 2016		
(Dollars in thousands)	Overnight and Continuous	Up to 30 Days	Total
Securities sold under agreements to repurchase:			
U.S. treasuries	$ 14,864	$	$ 14,864
Government agency issued MBS	421,771		421,771
Government agency issued CMO		16,418	16,418
Total Securities sold under agreements to repurchase	$ 436,635	$ 16,418	$ 453,053

Table of Contents

Note 16 Fair Value of Assets & Liabilities

FHN groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. This hierarchy requires FHN to maximize the use of observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Each fair value measurement is placed into the proper level based on the lowest level of significant input. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect management s estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models, and similar techniques.

Transfers between fair value levels are recognized at the end of the fiscal quarter in which the associated change in inputs occurs.

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

Recurring Fair Value Measurements

The following table presents the balance of assets and liabilities measured at fair value on a recurring basis as of June 30, 2017:

	June 30, 2017			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Trading securities fixed income:				
U.S. treasuries	$	$ 112,602	$	$ 112,602
Government agency issued MBS		344,218		344,218
Government agency issued CMO		241,237		241,237
Other U.S. government agencies		142,596		142,596
States and municipalities		56,321		56,321
Trading loans		38,716		38,716
Corporate and other debt		376,261	5	376,266
Equity, mutual funds, and other		1,476		1,476
Total trading securities fixed income		1,313,427	5	1,313,432
Trading securities mortgage banking			2,459	2,459
Loans held-for-sale		1,633	20,587	22,220
Securities available-for-sale:				
U.S. treasuries		100		100
Government agency issued MBS		2,129,616		2,129,616
Government agency issued CMO		1,631,823		1,631,823
Interest-only strips			1,163	1,163
Equity, mutual funds, and other	25,182			25,182
Total securities available-for-sale	25,182	3,761,539	1,163	3,787,884
Other assets:				
Deferred compensation assets	35,064			35,064
Derivatives, forwards and futures	16,049			16,049
Derivatives, interest rate contracts		75,604		75,604
Total other assets	51,113	75,604		126,717
Total assets	$ 76,295	$ 5,152,203	$ 24,214	$ 5,252,712
Trading liabilities fixed income:				
U.S. treasuries	$	$ 380,102	$	$ 380,102
Government agency issued MBS		212		212

Government agency issued CMO		2,124		2,124
States and municipalities		1,178		1,178
Other U.S. government agencies		998		998
Corporate and other debt		171,179		171,179
Total trading liabilities fixed income		555,793		555,793
Other liabilities:				
Derivatives, forwards and futures	12,578			12,578
Derivatives, interest rate contracts		74,389		74,389
Derivatives, other		50	5,700	5,750
Total other liabilities	12,578	74,439	5,700	92,717
Total liabilities	$ 12,578	$ 630,232	$ 5,700	$ 648,510

65

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

The following table presents the balance of assets and liabilities measured at fair value on a recurring basis as of December 31, 2016:

	December 31, 2016			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Trading securities fixed income:				
U.S. treasuries	$	$ 146,988	$	$ 146,988
Government agency issued MBS		256,611		256,611
Government agency issued CMO		150,058		150,058
Other U.S. government agencies		52,314		52,314
States and municipalities		60,351		60,351
Corporate and other debt		227,934	5	227,939
Equity, mutual funds, and other		242		242
Total trading securities fixed income		894,498	5	894,503
Trading securities mortgage banking			2,568	2,568
Loans held-for-sale		2,345	21,924	24,269
Securities available-for-sale:				
U.S. treasuries		100		100
Government agency issued MBS		2,208,687		2,208,687
Government agency issued CMO		1,547,958		1,547,958
Equity, mutual funds, and other	25,249			25,249
Total securities available-for-sale	25,249	3,756,745		3,781,994
Other assets:				
Mortgage servicing rights			985	985
Deferred compensation assets	32,840			32,840
Derivatives, forwards and futures	33,587			33,587
Derivatives, interest rate contracts		88,025		88,025
Derivatives, other		42		42
Total other assets	66,427	88,067	985	155,479
Total assets	$ 91,676	$ 4,741,655	$ 25,482	$ 4,858,813
Trading liabilities fixed income:				
U.S. treasuries	$	$ 381,229	$	$ 381,229
Other U.S. government agencies		844		844
Corporate and other debt		179,775		179,775

Total trading liabilities fixed income		561,848		561,848
Other liabilities:				
Derivatives, forwards and futures	33,274			33,274
Derivatives, interest rate contracts		96,371		96,371
Derivatives, other		7	6,245	6,252
Total other liabilities	33,274	96,378	6,245	135,897
Total liabilities	$ 33,274	$ 658,226	$ 6,245	$ 697,745

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

Changes in Recurring Level 3 Fair Value Measurements

The changes in Level 3 assets and liabilities measured at fair value for the three months ended June 30, 2017 and 2016, on a recurring basis are summarized as follows:

	Three Months Ended June 30, 2017			
(Dollars in thousands)	Trading securities	Interest-only strips-AFS	Loans held-for-sale	Net derivative liabilities
Balance on April 1, 2017	$ 2,335	$	$ 21,221	$ (5,950)
Total net gains/(losses) included in:				
Net income	271	280	410	(49)
Purchases		1,413	43	
Settlements	(142)	(3,317)	(827)	299
Net transfers into/(out of) Level 3		2,787	(260)(c)	
Balance on June 30, 2017	$ 2,464	$ 1,163	$ 20,587	$ (5,700)
Net unrealized gains/(losses) included in net income	$ 229(a)	$ (53)(b)	$ 410(a)	$ (49)(d)

	Three Months Ended June 30, 2016				
(Dollars in thousands)	Trading securities	Loans held-for-sale	Securities available-for-sale	Mortgage servicing rights, net	Net derivative liabilities
Balance on April 1, 2016	$ 3,057	$ 26,287	$ 1,500	$ 1,725	$ (4,620)
Total net gains/(losses) included in:					
Net income	55	429		31	(2,514)
Purchases		327			
Sales				(205)	
Settlements	(286)	(1,132)		(145)	299
Net transfers into/(out of) Level 3		(173)(c)			
Balance on June 30, 2016	$ 2,826	$ 25,738	$ 1,500	$ 1,406	$ (6,835)
Net unrealized gains/(losses) included in net income	$ (5)(a)	$ 429(a)	$	$	$ (2,514)(d)

(a) Primarily included in mortgage banking income on the Consolidated Condensed Statements of Income.
(b) Primarily included in fixed income on the Consolidated Condensed Statements of Income.
(c) Transfers out of loans held-for-sale level 3 measured on a recurring basis generally reflect movements into real estate acquired by foreclosure (level 3 nonrecurring).
(d) Included in Other expense.

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

Changes in Recurring Level 3 Fair Value Measurements

The changes in Level 3 assets and liabilities measured at fair value for the six months ended June 30, 2017 and 2016, on a recurring basis are summarized as follows:

	Six Months Ended June 30, 2017			
(Dollars in thousands)	Trading securities	Interest-only strips-AFS	Loans held-for-sale	Net derivative liabilities
Balance on January 1, 2017	$ 2,573	$	$ 21,924	$ (6,245)
Total net gains/(losses) included in:				
Net income	288	280	1,332	(50)
Purchases		1,413	75	
Settlements	(397)	(3,317)	(2,401)	595
Net transfers into/(out of) Level 3		2,787	(343)(c)	
Balance on June 30, 2017	$ 2,464	$ 1,163	$ 20,587	$ (5,700)
Net unrealized gains/(losses) included in net income	$ 202(a)	$ (53)(b)	$ 1,332(a)	$ (50)(d)

	Six Months Ended June 30, 2016				
(Dollars in thousands)	Trading securities	Loans held-for-sale	Securities available-for-sale	Mortgage servicing rights, net	Net derivative liabilities
Balance on January 1, 2016	$ 4,377	$ 27,418	$ 1,500	$ 1,841	$ (4,810)
Total net gains/(losses) included in:					
Net income	202	771		31	(2,623)
Purchases		475			
Sales				(205)	
Settlements	(1,753)	(2,497)		(261)	598
Net transfers into/(out of) Level 3		(429)(c)			
Balance on June 30, 2016	$ 2,826	$ 25,738	$ 1,500	$ 1,406	$ (6,835)
Net unrealized gains/(losses) included in net income	$ 79(a)	$ 771(a)	$	$	$ (2,623)(d)

(a) Primarily included in mortgage banking income on the Consolidated Condensed Statements of Income.
(b) Primarily included in fixed income on the Consolidated Condensed Statements of Income.
(c) Transfers out of loans held-for-sale level 3 measured on a recurring basis generally reflect movements into real estate acquired by foreclosure (level 3 nonrecurring).
(d) Included in Other expense.

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

Nonrecurring Fair Value Measurements

From time to time, FHN may be required to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of lower of cost or market (LOCOM) accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis which were still held on the balance sheet at June 30, 2017, and December 31, 2016, respectively, the following tables provide the level of valuation assumptions used to determine each adjustment and the related carrying value.

	Carrying value at June 30, 2017			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Loans held-for-sale SBAs and USDA	$	$ 331,754	$ 1,577	$ 333,331
Loans held-for-sale first mortgages			613	613
Loans, net of unearned income (a)			29,260	29,260
Real estate acquired by foreclosure (b)			7,038	7,038
Other assets (c)			28,156	28,156

	Carrying value at December 31, 2016			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Loans held-for-sale SBAs	$	$ 4,286	$	$ 4,286
Loans held-for-sale first mortgages			638	638
Loans, net of unearned income (a)			31,070	31,070
Real estate acquired by foreclosure (b)			11,235	11,235
Other assets (c)			29,609	29,609

(a) Represents carrying value of loans for which adjustments are required to be based on the appraised value of the collateral less estimated costs to sell.
(b) Represents the fair value of foreclosed properties that were measured subsequent to their initial classification as foreclosed assets. Balance excludes foreclosed real estate related to government insured mortgages.
(c) Represents tax credit investments accounted for under the equity method.

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

For assets measured on a nonrecurring basis which were still held on the consolidated balance sheet at period end, the following table provides information about the fair value adjustments recorded during the three and six months ended June 30, 2017 and 2016:

	Net gains/(losses) Three months ended June 30,		Net gains/(losses) Six Months Ended June 30,	
(Dollars in thousands)	**2017**	2016	**2017**	2016
Loans held-for-sale SBAs and USDA	**$ (1,140)**	$	**$ (1,173)**	$
Loans held-for-sale first mortgages	**13**	2	**16**	7
Loans, net of unearned income (a)	**(452)**	353	**32**	(4,319)
Real estate acquired by foreclosure (b)	**(176)**	(314)	**(621)**	(850)
Other assets (c)	**(942)**	(831)	**(1,884)**	(1,537)
	$ (2,697)	$ (790)	**$ (3,630)**	$ (6,699)

(a) Write-downs on these loans are recognized as part of provision for loan losses.
(b) Represents losses of foreclosed properties that were measured subsequent to their initial classification as foreclosed assets. Balance excludes foreclosed real estate related to government insured mortgages.
(c) Represents tax credit investments accounted for under the equity method.

In first quarter 2016, FHN s Regional Banking segment recognized $3.7 million of impairments on long-lived assets associated with efforts to more efficiently utilize its bank branch locations. The affected branch locations represented a mixture of owned and leased sites. The fair values of owned sites were determined using estimated sales prices from appraisals less estimated costs to sell. The fair values of leased sites were determined using a discounted cash flow approach, based on the revised estimated useful lives of the related assets. Both measurement methodologies are considered Level 3 valuations.

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

Level 3 Measurements

The following tables provide information regarding the unobservable inputs utilized in determining the fair value of level 3 recurring and non-recurring measurements as of June 30, 2017 and December 31, 2016:

(Dollars in Thousands)

Level 3 Class	Fair Value at June 30, 2017	Valuation Techniques	Unobservable Input	Values Utilized
Available-for-sale-securities SBA-interest only strips	$ 1,163	Discounted cash flow	Constant prepayment rate	9% - 11%
			Bond equivalent yield	15% - 19%
Loans held-for-sale - residential real estate	21,200	Discounted cash flow	Prepayment speeds - First mortgage	2% - 12%
			Prepayment speeds - HELOC	3% - 15%
			Foreclosure losses	50% - 70%
			Loss severity trends - First mortgage	5% - 50% of UPB
			Loss severity trends - HELOC	15% - 100% of UPB
Loans held-for-sale- unguaranteed interest in SBA loans	1,577	Discounted cash flow	Constant prepayment rate	8% - 12%
			Bond equivalent yield	9% - 10%
Derivative liabilities, other	5,700	Discounted cash flow	Visa covered litigation resolution amount	$4.4 billion - $5.2 billion
			Probability of resolution scenarios	10% - 30%
			Time until resolution	18 - 48 months
Loans, net of unearned income (a)	29,260	Appraisals from comparable properties	Marketability adjustments for specific properties	0% - 10% of appraisal
		Other collateral valuations	Borrowing base certificates adjustment	20% - 50% of gross value
			Financial Statements/Auction	0% - 25% of reported value

			values adjustment	
Real estate acquired by foreclosure (b)	7,038	Appraisals from comparable properties	Adjustment for value changes since appraisal	0% - 10% of appraisal
Other assets (c)	28,156	Discounted cash flow	Adjustments to current sales yields for specific properties	0% - 15% adjustment to yield
		Appraisals from comparable properties	Marketability adjustments for specific properties	0% - 25% of appraisal

(a) Represents carrying value of loans for which adjustments are required to be based on the appraised value of the collateral less estimated costs to sell. Write-downs on these loans are recognized as part of provision for loan losses.

(b) Represents the fair value of foreclosed properties that were measured subsequent to their initial classification as foreclosed assets. Balance excludes foreclosed real estate related to government insured mortgages.

(c) Represents tax credit investments accounted for under the equity method.

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

(Dollars in Thousands)

Level 3 Class	Fair Value at December 31, 2016	Valuation Techniques	Unobservable Input	Values Utilized
Loans held-for-sale residential real estate	$ 22,562	Discounted cash flow	Prepayment speeds First mortgage	2% - 13%
			Prepayment speeds HELOC	3% - 15%
			Foreclosure Losses	50% - 70%
			Loss severity trends First mortgage	5% - 50% of UPB
			Loss severity trends - HELOC	15% - 100% of UPB
Derivative liabilities, other	6,245	Discounted cash flow	Visa covered litigation resolution amount	$4.4 billion - $5.2 billion
			Probability of resolution scenarios	10% - 30%
			Time until resolution	24 - 54 months
Loans, net of unearned income (a)	31,070	Appraisals from comparable properties	Marketability adjustments for specific properties	0% - 10% of appraisal
		Other collateral valuations	Borrowing base certificates adjustment	20% - 50% of gross value
			Financial Statements/Auction values adjustment	0% - 25% of reported value
Real estate acquired by foreclosure (b)	11,235	Appraisals from comparable properties	Adjustment for value changes since appraisal	0% - 10% of appraisal
Other assets (c)	29,609	Discounted cash flow	Adjustments to current sales yields for specific properties	0% - 15% adjustment to yield
		Appraisals from comparable properties	Marketability adjustments for specific properties	0% - 25% of appraisal

(a) Represents carrying value of loans for which adjustments are required to be based on the appraised value of the collateral less estimated costs to sell. Write-downs on these loans are recognized as part of provision for loan losses.

(b) Represents the fair value of foreclosed properties that were measured subsequent to their initial classification as foreclosed assets. Balance excludes foreclosed real estate related to government insured mortgages.

(c) Represents tax credit investments accounted for under the equity method.

Securities AFS. Increases (decreases) in estimated prepayment rates and bond equivalent yields negatively (positively) affect the value of SBA interest only strips. Management additionally considers whether loans on the related SBA-interest only strips are delinquent, in default or prepaying, and adjusts the fair value down 20 100% depending on the length of time in default.

Loans held-for-sale. Foreclosure losses and prepayment rates are significant unobservable inputs used in the fair value measurement of FHN s residential real estate loans held-for-sale. Loss severity trends are also assessed to evaluate the reasonableness of fair value estimates resulting from discounted cash flows methodologies as well as to estimate fair value for newly repurchased loans and loans that are near foreclosure. Significant increases (decreases) in any of these inputs in isolation would result in significantly lower (higher) fair value measurements. All observable and unobservable inputs are re-assessed quarterly. Fair value measurements are reviewed at least quarterly by FHN s Corporate Accounting Department.

Increases (decreases) in estimated prepayment rates and bond equivalent yields negatively (positively) affect the value of unguaranteed interests in SBA loans. Unguaranteed interest in SBA loans held-for-sale are carried at less than the outstanding balance due to credit risk estimates. Credit risk adjustments may be reduced if prepayment is likely or as consistent payment history is realized. Management also considers other factors such as delinquency or default and adjusts the fair value accordingly.

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

Derivative liabilities. In conjunction with the sales of portions of its Visa Class B shares, FHN and the purchaser entered into derivative transactions whereby FHN will make, or receive, cash payments whenever the conversion ratio of the Visa Class B shares into Visa Class A shares is adjusted. FHN uses a discounted cash flow methodology in order to estimate the fair value of FHN s derivative liabilities associated with its prior sales of Visa Class B shares. The methodology includes estimation of both the resolution amount for Visa s Covered Litigation matters as well as the length of time until the resolution occurs. Significant increases (decreases) in either of these inputs in isolation would result in significantly higher (lower) fair value measurements for the derivative liabilities. Additionally, FHN performs a probability weighted multiple resolution scenario to calculate the estimated fair value of these derivative liabilities. Assignment of higher (lower) probabilities to the larger potential resolution scenarios would result in an increase (decrease) in the estimated fair value of the derivative liabilities. Since this estimation process requires application of judgment in developing significant unobservable inputs used to determine the possible outcomes and the probability weighting assigned to each scenario, these derivatives have been classified within Level 3 in fair value measurements disclosures. The valuation inputs and process are discussed with senior and executive management when significant events affecting the estimate of fair value occur. Inputs are compared to information obtained from the public issuances and filings of Visa, Inc. as well as public information released by other participants in the applicable litigation matters.

Loans, net of unearned income and Real estate acquired by foreclosure. Collateral-dependent loans and Real estate acquired by foreclosure are primarily valued using appraisals based on sales of comparable properties in the same or similar markets. Multiple appraisal firms are utilized to ensure that estimated values are consistent between firms. This process occurs within FHN s Credit Risk Management (commercial) and Default Servicing functions (primarily consumer). The Credit Risk Management Committee reviews dispositions and additions of foreclosed assets annually. Back testing is performed during the year through comparison to ultimate disposition values. Other collateral (receivables, inventory, equipment, etc.) is valued through borrowing base certificates, financial statements and/or auction valuations. These valuations are discounted based on the quality of reporting, knowledge of the marketability/collectability of the collateral and historical disposition rates.

Other assets tax credit investments. The estimated fair value of tax credit investments accounted for under the equity method is generally determined in relation to the yield (i.e., future tax credits to be received) an acquirer of these investments would expect in relation to the yields experienced on current new issue and/or secondary market transactions. Thus, as tax credits are recognized, the future yield to a market participant is reduced, resulting in consistent impairment of the individual investments. Individual investments are reviewed for impairment quarterly, which may include the consideration of additional marketability discounts related to specific investments which typically includes consideration of the underlying property s appraised value. Unusual valuation adjustments and the associated triggering events are discussed with senior and executive management when appropriate. A portfolio review is conducted annually, with the assistance of a third party, to assess the reasonableness of current valuations.

Fair Value Option

FHN has elected the fair value option on a prospective basis for almost all types of mortgage loans originated for sale purposes under the Financial Instruments Topic (ASC 825). FHN determined that the election reduces certain timing differences and better matches changes in the value of such loans with changes in the value of derivatives and forward delivery commitments used as economic hedges for these assets at the time of election.

Repurchased loans are recognized within loans held-for-sale at fair value at the time of repurchase, which includes consideration of the credit status of the loans and the estimated liquidation value. FHN has elected to continue recognition of these loans at fair value in periods subsequent to reacquisition. Due to the credit-distressed nature of the vast majority of repurchased loans and the related loss severities experienced upon repurchase, FHN believes that the fair value election provides a more timely recognition of changes in value for these loans that occur subsequent to repurchase. Absent the fair

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

value election, these loans would be subject to valuation at the LOCOM value, which would prevent subsequent values from exceeding the initial fair value, determined at the time of repurchase, but would require recognition of subsequent declines in value. Thus, the fair value election provides for a more timely recognition of any potential future recoveries in asset values while not affecting the requirement to recognize subsequent declines in value.

The following tables reflect the differences between the fair value carrying amount of residential real estate loans held-for-sale measured at fair value in accordance with management s election and the aggregate unpaid principal amount FHN is contractually entitled to receive at maturity.

	June 30, 2017		
(Dollars in thousands)	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Residential real estate loans held-for-sale reported at fair value:			
Total loans	**$ 22,220**	**$ 31,580**	**$ (9,360)**
Nonaccrual loans	**6,419**	**11,736**	**(5,317)**
Loans 90 days or more past due and still accruing	**35**	**43**	**(8)**

	December 31, 2016		
(Dollars in thousands)	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Residential real estate loans held-for-sale reported at fair value:			
Total loans	$ 24,269	$ 35,262	$ (10,993)
Nonaccrual loans	6,775	12,910	(6,135)
Loans 90 days or more past due and still accruing	211	331	(120)

Assets and liabilities accounted for under the fair value election are initially measured at fair value with subsequent changes in fair value recognized in earnings. Such changes in the fair value of assets and liabilities for which FHN elected the fair value option are included in current period earnings with classification in the income statement line item reflected in the following table:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2017**	2016	**2017**	2016
Changes in fair value included in net income:				
Mortgage banking noninterest income Loans held-for-sale	**$ 410**	$ 429	**$ 1,332**	$ 771

For the three months ended June 30, 2017, and 2016, the amounts for residential real estate loans held-for-sale include gains of $.2 million in pretax earnings that are attributable to changes in instruments-specific credit risk. For the six months ended June 30, 2017, and 2016, the amounts for residential real estate loans held-for-sale included gains of $.3 million in pretax earnings that are attributable to changes in instrument-specific credit risk. The portion of the fair value adjustments related to credit risk was determined based on estimated default rates and estimated loss severities. Interest income on residential real estate loans held-for-sale measured at fair value is calculated based on the note rate of the loan and is recorded in the interest income section of the Consolidated Condensed Statements of Income as interest on loans held-for-sale.

Note 16 Fair Value of Assets & Liabilities (Continued)

FHN has elected to account for retained interest-only strips from guaranteed SBA loans recorded in available-for-sale securities at fair value through earnings. Since these securities are subject to the risk that prepayments may result in FHN not recovering all or a portion of its recorded investment, the fair value election results in a more timely recognition of the effects of estimated prepayments through earnings rather than being recognized through other comprehensive income with periodic review for other-than-temporary impairment. Gains or losses are recognized through fixed income revenues and are presented in the recurring measurements table.

Determination of Fair Value

In accordance with ASC 820-10-35, fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following describes the assumptions and methodologies used to estimate the fair value of financial instruments recorded at fair value in the Consolidated Condensed Statements of Condition and for estimating the fair value of financial instruments for which fair value is disclosed under ASC 825-10-50.

Short-term financial assets. Federal funds sold, securities purchased under agreements to resell, and interest bearing deposits with other financial institutions and the Federal Reserve are carried at historical cost. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

Trading securities and trading liabilities. Trading securities and trading liabilities are recognized at fair value through current earnings. Trading inventory held for broker-dealer operations is included in trading securities and trading liabilities. Broker-dealer long positions are valued at bid price in the bid-ask spread. Short positions are valued at the ask price. Inventory positions are valued using observable inputs including current market transactions, LIBOR and U.S. treasury curves, credit spreads, and consensus prepayment speeds. Trading loans are valued using observable inputs including current market transactions, swap rates, mortgage rates, and consensus prepayment speeds.

Trading securities also include retained interests in prior mortgage securitizations that qualify as financial assets, which include primarily principal-only strips. FHN uses inputs including yield curves, credit spreads, and prepayment speeds to determine the fair value of principal-only strips.

Securities available-for-sale. Securities available-for-sale includes the investment portfolio accounted for as available-for-sale under ASC 320-10-25, federal bank stock holdings, and short-term investments in mutual funds. Valuations of available-for-sale securities are performed using observable inputs obtained from market transactions in similar securities. Typical inputs include LIBOR and U.S. treasury curves, consensus prepayment estimates, and credit spreads. When available, broker quotes are used to support these valuations.

Investments in the stock of the Federal Reserve Bank and Federal Home Loan Banks are recognized at historical cost in the Consolidated Condensed Statements of Condition which is considered to approximate fair value. Short-term investments in mutual funds are measured at the funds reported closing net asset values. Investments in equity securities are valued using quoted market prices when available. Cost method investments are valued at historical cost less any recorded impairment due to the illiquid nature of these investments.

Interest only strips are valued at elected fair value based on an income approach using an internal valuation model. The internal valuation model includes assumptions regarding projections of future cash flows, prepayment rates, default rates and interest only strip terms. These securities bear the risk of loan prepayment or default that may result in the Company not recovering all or a portion of its recorded investment. When appropriate, valuations are adjusted for various factors including default or prepayment status of the underlying SBA loans. Because of the inherent uncertainty of valuation, those estimated values may be higher or lower than the values that would have been used had a ready market for the securities existed, and may change in the near term.

Note 16 Fair Value of Assets & Liabilities (Continued)

Securities held-to-maturity. Securities held-to-maturity reflects debt securities for which management has the positive intent and ability to hold to maturity. To the extent possible, valuations of held-to-maturity securities are performed using observable inputs obtained from market transactions in similar securities. Typical inputs include LIBOR and U.S. treasury curves and credit spreads. Debt securities with limited trading activity are valued using a discounted cash flow model that incorporates a combination of observable and unobservable inputs. Primary observable inputs include contractual cash flows, the treasury curve and credit spreads from similar instruments. Significant unobservable inputs include estimated credit spreads for individual issuers and instruments as well as prepayment speeds, as applicable.

Loans held-for-sale. Residential real estate loans held-for-sale are valued using current transaction prices and/or values on similar assets when available, including committed bids for specific loans or loan portfolios. Uncommitted bids may be adjusted based on other available market information. For all other loans FHN determines the fair value of residential real estate loans held-for-sale using a discounted cash flow model which incorporates both observable and unobservable inputs. Inputs include current mortgage rates for similar products, estimated prepayment rates, foreclosure losses, and various loan performance measures (delinquency, LTV, credit score). Adjustments for delinquency and other differences in loan characteristics are typically reflected in the model s discount rates. Loss severity trends and the value of underlying collateral are also considered in assessing the appropriate fair value for severely delinquent loans and loans in foreclosure. The valuation of HELOCs also incorporates estimated cancellation rates for loans expected to become delinquent.

The Company utilizes quoted market prices of similar instruments or broker and dealer quotations to value the SBA and USDA guaranteed loans. The Company values SBA-unguaranteed interests in loans held-for-sale based on individual loan characteristics, such as industry type and pay history which generally follows an income approach. Furthermore, these valuations are adjusted for changes in prepayment estimates and are reduced due to restrictions on trading. The fair value of other non-residential real estate loans held-for-sale is approximated by their carrying values based on current transaction values.

Loans, net of unearned income. Loans, net of unearned income are recognized at the amount of funds advanced, less charge-offs and an estimation of credit risk represented by the allowance for loan losses. The fair value estimates for disclosure purposes differentiate loans based on their financial characteristics, such as product classification, vintage, loan category, pricing features, and remaining maturity.

The fair value of floating rate loans is estimated through comparison to recent market activity in loans of similar product types, with adjustments made for differences in loan characteristics. In situations where market pricing inputs are not available, fair value is considered to approximate book value due to the monthly repricing for commercial and consumer loans, with the exception of floating rate 1-4 family residential mortgage loans which reprice annually and will lag movements in market rates. The fair value for floating rate 1-4 family mortgage loans is calculated by discounting future cash flows to their present value. Future cash flows are discounted to their present value by using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same time period. Prepayment assumptions based on historical prepayment speeds and industry speeds for similar loans have been applied to the floating rate 1-4 family residential mortgage portfolio.

The fair value of fixed rate loans is estimated through comparison to recent market activity in loans of similar product types, with adjustments made for differences in loan characteristics. In situations where market pricing inputs are not available, fair value is estimated by discounting future cash flows to their present value. Future cash flows are discounted to their present value by using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same time period. Prepayment assumptions based on historical prepayment speeds and industry speeds for similar loans have been applied to the fixed rate mortgage and installment loan portfolios.

For all loan portfolio classes, adjustments are made to reflect liquidity or illiquidity of the market. Such adjustments reflect discounts that FHN believes are consistent with what a market participant would consider in determining fair value given current market conditions.

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

Individually impaired loans are measured using either a discounted cash flow methodology or the estimated fair value of the underlying collateral less costs to sell, if the loan is considered collateral-dependent. In accordance with accounting standards, the discounted cash flow analysis utilizes the loan s effective interest rate for discounting expected cash flow amounts. Thus, this analysis is not considered a fair value measurement in accordance with ASC 820. However, the results of this methodology are considered to approximate fair value for the applicable loans. Expected cash flows are derived from internally-developed inputs primarily reflecting expected default rates on contractual cash flows. For loans measured using the estimated fair value of collateral less costs to sell, fair value is estimated using appraisals of the collateral. Collateral values are monitored and additional write-downs are recognized if it is determined that the estimated collateral values have declined further. Estimated costs to sell are based on current amounts of disposal costs for similar assets. Carrying value is considered to reflect fair value for these loans.

Derivative assets and liabilities. The fair value for forwards and futures contracts is based on current transactions involving identical securities. Futures contracts are exchange-traded and thus have no credit risk factor assigned as the risk of non-performance is limited to the clearinghouse used.

Valuations of other derivatives (primarily interest rate related swaps) are based on inputs observed in active markets for similar instruments. Typical inputs include the LIBOR curve, Overnight Indexed Swap (OIS) curve, option volatility, and option skew. In measuring the fair value of these derivative assets and liabilities, FHN has elected to consider credit risk based on the net exposure to individual counterparties. Credit risk is mitigated for these instruments through the use of mutual margining and master netting agreements as well as collateral posting requirements. For derivative contracts with daily cash margin requirements that are considered settlements, the daily margin amount is netted within derivative assets or liabilities. Any remaining credit risk related to interest rate derivatives is considered in determining fair value through evaluation of additional factors such as customer loan grades and debt ratings. Foreign currency related derivatives also utilize observable exchange rates in the determination of fair value. The determination of fair value for FHN s derivative liabilities associated with its prior sales of Visa Class B shares are classified within Level 3 in the fair value measurements disclosure as previously discussed in the unobservable inputs discussion.

Real estate acquired by foreclosure. Real estate acquired by foreclosure primarily consists of properties that have been acquired in satisfaction of debt. These properties are carried at the lower of the outstanding loan amount or estimated fair value less estimated costs to sell the real estate. Estimated fair value is determined using appraised values with subsequent adjustments for deterioration in values that are not reflected in the most recent appraisal.

Nonearning assets. For disclosure purposes, nonearning financial assets include cash and due from banks, accrued interest receivable, and fixed income receivables. Due to the short-term nature of cash and due from banks, accrued interest receivable, and fixed income receivables, the fair value is approximated by the book value.

Other assets. For disclosure purposes, other assets consist of tax credit investments and deferred compensation assets that are considered financial assets. Tax credit investments accounted for under the equity method are written down to estimated fair value quarterly based on the estimated value of the associated tax credits which incorporates estimates of required yield for hypothetical investors. The fair value of all other tax credit investments is estimated using recent transaction information with adjustments for differences in individual investments. Deferred compensation assets are recognized at fair value, which is based on quoted prices in active markets.

Defined maturity deposits. The fair value of these deposits is estimated by discounting future cash flows to their present value. Future cash flows are discounted by using the current market rates of similar instruments applicable to the remaining maturity. For disclosure purposes, defined maturity deposits include all time deposits.

Undefined maturity deposits. In accordance with ASC 825, the fair value of these deposits is approximated by the book value. For the purpose of this disclosure, undefined maturity deposits include demand deposits, checking interest accounts, savings accounts, and money market accounts.

Note 16 Fair Value of Assets & Liabilities (Continued)

Short-term financial liabilities. The fair value of federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings are approximated by the book value. The carrying amount is a reasonable estimate of fair value because of the relatively short time between the origination of the instrument and its expected realization.

Term borrowings. The fair value of term borrowings is based on quoted market prices or dealer quotes for the identical liability when traded as an asset. When pricing information for the identical liability is not available, relevant prices for similar debt instruments are used with adjustments being made to the prices obtained for differences in characteristics of the debt instruments. If no relevant pricing information is available, the fair value is approximated by the present value of the contractual cash flows discounted by the investor s yield which considers FHN s and FTBNA s debt ratings.

Other noninterest-bearing liabilities. For disclosure purposes, other noninterest-bearing financial liabilities include accrued interest payable and fixed income payables. Due to the short-term nature of these liabilities, the book value is considered to approximate fair value.

Loan commitments. Fair values of these commitments are based on fees charged to enter into similar agreements taking into account the remaining terms of the agreements and the counterparties credit standing.

Other commitments. Fair values of these commitments are based on fees charged to enter into similar agreements.

The following fair value estimates are determined as of a specific point in time utilizing various assumptions and estimates. The use of assumptions and various valuation techniques, as well as the absence of secondary markets for certain financial instruments, reduces the comparability of fair value disclosures between financial institutions. Due to market illiquidity, the fair values for loans, net of unearned income, loans held-for-sale, and term borrowings as of June 30, 2017 and December 31, 2016, involve the use of significant internally-developed pricing assumptions for certain components of these line items. The assumptions and valuations utilized for this disclosure are considered to reflect inputs that market participants would use in transactions involving these instruments as of the measurement date. The valuations of legacy assets, particularly consumer loans within the non-strategic segment and TRUP loans, are influenced by changes in economic conditions since origination and risk perceptions of the financial sector. These considerations affect the estimate of a potential acquirer s cost of capital and cash flow volatility assumptions from these assets and the resulting fair value measurements may depart significantly from FHN s internal estimates of the intrinsic value of these assets.

Assets and liabilities that are not financial instruments have not been included in the following table such as the value of long-term relationships with deposit and trust customers, premises and equipment, goodwill and other intangibles, deferred taxes, and certain other assets and other liabilities. Additionally, these measurements are solely for financial instruments as of the measurement date and do not consider the earnings potential of our various business lines. Accordingly, the total of the fair value amounts does not represent, and should not be construed to represent, the underlying value of FHN.

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

The following table summarizes the book value and estimated fair value of financial instruments recorded in the Consolidated Condensed Statements of Condition as of June 30, 2017:

	June 30, 2017				
	Book	Fair Value			
(Dollars in thousands)	Value	Level 1	Level 2	Level 3	Total
Assets:					
Loans, net of unearned income and allowance for loan losses					
Commercial:					
Commercial, financial and industrial	$ 12,505,840	$	$	$ 12,424,202	$ 12,424,202
Commercial real estate	2,181,526			2,155,023	2,155,023
Consumer:					
Consumer real estate	4,371,390			4,319,728	4,319,728
Permanent mortgage	391,697			394,561	394,561
Credit card & other	341,609			341,647	341,647
Total loans, net of unearned income and allowance for loan losses	19,792,062			19,635,161	19,635,161
Short-term financial assets:					
Interest-bearing cash	573,666	573,666			573,666
Federal funds sold	34,036		34,036		34,036
Securities purchased under agreements to resell	657,991		657,991		657,991
Total short-term financial assets	1,265,693	573,666	692,027		1,265,693
Trading securities (a)	1,315,891		1,313,427	2,464	1,315,891
Loans held-for-sale (a)	432,771		335,193	99,415	434,608
Securities available-for-sale (a) (b)	3,949,592	25,182	3,761,539	162,871	3,949,592
Securities held-to-maturity	10,000			9,991	9,991
Derivative assets (a)	91,653	16,049	75,604		91,653
Other assets:					
Tax credit investments	99,217			98,983	98,983
Deferred compensation assets	35,064	35,064			35,064
Total other assets	134,281	35,064		98,983	134,047
Nonearning assets:					
Cash & due from banks	387,053	387,053			387,053
Fixed income receivables	127,724		127,724		127,724
Accrued interest receivable	65,330		65,330		65,330
Total nonearning assets	580,107	387,053	193,054		580,107

Total assets	$ 27,572,050	$ 1,037,014	$ 6,370,844	$ 20,008,885	$ 27,416,743
Liabilities:					
Deposits:					
Defined maturity	$ 1,373,618	$	$ 1,380,279	$	$ 1,380,279
Undefined maturity	20,959,731		20,959,731		20,959,731
Total deposits	22,333,349		22,340,010		22,340,010
Trading liabilities (a)	555,793		555,793		555,793
Short-term financial liabilities:					
Federal funds purchased	314,892		314,892		314,892
Securities sold under agreements to repurchase	743,684		743,684		743,684
Other short-term borrowings	1,044,658		1,044,658		1,044,658
Total short-term financial liabilities	2,103,234		2,103,234		2,103,234
Term borrowings:					
Real estate investment trust-preferred	46,066			49,350	49,350
Term borrowings new market tax credit investment	18,000			17,961	17,961
Borrowings secured by residential real estate	15,887			15,093	15,093
Other long term borrowings	953,376		966,541		966,541
Total term borrowings	1,033,329		966,541	82,404	1,048,945
Derivative liabilities (a)	92,717	12,578	74,439	5,700	92,717
Other noninterest-bearing liabilities:					
Fixed income payables	28,571		28,571		28,571
Accrued interest payable	11,639		11,639		11,639
Total other noninterest-bearing liabilities	40,210		40,210		40,210
Total liabilities	$ 26,158,632	$ 12,578	$ 26,080,227	$ 88,104	$ 26,180,909

(a) Classes are detailed in the recurring and nonrecurring measurement tables.

(b) Level 3 includes restricted investments in FHLB-Cincinnati stock of $87.9 million and FRB stock of $68.6 million.

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

The following table summarizes the book value and estimated fair value of financial instruments recorded in the Consolidated Statements of Condition as of December 31, 2016:

	December 31, 2016				
	Book	**Fair Value**			
(Dollars in thousands)	**Value**	Level 1	Level 2	Level 3	Total
Assets:					
Loans, net of unearned income and allowance for loan losses					
Commercial:					
Commercial, financial and industrial	$ 12,058,689	$	$	$ 11,918,374	$ 11,918,374
Commercial real estate	2,101,671			2,078,306	2,078,306
Consumer:					
Consumer real estate	4,473,395			4,385,669	4,385,669
Permanent mortgage	406,836			404,930	404,930
Credit card & other	346,861			347,577	347,577
Total loans, net of unearned income and allowance for loan losses	19,387,452			19,134,856	19,134,856
Short-term financial assets:					
Interest-bearing cash	1,060,034	1,060,034			1,060,034
Federal funds sold	50,838		50,838		50,838
Securities purchased under agreements to resell	613,682		613,682		613,682
Total short-term financial assets	1,724,554	1,060,034	664,520		1,724,554
Trading securities (a)	897,071		894,498	2,573	897,071
Loans held-for-sale	111,248		6,631	104,617	111,248
Securities available-for-sale (a) (b)	3,943,499	25,249	3,756,745	161,505	3,943,499
Securities held-to-maturity	14,347			14,773	14,773
Derivative assets (a)	121,654	33,587	88,067		121,654
Other assets:					
Tax credit investments	100,105			98,400	98,400
Deferred compensation assets	32,840	32,840			32,840
Total other assets	132,945	32,840		98,400	131,240
Nonearning assets:					
Cash & due from banks	373,274	373,274			373,274
Fixed income receivables	57,411		57,411		57,411
Accrued interest receivable	62,887		62,887		62,887
Total nonearning assets	493,572	373,274	120,298		493,572

Total assets	$ 26,826,342	$ 1,524,984	$ 5,530,759	$ 19,516,724	$ 26,572,467
Liabilities:					
Deposits:					
Defined maturity	$ 1,355,133	$	$ 1,361,104	$	$ 1,361,104
Undefined maturity	21,317,230		21,317,230		21,317,230
Total deposits	22,672,363		22,678,334		22,678,334
Trading liabilities (a)	561,848		561,848		561,848
Short-term financial liabilities:					
Federal funds purchased	414,207		414,207		414,207
Securities sold under agreements to repurchase	453,053		453,053		453,053
Other short-term borrowings	83,177		83,177		83,177
Total short-term financial liabilities	950,437		950,437		950,437
Term borrowings:					
Real estate investment trust-preferred	46,032			49,350	49,350
Term borrowings new market tax credit investment	18,000			17,918	17,918
Borrowings secured by residential real estate	23,126			21,969	21,969
Other long term borrowings	953,498		965,066		965,066
Total term borrowings	1,040,656		965,066	89,237	1,054,303
Derivative liabilities (a)	135,897	33,274	96,378	6,245	135,897
Other noninterest-bearing liabilities:					
Fixed income payables	21,002		21,002		21,002
Accrued interest payable	10,336		10,336		10,336
Total other noninterest-bearing liabilities	31,338		31,338		31,338
Total liabilities	$ 25,392,539	$ 33,274	$ 25,283,401	$ 95,482	$ 25,412,157

(a) Classes are detailed in the recurring and nonrecurring measurement tables.

(b) Level 3 includes restricted investments in FHLB-Cincinnati stock of $87.9 million and FRB stock of $68.6 million.

Table of Contents

Note 16 Fair Value of Assets & Liabilities (Continued)

The following table presents the contractual amount and fair value of unfunded loan commitments and standby and other commitments as of June 30, 2017 and December 31, 2016:

	Contractual Amount		Fair Value	
(Dollars in thousands)	**June 30, 2017**	December 31, 2016	**June 30, 2017**	December 31, 2016
Unfunded Commitments:				
Loan commitments	**$ 8,871,103**	$ 8,744,649	**$ 2,582**	$ 2,924
Standby and other commitments	**305,330**	277,549	**3,991**	4,037

81

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Table of Contents

FIRST HORIZON NATIONAL CORPORATION

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

GENERAL INFORMATION

First Horizon National Corporation (FHN) began as a community bank chartered in 1864 and as of June 30, 2017, was one of the 40 largest publicly traded banking organizations in the United States in terms of asset size.

FHN s two major brands First Tennessee and FTN Financial provide customers with a broad range of products and services. First Tennessee (FTBNA) provides consumer and commercial banking services throughout Tennessee and other selected markets and is the largest bank headquartered in the state of Tennessee. FTN Financial (FTNF) is an industry leader in fixed income sales, trading, and strategies for institutional clients in the U.S. and abroad.

FHN is composed of the following operating segments:

Regional banking offers financial products and services including traditional lending and deposit-taking to consumer and commercial customers in Tennessee and other selected markets. Regional banking provides investments, financial planning, trust services and asset management, along with credit card and cash management services. Additionally, the regional banking segment includes correspondent banking which provides credit, depository, and other banking-related services to other financial institutions nationally.

Fixed income provides financial services for depository and non-depository institutions through the sale and distribution of fixed income securities, loan sales, portfolio advisory services, and derivative sales.

Corporate consists of unallocated corporate expenses, expense on subordinated debt issuances, bank-owned life insurance (BOLI), unallocated interest income associated with excess equity, net impact of raising incremental capital, revenue and expense associated with deferred compensation plans, funds management, tax credit investment activities, derivative valuation adjustments related to prior sales of Visa Class B shares, and acquisition-related costs.

Non-strategic includes exited businesses and wind-down national consumer lending activities, other discontinued products, and loan portfolios and service lines.

On May 4, 2017, FHN and Capital Bank Financial Corp. (Capital Bank or CBF) announced that they had entered into an agreement and plan of merger under which FHN will acquire Capital Bank, which is headquartered in Charlotte, North Carolina. Capital Bank reported approximately $10 billion of assets at March 31, 2017. The transaction is expected to close in fourth quarter 2017, subject to regulatory approvals, approval by shareholders of FHN and of Capital Bank, and other customary conditions.

On April 3, 2017, FTNF acquired substantially all of the assets and assumed substantially all of the liabilities of Coastal Securities, Inc. (Coastal), a national leader in the trading, securitization, and analysis of Small Business

Administration (SBA) loans, for approximately $131 million in cash. Coastal, which was based in Houston, TX, also traded United States Department of Agriculture (USDA) loans and fixed income products and provided municipal underwriting and advisory services to its clients. Coastal s government-guaranteed loan products were combined with FTNF s existing SBA trading activities to establish an additional major product sector for FTNF. FHN s operating results include the operating results of the acquired assets and assumed liabilities subsequent to the acquisition date.

On September 16, 2016, FTBNA acquired $537.4 million of UPB in restaurant franchise loans from GE Capital. The acquired loans were combined with existing FTBNA relationships to establish a franchise finance specialty banking business.

Refer to Note 2 Acquisitions and Divestitures in this report and in Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016 for additional information.

For the purpose of this management s discussion and analysis (MD&A), earning assets have been expressed as averages, unless otherwise noted, and loans have been disclosed net of unearned income. The following financial discussion should be read with the accompanying audited Consolidated Condensed Financial Statements and Notes in this report. Additional information including the 2016 financial statements, notes, and MD&A is provided in Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016.

Non-GAAP Measures

Certain measures are included in the narrative and tables in this MD&A that are non-GAAP , meaning (under U.S. financial reporting rules) they are not presented in accordance with generally accepted accounting principles (GAAP) in the U.S. and also are not codified in U.S. banking regulations currently applicable to FHN. Although other entities may use calculation methods that differ from those used by FHN for non-GAAP measures, FHN s management believes such measures are relevant to understanding the capital position or financial results of FHN. Non-GAAP measures are reported to FHN s management and Board of Directors through various internal reports.

Presentation of regulatory measures, even those which are not GAAP, provide a meaningful base for comparability to other financial institutions subject to the same regulations as FHN, as demonstrated by their use by banking regulators in reviewing capital adequacy of financial institutions. Although not GAAP terms, these regulatory measures are not considered non-GAAP under U.S. financial reporting rules as long as their presentation conforms to regulatory standards. Regulatory measures used in this MD&A include: common equity tier 1 capital, generally defined as common equity less goodwill, other intangibles, and certain other required regulatory deductions; tier 1 capital, generally defined as the sum of core capital (including common equity and instruments that cannot be redeemed at the option of the holder) adjusted for certain items under risk based capital regulations; and risk-weighted assets (RWA), which is a measure of total on- and off-balance sheet assets adjusted for credit and market risk, used to determine regulatory capital ratios.

The non-GAAP measure presented in this filing is return on average tangible common equity (ROTCE). Refer to table 25 for a reconciliation of the non-GAAP to GAAP measure and presentation of the most comparable GAAP item.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements with respect to FHN s beliefs, plans, goals, expectations, and estimates. Forward-looking statements are statements that are not a representation of historical information but instead pertain to future operations, strategies, financial results, or other developments. The words believe, expect, anticipate, intend, estimate, should, is likely, will, going forward, and other expressions that indicate future events and t identify forward-looking statements.

Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, operational, economic and competitive uncertainties and contingencies, many of which are beyond FHN s control, and many of which, with respect to future business decisions and actions (including acquisitions and divestitures), are subject to change. Examples of uncertainties and contingencies include, among other important factors: global, general and local economic and business conditions, including economic recession or depression; the stability or volatility of values and activity in the residential housing and commercial real estate markets; potential requirements for FHN to repurchase, or compensate for losses from, previously sold or securitized mortgages or securities based on such mortgages; potential claims alleging mortgage servicing failures, individually, on a class basis, or as master servicer of securitized loans; potential claims relating to participation in government programs, especially lending or other financial services programs; expectations of and actual timing and amount of interest rate movements, including the slope and shape of the yield curve, which can have a significant impact on a financial services institution; market and monetary fluctuations, including fluctuations in mortgage markets; inflation or deflation; customer, investor, competitor, regulatory, and legislative responses to any or all of these conditions; the financial condition of borrowers and other counterparties; competition within and outside the financial services industry; geopolitical developments including possible terrorist activity; natural disasters; effectiveness and cost-efficiency of FHN s hedging practices; technological changes; fraud, theft, or other incursions through conventional, electronic, or other means affecting FHN directly or affecting its customers, business counterparties or competitors; demand for FHN s product offerings; new products and services in the industries in which FHN operates; the increasing use of new technologies to interact with customers and others; and critical accounting estimates. Other factors are those inherent in originating, selling, servicing, and holding loans and loan-based assets, including prepayment risks, pricing concessions, fluctuation in U.S. housing and other real estate prices, fluctuation of collateral values, and changes in customer profiles. Additionally, the actions of the Securities and Exchange Commission (SEC), the Financial Accounting Standards Board (FASB), the Office of the Comptroller of the

Currency (OCC), the Board of Governors of the Federal Reserve System (Federal Reserve or Fed), the Federal Deposit Insurance Corporation (FDIC), the Financial Industry Regulatory Authority (FINRA), the U.S. Department of the Treasury (U.S. Treasury), the Municipal Securities Rulemaking Board (MSRB), the Consumer Financial Protection Bureau (CFPB), the Financial Stability Oversight Council (Council), the Public Company Accounting Oversight Board (PCAOB), and other regulators and agencies; pending, threatened, or possible future regulatory, administrative, and judicial outcomes, actions, and proceedings; current or future Executive orders; changes in laws and regulations applicable to FHN; and FHN s success in executing its business plans and strategies and managing the risks involved in the foregoing, could cause actual results to differ, perhaps materially, from those contemplated by the forward-looking statements.

FHN assumes no obligation to update or revise any forward-looking statements that are made in this Quarterly Report of which this MD&A is a part or otherwise from time to time. Actual results could differ and expectations could change, possibly materially, because of one or more factors, including those presented in this Forward-Looking Statements section, in other sections of this MD&A, in other parts of and exhibits to this Quarterly Report on Form 10-Q for the period ended June 30, 2017, and in documents incorporated into this Quarterly Report.

FINANCIAL SUMMARY

In second quarter 2017, FHN reported net income available to common shareholders of $90.8 million, or $.38 per diluted share, compared to net income of $56.5 million, or $.24 per diluted share in second quarter 2016. For the six months ended June 30, 2017, FHN reported net income available to common shareholders of $144.8 million, or $.61 per diluted share, compared to net income available to common shareholders of $104.4 million, or $.44 per diluted share, for the six months ended June 30, 2016. Results improved in both periods relative to 2016 driven by an increase in net interest income (NII), a decline in expenses, and a decrease in the provision for income taxes, somewhat offset by lower noninterest income. The decline in provision for income taxes was due to a favorable effective tax rate adjustment associated with a $40.1 million reversal of a capital loss deferred tax valuation allowance in second quarter 2017.

Total revenue increased $6.6 million and $6.9 million, respectively, for the three and six months ended June 30, 2017 to $328.4 million and $635.0 million, as an increase in NII was largely offset by lower fixed income product revenue in both periods.

Noninterest expense decreased 4 percent and 3 percent, respectively to $217.9 million and $440.1 million for the three and six months ended June 30, 2017 compared to the three and six months ended June 30, 2016. The expense decrease in both periods was the result of a decline in accruals related to loss contingencies and litigation matters, lower fixed income variable compensation expense, and lower legal fees. In second quarter 2017 FHN recognized a smaller expense reversal to the mortgage repurchase and foreclosure provision compared to second quarter 2016, resulting in higher mortgage repurchase expenses during the three and six months ended June 30, 2017 relative to the comparative periods of 2016. Additionally, higher personnel-related expenses within the regional banking segment and $6.4 million of acquisition-related expenses primarily associated with the CBF and Coastal acquisitions recognized in second quarter 2017 also offset a portion of the expense decline for the three and six months ended June 30, 2017.

On a consolidated basis, credit quality was strong in the first half of 2017, with non-performing loans, net charge-offs, delinquencies, and the allowance for loan losses all decreasing relative to the comparative periods of the prior year. The provision for loan losses was a provision credit of $2.0 million in second quarter 2017 compared to provision expense of $4.0 million in second quarter 2016. For the six months ended June 30, 2017 the provision for loan losses was a provision credit of $3.0 million compared to provision expense of $7.0 million for the six months ended June 30, 2016.

Return on average common equity (ROE) and ROTCE improved in second quarter 2017 to 15.26 percent and 17.30 percent, respectively from 10.04 percent and 11.10 percent, respectively in second quarter 2016. Return on average assets (ROA) was 1.32 percent in second quarter 2017 compared to .91 percent in second quarter 2016. For the six months ended June 30, 2017 ROE, ROTCE, and ROA improved to 12.38 percent, 13.82 percent, and 1.07 percent, respectively from 9.29 percent, 10.27 percent, and .85 percent, respectively, for the six months ended June 30, 2016. Common equity tier 1, Tier 1, Total capital, and Leverage ratios were 9.85 percent, 10.99 percent, 11.98 percent, and 9.38 percent, respectively, in second quarter 2017 compared to 10.05 percent, 11.28 percent, 12.39 percent and 9.50 percent, respectively, in second quarter 2016. Average assets increased 8 percent for both the three and six months ended June 30, 2017 to $28.9 billion and $28.8 billion from $26.8 billion and $26.7 billion for the three and six months ended June 30, 2016. Average loans also increased 8 percent for both the three and six months ended June 30, 2017 relative to the same periods in 2016 to $19.2 billion and $19.0 billion. Period-end and average Shareholders equity increased to $2.8 billion in second quarter 2017 from $2.7 billion in second quarter 2016.

BUSINESS LINE REVIEW

Regional Banking

Pre-tax income within the regional banking segment increased 77 percent to $113.8 million in second quarter from $64.2 million in second quarter 2016. The increase in pre-tax income was primarily driven by higher net interest income coupled with a decline in expenses and lower loan loss provisioning. For the six months ended June 30, 2017, regional banking pre-tax income was $215.0 million compared to $135.6 million for the six months ended June 30, 2016. The increase in pre-tax income for the first half of 2017 was largely driven by an increase in net interest income, a decline in loan loss provision expense, and lower noninterest expense relative to the first half of 2016.

Total revenue increased 11 percent, or $27.1 million, to $266.7 million in second quarter 2017, from $239.6 million in second quarter 2016, driven by an increase in NII. The increase in NII was largely due to the favorable impact of higher interest rates on loans, an increase in commercial loans and noninterest-bearing deposits, as well as lower deposit costs relative to second quarter 2016. Noninterest income was $64.7 million and $61.3 million in second quarter 2017 and 2016, respectively. The increase in noninterest income was largely driven by an increase in brokerage, management fees, and commission income from the Bank s wealth management group and an increase in fees from deposit transactions and cash management, somewhat offset by a decline in bankcard income as a result of the absence of volume incentives received in second quarter 2016. The increase in brokerage, management fees and commissions was the result of increases in recurring revenue driven primarily by growth in FHN s advisory business and favorable market conditions. The increase in fees from deposit transactions and cash management activities was largely driven by higher fee income associated with cash management activities. In second quarter 2017, FHN recognized $.4 million in securities gains resulting from the call of a $4.4 million held-to-maturity municipal bond, which also positively impacted revenues.

Provision expense was $.3 million in second quarter 2017 compared to $10.9 million in second quarter 2016. The net decrease in provision in second quarter 2017 compared to the prior year reflects continued strong performance in both the commercial and consumer portfolios relative to a year ago and historically low net charge-offs which continued to drive lower loss rates. Second quarter 2017 net charge-offs were $3.0 million compared to $7.6 million a year ago.

Noninterest expense was $152.7 million in second quarter 2017, down 7 percent from $164.5 million in second quarter 2016. The decrease in noninterest expense was largely driven by a $22.0 million decline in accruals related to loss contingencies and litigation matters associated with the resolution of legal matters in second quarter 2016, somewhat offset by increases in personnel-related expenses, operations services, FDIC premium expense and foreclosure related losses in second quarter 2017, relative to the prior year. The increase in personnel expense was largely driven by expenses associated with strategic hires in expansion markets and specialty areas, as well as higher incentive expense associated with loan/deposit growth and retention initiatives. The increase in operations services expense was primarily related to an increase in third party fees associated with FHN s online digital banking platform and the increase in FDIC premium expense was due in large part to balance sheet growth. The increase in foreclosure-related losses relative to the prior year was primarily the result of gains on sales recognized in second quarter 2016. Additionally, a $.9 million charge recognized in second quarter 2016 related to fixed asset impairments and lease abandonment charges associated with efforts to more efficiently utilize bank branch locations contributed to the expense decline in second quarter 2017.

Total revenue increased 10 percent to $519.1 million for the six months ended June 30, 2017, from $471.2 million for the six months ended June 30, 2016, driven by an increase in NII. The increase in NII for the year-to-date period was also driven by the favorable impact of higher interest rates on loans, higher average balances of commercial loans and noninterest-bearing deposits, and lower deposit costs relative to 2016. For the six months ended June 30, 2017 and 2016, noninterest income was $123.7 million and $120.6 million, respectively. The increase in noninterest income was largely driven by an increase in brokerage, management fees, and commission income from the Bank s wealth management group and the increase in net securities gains previously mentioned. These increases were somewhat offset by declines in fees from deposit transactions and cash management and bankcard income. The decrease in fees from deposit transactions and cash management was primarily due to lower non-sufficient funds (NSF)/overdraft fees in first quarter 2017 driven by changes in consumer behavior and a modification of billing practices, somewhat mitigated by an increase in fee income associated with cash management activities. The decrease in bankcard income was the result of volume incentives received in the first half of 2016 driven by a significant new relationship, as previously mentioned.

Provision expense was $3.4 million for the six months ended June 30, 2017 compared to $25.7 million for the six months ended June 30, 2016. The net decrease in provision in the first half of 2017 compared to the first half of 2016 was driven by the same factors that impacted the quarterly period.

Noninterest expense was $300.7 million and $309.9 million for the six months ended June 30, 2017 and 2016, respectively. The decrease in noninterest expense was largely attributable to the same drivers affecting the quarterly decrease in expenses discussed above. For the year-to-date period the expense decrease associated with fixed asset impairment charges recognized in the first half of 2016 was $4.2 million. Additionally, a recovery from a vendor recognized in first quarter 2017 related to previous overbillings also contributed to the expense decrease for the six months ended June 30, 2017.

Fixed Income

Pre-tax income in the fixed income segment was $6.2 million in second quarter 2017 compared to $18.4 million in second quarter 2016. For the six months ended June 30, 2017, fixed income s pre-tax income was $9.5 million compared to $29.6 million for the six months ended June 30, 2016. The decline in results was driven by lower revenues, somewhat offset by a decline in expenses.

NII increased from $3.1 million in second quarter 2016 to $5.0 million in second quarter 2017, primarily driven by an increase in loans held-for-sale and higher net inventory positions as a result of the Coastal acquisition. Fixed income product revenue decreased 34 percent to $45.6 million in second quarter 2017 from $69.3 million in second quarter 2016, as average daily revenue (ADR) declined to $723 thousand in second quarter 2017 from $1.1 million in second quarter 2016. This decline reflects lower activity due to rate increases, a flattening yield curve, and relatively low levels of market volatility. Other product revenue increased to $9.7 million in second quarter 2017 from $8.8 million in the prior year, primarily driven by an increase in fees from loan sales. Noninterest expense decreased 14 percent, or $8.8 million, to $54.0 million in second quarter 2017 from $62.8 million in second quarter 2016, due to lower variable compensation associated with the decrease in fixed income product revenue in second quarter 2017.

For the six months ended June 30, 2017 and 2016, NII was $6.1 million and $5.8 million, respectively, as lower net inventory positions driven by reduced customer activity in first quarter 2017 partially offset the second quarter 2017 increase driven by the Coastal acquisition previously mentioned. Fixed income product revenue was $88.3 million for the first half of 2017, down from $126.9 million in the prior year reflecting lower activity due to rate increases, a flattening yield curve, and relatively low levels of market volatility. Other product revenue was $17.7 million and $18.3 million for the six months ended June 30, 2017 and 2016, respectively. Noninterest expense decreased 15 percent, or $18.7 million, to $102.7 million for the six months ended June 30, 2017 from $121.4 million for the six months ended June 30, 2016. The expense decline during the first half of 2017 was primarily the result of lower variable compensation associated with the decrease in fixed income product revenue in the first half of 2017, somewhat offset by an increase in legal fees.

Corporate

The pre-tax loss for the corporate segment was $33.3 million and $26.9 million for the quarters ended June 30, 2017 and 2016, respectively and $58.8 million and $49.0 million for the six months ended June 30, 2017 and 2016, respectively.

Net interest expense was $15.0 million and $15.8 million, respectively in second quarter 2017 and 2016. Noninterest income (including securities gain/losses) was $6.2 million in second quarter 2017, up from $4.9 million in second quarter 2016. The increase in noninterest income was largely due to higher deferred compensation income and BOLI gains recognized in second quarter 2017 relative to the prior year. Deferred compensation income fluctuates with changes in the market value of the underlying investments and is mirrored by changes in deferred compensation expense which is included in personnel expense.

Noninterest expense was $24.6 million in second quarter 2017 compared to $15.9 million in second quarter 2016. The increase in expense for second quarter 2017 was largely driven by $6.4 million of acquisition-related expenses primarily associated with the CBF and Coastal acquisitions and a $3.2 million charitable contribution to the First Tennessee Foundation made in second quarter 2017. To a lesser extent higher deferred compensation expense also contributed to the expense increase, but was somewhat offset by $2.2 million of deferred compensation BOLI gains recognized in second quarter 2017. Additionally, a $2.5 million decrease of negative valuation adjustments associated with derivatives related to prior sales of Visa Class B shares also offset a portion of the expense increase in second quarter 2017.

Net interest expense was $29.1 million and $30.2 million, respectively for the six months ended June 30, 2017 and 2016, respectively. Noninterest income (including securities gain/losses) increased to $11.7 million for the six months ended June 30, 2017 from $10.6 million in the prior year. The increase was driven by an increase in deferred compensation income and higher BOLI gains recognized in the first half of 2017, somewhat offset by a decline in net security gains. The decline in net securities gains was the result of a $1.7 million gain from an exchange of approximately $294 million of available-for-sale (AFS) debt securities recognized in 2016.

Noninterest expense was $41.4 million and $29.4 million for the six months ended June 30, 2017 and 2016, respectively. The increase in noninterest expense in the first half of 2017 was due to the same factors effecting the quarterly expense increase noted above. For the year-to-date period, the increase in deferred compensation expense was greater than the second quarter impact. Additionally, a loss related to certain derivative contracts recognized in first quarter 2017 also contributed to the expense increase for the six months ended June 30, 2017, but was offset by a $2.6 million decrease of negative valuation adjustments associated with derivatives related to prior sales of Visa Class B shares.

Non-Strategic

The non-strategic segment had pre-tax income of $25.8 million in second quarter 2017 compared to $35.2 million in second quarter 2016. For the six months ended June 30, 2017, the non-strategic segment had pre-tax income of $32.3 million compared to $51.2 million for the six months ended June 30, 2016. The decline in results for the quarterly period was driven by a lower loan loss provision credit in second quarter 2017 relative to the prior year, coupled with a smaller net expense reversal primarily associated with the settlements of certain mortgage repurchase claims in second quarter 2017 relative to the prior year. The decline in results for the year-to-date period was primarily driven by a lower loan loss provision credit in the first half of 2017 relative to the prior year, a decline in revenues, and a smaller net expense reversal primarily associated with mortgage repurchase settlements.

Total revenue was $10.2 million in second quarter 2017 down from $11.9 million in second quarter 2016. NII declined 18 percent to $8.7 million in second quarter 2017, consistent with the run-off of the non-strategic loan portfolios. Noninterest income (including securities gains/losses) increased to $1.5 million in second quarter 2017 from $1.2 million in second quarter 2016.

The provision for loan losses within the non-strategic segment was a provision credit of $2.3 million in second quarter 2017 compared to a provision credit of $6.9 million in the prior year. Overall, the non-strategic segment continued to reflect stable performance combined with lower loan balances as reserves declined by $3.9 million from December 31, 2016, to $44.0 million as of June 30, 2017. Losses remain historically low as the non-strategic segment had net recoveries of $.3 million in second quarter 2017 versus net charge-offs of $.6 million a year ago.

Noninterest expense was a net expense reversal of $13.3 million in second quarter 2017 compared to a net expense reversal of $16.4 million in second quarter 2016. In both periods FHN recognized favorable expense reversals of repurchase and foreclosure provision primarily as a result of the settlements of certain repurchase claims; however, the reversal in second quarter 2017 was $21.7 million, compared to $31.4 million in second quarter 2016, resulting in a net increase in expenses in second quarter 2017 compared to the prior year. Offsetting a portion of this increase, accruals related to loss contingencies and litigation matters and legal expenses both declined in second quarter 2017 relative to second quarter 2016.

Table of Contents

For the six months ended June 30, 2017, total revenue was $21.2 million, down from $25.5 million for the six months ended June 30, 2016. NII declined 19 percent to $18.0 million during the first six months of 2017, consistent with the run-off of the non-strategic loan portfolios. Noninterest income (including securities gains/losses) decreased to $3.2 million in the first half of 2017 from $3.4 million in the first half of 2016.

The provision for loan losses within the non-strategic segment was a provision credit of $6.4 million for the six months ended June 30, 2017 compared to a provision credit of $18.7 million for the six months ended June 30, 2016. The same factors impacting the quarterly change in loan loss provisioning levels also drove the change for the year-to-date period.

For the six months ended June 30, 2017, noninterest expense was a net expense reversal of $4.7 million compared to a net expense reversal of $7.0 million for the six months ended June 30, 2016. The net increase in expense during the first half of 2017 relative to the prior year was driven by the same factors that impacted the quarterly results.

INCOME STATEMENT REVIEW

Total consolidated revenue increased 2 percent to $328.4 million in second quarter 2017 from $321.8 million in second quarter 2016, as an increase in NII was partially offset by a decrease in fixed income product revenue. Total expenses decreased 4 percent to $217.9 million in second quarter 2017 from $226.8 million in second quarter 2016. The decrease in noninterest expense was due in large part to a decline in accruals related to loss contingencies and litigation matters, lower personnel-related expenses, and lower legal fees relative to second quarter 2016. A smaller expense reversal to the mortgage repurchase and foreclosure provision in second quarter 2017 compared to second quarter 2016, and higher acquisition-related expenses recognized in second quarter 2017 primarily associated with the CBF and Coastal acquisitions, offset a portion of the expense decline.

Total consolidated revenue for the six months ended June 30, 2017 was $635.0 million, up 1 percent from $628.2 million for the six months ended June 30, 2016. The increase in revenue for the first half of 2017 relative to the first half of 2016 was also driven by an increase in NII, somewhat offset by lower fixed income product revenue. Total expenses were $440.1 million for the six months ended June 30, 2017, down 3 percent from $453.7 million for the six months ended June 30, 2016. The decrease in expenses for the year-to-date period was driven by the same factors impacting the second quarter 2017 decline.

NET INTEREST INCOME

Net interest income increased 14 percent, or $24.4 million, to $200.7 million in second quarter 2017 from $176.3 million in second quarter 2016. The increase in NII in second quarter 2017 was primarily the result of the favorable impact of higher interest rates on loans and loan growth within regional banking. To a lesser extent, an increase in loan fees relative to second quarter 2016, as well as higher average balances of loans held-for-sale and trading securities also positively impacted NII. These increases were partially offset by the continued run-off the non-strategic loan portfolios and a decrease in interest income associated with payments received on non-performing loans recognized on a cash basis. For the six months ended June 30, 2017, NII increased 12 percent to $390.4 million from $348.4 million. The increase in NII for the year-to-date period was primarily driven by loan growth within regional banking and the favorable impact of higher interest rates on loans, somewhat offset by the continued run-off of the non-strategic loan portfolios. Average earning assets were $26.6 billion and $24.6 billion in second quarter 2017 and 2016, respectively, and $26.6 billion and $24.5 billion for the six months ended June 30, 2017 and 2016, respectively. The increase in both periods relative to 2016 was primarily driven by loan growth within regional banking, higher average balances of excess cash held at the Federal Reserve (Fed), and an increase in loans held-for-sale (HFS) associated with the Coastal acquisition. These increases were somewhat offset by continued run-off of the non-strategic loan portfolios, a decrease in securities purchased under agreements to resell and a smaller investment securities portfolio relative to the prior year. The increase in loans HFS was less for the year-to-date period, due to the timing of the Coastal acquisition. Additionally, for the six months ended June 30, 2017 the increase was also somewhat offset by a decline in average fixed income trading securities.

Table of Contents

For purposes of computing yields and the net interest margin, FHN adjusts net interest income to reflect tax exempt income on an equivalent pre-tax basis which provides comparability of net interest income arising from both taxable and tax-exempt sources. The consolidated net interest margin improved to 3.07 percent in second quarter 2017 from 2.92 percent in second quarter 2016. The net interest spread was 2.87 percent in second quarter 2017, up 8 basis points from 2.79 percent in second quarter 2016. For the six months ended June 30, 2017, the net interest margin was 3.00 percent, up 10 basis points from 2.90 percent for the six months ended June 30, 2016. The favorable impact of higher interest rates on loans, higher average core deposit balances with a corresponding drop in more-costly, market-indexed deposits, an increase in loan fees relative to the comparable periods of 2016, and lower average balances of trading securities all contributed to the increase in NIM in both periods, but were somewhat offset by an increase in average excess cash held at the Fed for both the three and six months ended June 30, 2017 relative to the prior year.

Table of Contents

Table 1 Net Interest Margin

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Assets:				
Earning assets:				
Loans, net of unearned income:				
Commercial loans	**4.03%**	3.58%	**3.95%**	3.58%
Consumer loans	**4.21**	4.08	**4.17**	4.08
Total loans, net of unearned income	**4.08**	3.74	**4.01**	3.73
Loans held-for-sale	**4.38**	4.17	**4.43**	4.15
Investment securities:				
U.S. treasuries	**0.99**	0.98	**0.98**	0.98
U.S. government agencies	**2.57**	2.39	**2.58**	2.42
States and municipalities		7.27	**9.38**	6.98
Corporate bonds	**5.25**	5.25	**5.25**	5.25
Other	**3.10**	2.47	**3.12**	2.66
Total investment securities	**2.61**	2.41	**2.62**	2.44
Trading securities	**3.07**	2.64	**2.97**	2.75
Other earning assets:				
Federal funds sold	**1.58**	1.11	**1.49**	1.20
Securities purchased under agreements to resell	**0.69**	0.15	**0.54**	0.13
Interest bearing cash	**1.02**	0.48	**0.88**	0.49
Total other earning assets	**0.88**	0.28	**0.77**	0.31
Interest income / total earning assets	**3.59%**	3.27%	**3.48%**	3.25%
Liabilities:				
Interest-bearing liabilities:				
Interest-bearing deposits:				
Savings	**0.49%**	0.21%	**0.44%**	0.21%
Other interest-bearing deposits	**0.35**	0.19	**0.32**	0.18
Time deposits	**0.95**	0.83	**0.93**	0.81
Total interest-bearing deposits	**0.47**	0.25	**0.43**	0.25
Federal funds purchased	**1.02**	0.51	**0.88**	0.51
Securities sold under agreements to repurchase	**0.70**	0.11	**0.45**	0.08
Fixed income trading liabilities	**2.21**	1.84	**2.29**	1.98

Other short-term borrowings	**1.30**	0.66	**1.28**	0.78
Term borrowings	**3.23**	2.60	**3.10**	2.45
Interest expense / total interest-bearing liabilities	**0.72**	0.48	**0.66**	0.48
Net interest spread	**2.87%**	2.79%	**2.82%**	2.77%
Effect of interest-free sources used to fund earning assets	**0.20**	0.13	**0.18**	0.13
Net interest margin (a)	**3.07%**	2.92%	**3.00%**	2.90%

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

(a) Calculated using total net interest income adjusted for FTE assuming a statutory federal income tax rate of 35 percent and, where applicable, state income taxes.

FHN s net interest margin is primarily impacted by balance sheet factors such as interest-bearing cash levels, deposit balances, trading inventory levels, commercial loan volume, as well as loan fees, cash basis income, and changes in short-term interest rates. FHN s balance sheet is positioned to benefit primarily from a rise in short-term interest rates. For the second half of 2017, NIM will depend on the levels of interest-bearing cash; extent of Fed interest rate increases; commercial loan balances, particularly in specialty loan portfolios; and, levels of trading inventory balances. With interest-bearing cash and trading inventory levels, higher balances typically compress margin.

Table of Contents

PROVISION FOR LOAN LOSSES

The provision for loan losses is the charge to or the release of earnings that management determines to be necessary to maintain the ALLL at a sufficient level reflecting management s estimate of probable incurred losses in the loan portfolio. The provision for loan losses was a credit of $2.0 million and a credit of $3.0 million for the three and six months ended June 30, 2017, respectively, compared to a provision expense of $4.0 million and a provision expense of $7.0 million for the three and six months ended June 30, 2016, respectively. For the three and six months ended June 30 2017, FHN experienced continued overall improvement in the loan portfolio as evidenced by a 67 percent and 90 percent decline in net charge-offs relative to the comparative periods of 2016. The ALLL decreased $4.8 million from year-end to $197.3 million as of June 30, 2017. For additional information about the provision for loan losses refer to the Regional Banking and Non-Strategic sections of the Business Line Review section in this MD&A. For additional information about general asset quality trends refer to the Asset Quality section in this MD&A.

NONINTEREST INCOME

Noninterest income (including securities gains/(losses)) was $127.7 million in second quarter 2017 and represented 39 percent of total revenue compared to $145.5 million in second quarter 2016 and 45 percent. For the six months ended June 30, 2017 and 2016 noninterest income was $244.6 million and $279.8 million, respectively, representing 39 percent and 45 percent of total revenue. The decrease in noninterest income for both periods was primarily driven by lower fixed income product revenue.

Fixed Income Noninterest Income

Fixed income noninterest income was $55.1 million and $105.8 million for the three and six months ended June 30, 2017, down 29 percent and 27 percent, respectively, from $77.9 million and $144.9 million for the three and six months ended June 30, 2016. The decline in both periods reflects lower activity due to rate increases, a flattening yield curve, and relatively low levels of market volatility. Revenue from other products increased 11 percent to $9.6 million in second quarter 2017 from $8.6 million in second quarter 2016, largely driven by an increase in fees from loan sales. For the six months ended June 30, 2017, revenue from other products decreased to $17.5 million from $18.0 million for the six months ended June 30, 2016. The following table summarizes FHN s fixed income noninterest income for the three and six months ended June 30, 2017 and 2016.

Table 2 Fixed Income Noninterest Income

	Three Months Ended June 30		Percent	Six Months Ended June 30		Percent
(Dollars in thousands)	**2017**	2016	Change	**2017**	2016	Change
Noninterest income:						
Fixed income	**$ 45,555**	$ 69,279	(34%)	**$ 88,282**	$ 126,862	(30)%
Other product revenue	**9,555**	8,634	11%	**17,506**	18,028	(3)%
Total fixed income noninterest income	**$ 55,110**	$ 77,913	(29%)	**$ 105,788**	$ 144,890	(27)%

Deposit Transactions and Cash Management

Fees from deposit transactions and cash management activities increased to $27.9 million in second quarter 2017 from $27.0 million in second quarter 2016 largely driven by higher fee income associated with cash management activities. For the six months ended June 30, 2017 and 2016 fees from deposit transactions and cash management activities were $52.4 million and $53.8 million respectively. The decrease for the six months ended June 30, 2017 was primarily the result of lower NSF/overdraft fees in 2017 driven by changes in consumer behavior and a modification of billing practices, but was partially mitigated by an increase in fee income associated with cash management activities.

Brokerage, Management Fees and Commissions

Noninterest income from brokerage, management fees and commissions increased 13 percent to $12.0 million in second quarter 2017 from $10.7 million in second quarter 2016. For the six months ended June 30, 2017 noninterest income from brokerage, management fees and commissions increased 14 percent to $23.9 million from $21.1 million for the six months ended June 30, 2016. The increase in both periods was due in large part to increases in recurring revenue driven primarily by growth in FHN s advisory business and favorable market conditions.

Bankcard Income

Bankcard income was $5.6 million and $11.1 million for the three and six months ended June 30, 2017 compared to $6.6 million and $11.8 million for the three and six months ended June 30, 2016. The decrease in bankcard income in 2017 relative to the comparative periods of 2016 was primarily the result of volume incentives received in 2016 driven by a significant new relationship.

Securities Gains/(Losses)

Net securities gains were $.4 million for the three and six months ended June 30, 2017, and were primarily the result of the call of a $4.4 million held-to-maturity municipal bond within the regional banking segment. Net securities gains were not material for the three months ended June 30, 2016. For the six months ended June 30, 2016, FHN recognized net securities gains of $1.7 million, which was primarily the result of a $1.7 million gain on an exchange of approximately $294 million of AFS debt securities.

Other Noninterest Income

Other income includes revenues from other service charges, ATM and interchange fees, revenue related to deferred compensation plans (which are mirrored by changes in noninterest expense), electronic banking fees, mortgage banking (primarily within the non-strategic and regional banking segments), letter of credit fees, insurance commissions, and various other fees.

Revenue from all other income and commissions increased 19 percent to $14.6 million in second quarter 2017 from $12.3 million in second quarter 2016. For the six months ended June 30, 2017 revenue from all other income and commissions was $29.0 million, up 13 percent from $25.6 million for the six months ended June 30, 2016. The increase in all other income and commissions in both periods was primarily due to higher deferred compensation income and an increase in mortgage banking income driven by loan sales within the regional banking segment. Deferred compensation income fluctuates with changes in the market value of the underlying investments and is mirrored by changes in deferred compensation expense which is included in personnel expense. The following table provides detail regarding FHN s other income.

Table of Contents

Table 3 Other Income

(Dollars in thousands)	Three Months Ended June 30 **2017**	2016	Percent Change	Six Months Ended June 30 **2017**	2016	Percent Change
Other income:						
Other service charges	**$ 3,109**	$ 2,996	4%	**$ 6,093**	$ 5,709	7%
ATM interchange fees	**3,083**	2,879	7%	**5,861**	5,837	*
Deferred compensation (a)	**1,491**	795	88%	**3,318**	1,124	NM
Electronic banking fees	**1,306**	1,381	(5)%	**2,629**	2,778	(5)%
Mortgage banking	**1,268**	598	NM	**2,529**	1,871	35%
Letter of credit fees	**1,122**	1,115	1%	**2,158**	2,176	(1)%
Insurance commissions	**592**	552	7%	**1,475**	1,039	42%
Other	2,646	2,005	32%	4,945	5,076	(3)%
Total	**$ 14,617**	$ 12,321	19%	**$ 29,008**	$ 25,610	13%

* Amount is less than one percent
NM Not meaningful
(a) Deferred compensation market value adjustments are mirrored by changes in deferred compensation expense which is included in employee compensation, incentives, and benefits expense.

NONINTEREST EXPENSE

Total noninterest expense decreased 4 percent, or $8.9 million, to $217.9 million in second quarter 2017 from $226.8 million in second quarter 2016. The decrease in noninterest expense was due in large part to a decline in accruals related to loss contingencies and litigation matters, lower personnel-related expenses, and lower legal fees relative to second quarter 2016. A smaller expense reversal to the mortgage repurchase provision in second quarter 2017 compared to second quarter 2016, and higher acquisition expenses associated with the CBF and Coastal acquisitions, offset a portion of the expense decline. For the six months ended June 30, 2017, total noninterest expense decreased 3 percent, or $13.6 million to $440.1 million, largely driven by the same factors that contributed to the quarterly expense decline.

Employee Compensation, Incentives, and Benefits

Employee compensation, incentives, and benefits (personnel expense), the largest component of noninterest expense, decreased 3 percent, or $4.3 million, to $139.1 million in second quarter 2017 from $143.4 million in second quarter 2016. For the six months ended June 30, 2017, personnel expense decreased 2 percent, or $6.5 million, to $274.0 million. The decrease in personnel expense for both the quarterly and year-to-date periods was driven by a decrease in variable compensation associated with lower fixed income product sales revenue within FHN s fixed income operating segment relative to the comparative periods of 2016. This decrease was partially offset by an increase in personnel expenses associated with strategic hires in expansion markets and specialty areas, as well as higher incentive expense associated with loan/deposit growth and retention initiatives within the regional banking segment in 2017. Additionally, deferred compensation expense increased in 2017 relative to 2016, further offsetting the decline in personnel expense, but was somewhat offset by $2.2 million of deferred compensation BOLI gains recognized in second quarter 2017.

Operations Services

Operations services expense increased 10 percent for the three and six months ended June 30, 2017 to $11.5 million and $22.4 million, respectively from $10.5 million and $20.4 million for the three and six months ended June 30, 2016, primarily related to an increase in third party fees associated with FHN s online digital banking platform.

Professional Fees

Professional fees were $9.7 million in second quarter 2017 compared to $4.3 million in second quarter 2016. For the six months ended June 30, 2017 professional fees increased to $14.4 million from $9.5 million for the six months ended June 30, 2016. The increase in professional fees for both periods was primarily driven by acquisition-related expenses primarily associated with the CBF and Coastal acquisitions.

FDIC Premium Expense

FDIC premium expense was $5.9 million in second quarter 2017, compared to $4.8 million in second quarter 2016. For the six months ended June 30, 2017 FDIC premium expense was $11.7 million compared to $9.8 million for the six months ended June 30, 2016. The increase in FDIC premium expense for both periods was due in large part to balance sheet growth.

Legal Fees

Legal fees decreased $2.4 million and $2.0 million during the three and six months ended June 30, 2017 to $3.5 million and $5.9 million, respectively, from $8.8 million and $10.8 million for the three and six months ended June 30, 2016. Legal fees fluctuate primarily based on the status, timing, type, and composition of cases or other projects.

Repurchase and Foreclosure Provision

During second quarter 2017, FHN recognized a $21.7 million pre-tax reversal of mortgage repurchase and foreclosure provision primarily as a result of the settlement of certain repurchase claims, which favorably impacted expenses for both the quarter and year-to-date period. Similarly, during second quarter 2016, FHN recognized a $31.4 million pre-tax reversal of mortgage repurchase and foreclosure provision as a result of the settlement of certain repurchase claims, which also resulted in a favorable impact on expenses for both the quarter and year-to-date period.

Other Noninterest Expense

Other expense includes travel and entertainment expenses, other insurance and tax expense, customer relations expenses, costs associated with employee training and dues, supplies, tax credit investments expenses, miscellaneous loan costs, losses from litigation and regulatory matters, expenses associated with foreclosed properties, and various other expenses.

All other expenses were $24.4 million in second quarter 2017, a 48 percent decrease from $46.8 million in second quarter 2016. The decrease was primarily driven by a $25.3 million decline in accruals related to loss contingencies and litigation matters associated with the resolution of legal matters in second quarter 2016. Additionally, a $2.5 million decrease in negative valuation adjustments associated with derivatives related to prior sales of Visa Class B shares and a $1.3 million charge recognized in second quarter 2016 related to fixed asset impairments and lease abandonment charges associated with efforts to more efficiently utilize bank branch locations contributed to the expense decline. These decreases were partially offset by a $3.2 million charitable contribution to the First Tennessee Foundation and a $2.0 million vendor payment adjustment, both recognized in second quarter 2017.

All other expenses were $43.2 million for the six months ended June 30, 2017 compared to $68.9 million for the six months ended June 30, 2016. The decline in all other expenses for the year-to-date period was primarily driven by a decline in accruals related to loss contingencies and litigation matters associated with matters settled in 2016. During the six months ended June 30, 2017, FHN recognized a $5.0 million decrease in fixed asset impairments and lease abandonment charges and a $2.6 million decrease in negative valuation adjustments associated with derivatives related to prior sales of Visa Class B shares, which also contributed to the expense decline during the first half of 2017. Additionally, other insurance and taxes decreased to $4.8 million for the six months ended June 30, 2017 from $6.3 million for the comparable period of 2016 largely driven by favorable adjustments to franchise taxes related to community reinvestment efforts. A recovery from a vendor recognized in first quarter 2017 related to previous overbillings also favorably impacted expense for the six months ended June 30, 2017, but was offset by a loss related to certain derivative contracts also recognized in first quarter 2017. The $3.2 million charitable contribution to the First Tennessee Foundation and the $2.0 million vendor payment adjustment previously mentioned negatively impacted expenses for the six months ended June 30, 2017 also offsetting a portion of the expense decline.

Table 4 Other Expense

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in thousands)	**2017**	2016	Percent Change	**2017**	2016	Percent Change
Other expense:						
Travel and entertainment	**$ 3,162**	$ 2,495	27%	**$ 5,510**	$ 4,557	21%
Other insurance and taxes	**2,443**	3,014	(19)%	**4,833**	6,327	(24)%
Customer relations	**1,543**	1,483	4%	**2,879**	3,362	(14)%
Employee training and dues	**1,453**	1,338	9%	**2,996**	2,728	10%
Supplies	**1,093**	930	18%	**1,956**	1,956	*
Tax credit investments	**942**	831	13%	**1,884**	1,537	23%
Miscellaneous loan costs	**699**	565	24%	**1,321**	1,282	3%

Litigation and regulatory matters	**533**	26,000	(98)%	**241**	25,525	(99)%
Foreclosed real estate	**446**	(432)	NM	**650**	(690)	NM
Other	**12,090**	10,624	14%	**20,921**	22,343	(6)%
Total	**$ 24,404**	$ 46,848	(48)%	**$ 43,191**	$ 68,927	(37)%

* Amount is less than one percent
NM Not meaningful

INCOME TAXES

FHN recorded an income tax provision of $17.3 million in second quarter 2017, compared to $30.0 million in second quarter 2016. For the six months ended June 30, 2017 and 2016, FHN recorded an income tax provision of $44.3 million and $54.3 million, respectively. The effective tax rate for the three and six months ended June 30, 2017 were approximately 15 percent and 22 percent compared to 33 percent and 32 percent for the three and six months ended June 30, 2016. FHN s effective tax rate is favorably affected by recurring items such as bank-owned life insurance, tax-exempt income, and credits and other tax benefits from affordable housing investments. The company s effective tax rate also may be affected by items that may occur in any given period but are not consistent from period to period, such as changes in the deferred tax asset valuation allowance and changes in unrecognized tax benefits. The decrease in the effective tax rate in second quarter 2017 was primarily related to the reversal of the valuation allowance for the deferred tax asset related to its 2012 federal capital loss carryforward based on capital gain transactions initiated in second quarter 2017. See Note 15 Income Taxes in the Notes to Consolidated Financial Statements on FHN s Form 10-K for the year ended December 31, 2016, for additional information.

A deferred tax asset (DTA) or deferred tax liability (DTL) is recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax consequence is calculated by applying enacted statutory tax rates, applicable to future years, to these temporary differences. As of June 30, 2017, FHN s gross DTA (net of a valuation allowance) and gross DTL were $299.4 million and $89.2 million, respectively, resulting in a net DTA of $210.2 million at June 30, 2017, compared with a net DTA of $186.1 million at June 30, 2016. The increase in the DTA since the second quarter of 2016 is primarily the result of the reversal of a capital loss deferred tax asset valuation allowance. As of June 30, 2017, FHN gross had deferred tax asset balances related to federal and state income tax carryforwards of $63.9 million and $16.0 million, respectively, which will expire at various dates.

As of June 30, 2017 and 2016, FHN established a valuation allowance of $.3 million and $40.5 million, respectively, against its federal capital loss carryforwards. FHN s gross DTA after valuation allowance was $299.4 million and $318.2 million as of June 30, 2017 and 2016, respectively. Based on current analysis, FHN believes that its ability to realize the remaining DTA is more likely than not. FHN monitors its DTA and the need for a valuation allowance on a quarterly basis. A significant adverse change in FHN s taxable earnings outlook could result in the need for further valuation allowances. In the event FHN determines that the deferred tax assets are realizable in the future in excess of their net recorded amount, FHN makes an adjustment to the valuation allowance, which reduces the effective tax rate and provision for income taxes.

Tax reform, including the reduction of the corporate tax rate, is expected to be on the legislative agenda this year. A rate reduction, if enacted, will have a net beneficial effect to FHN over the long-term; however, certain deductions may be eliminated or reduced as a part of tax reform which could reduce the beneficial effect of the rate reduction. Additionally, a rate reduction would result in the impairment of a portion of the deferred tax asset in the quarter that it is signed into law by the President. The actual impacts are subject to significant uncertainties including whether, and to what extent, rate reductions or broader tax reform can actually be executed and if executed, the timing.

STATEMENT OF CONDITION REVIEW

Total period-end assets were $29.4 billion on June 30, 2017, up 3 percent from $28.6 billion on December 31, 2016. Average assets increased to $28.9 billion in second quarter 2017 from $28.6 billion in fourth quarter 2016. The increase in average assets compared to fourth quarter 2016 was largely attributable to higher balances of interest bearing cash and loans held-for-sale, somewhat offset by a net decrease in the loan portfolios. The increase in period-end assets relative to December 31, 2016 was primarily driven by higher balances of trading securities, net increases in loan balances, and higher balances of loans held-for-sale, but was somewhat offset by a decrease in interest bearing cash.

Total period-end liabilities were $26.5 billion on June 30, 2017, a 3 percent increase from $25.9 billion on December 31, 2016. Average liabilities increased 1 percent to $26.1 billion first quarter 2017, from $25.9 billion in fourth quarter 2016. The increase in average liabilities was largely due to increases in securities sold under agreements to repurchase, other short-term borrowings, and deposits, somewhat offset by lower federal funds purchased and other liabilities relative to fourth quarter 2016. The increase in period-end liabilities relative to fourth quarter 2016 was primarily due to increases in other short-term borrowings and securities sold under agreements to repurchase, partially offset by a decrease in deposits.

Table of Contents

EARNING ASSETS

Earning assets consist of loans, investment securities, other earning assets such as trading securities, interest-bearing cash, and loans HFS. Average earning assets increased to $26.6 billion in second quarter 2017 from $26.4 billion in fourth quarter 2016. A more detailed discussion of the major line items follows.

Loans

Period-end loans increased 2 percent to $20.0 billion as of June 30, 2017 from $19.6 billion on December 31, 2016, and were up 8 percent from $18.6 billion as of June 30, 2016. Average loans for second quarter 2017 were $19.2 billion compared to $19.4 billion for fourth quarter 2016 and $17.8 billion for second quarter 2016. The increase in period-end loan balances from fourth quarter 2016 was primarily due to increases in other commercial loan portfolios within the regional banking segment, somewhat offset by run-off of the non-strategic loan portfolios. The decrease in average loans from fourth quarter 2016 was primarily due to a decrease in loans to mortgage companies, somewhat offset by increases in other commercial loan portfolios within the regional banking segment. To a much smaller extent, run-off of consumer loan portfolios within the non-strategic segment also contributed to the decline in average loans relative to fourth quarter 2016. The increase in average and period-end loan balances from second quarter 2016 was primarily driven by organic growth within the regional bank s commercial portfolios and loans added through the purchase of franchise finance loans in third quarter 2016, partially offset by run-off of consumer loan portfolios within the non-strategic segment.

Table 5 Average Loans

	Quarter Ended June 30, 2017		Quarter Ended December 31, 2016		
(Dollars in thousands)	**Amount**	**Percent of total**	Amount	Percent of total	Growth Rate
Commercial:					
Commercial, financial, and industrial	**$ 11,830,942**	**62%**	$ 11,987,561	62%	(1)%
Commercial real estate	**2,175,733**	**11**	2,089,314	11	4%
Total commercial	**14,006,675**	**73**	14,076,875	73	*
Consumer:					
Consumer real estate (a)	**4,431,591**	**23**	4,545,647	23	(3)%
Permanent mortgage	**408,202**	**2**	429,914	2	(5)%
Credit card, OTC and other	**355,123**	**2**	361,311	2	(2)%
Total consumer	**5,194,916**	**27**	5,336,872	27	(3)%
Total loans, net of unearned income	**$ 19,201,591**	**100%**	$ 19,413,747	100%	(1)%

* Amount is less than one percent.
(a) Balance as of June 30, 2017 and December 31, 2016, includes $30.5 million and $37.2 million of restricted and secured real estate loans, respectively.

C&I loans are the largest component of the commercial portfolio comprising 84 percent and 85 percent of average commercial loans in second quarter 2017 and fourth quarter 2016, respectively. C&I loans decreased 1 percent, or $.2 billion, from fourth quarter 2016 due to lower balances of loans to mortgage companies, partially offset by net loan growth within several of the regional bank s portfolios including franchise finance, international, and private client. Commercial real estate loans increased 4 percent to $2.2 billion in second quarter 2017 because of growth in expansion markets, increased funding under existing commitments, and an increased focus on funded term debt products.

Average consumer loans declined 3 percent, or $.1 billion, from fourth quarter 2016 to $5.2 billion in second quarter 2017. The consumer real estate portfolio (home equity lines and installment loans) declined $114.1 million, to $4.4 billion, as the continued wind-down of portfolios within the non-strategic segment outpaced a $93.5 million increase in real estate installment loans from new originations within the regional banking segment. The permanent mortgage portfolio declined $21.7 million to $408.2 million in second quarter 2017 driven by run-off of legacy assets within the non-strategic segment offset by some growth in mortgage loans within regional banking, primarily related to FHN s Community Reinvestment Act (CRA) initiatives. Credit Card and Other decreased $6.2 million to $355.1 million in second quarter 2017.

Table of Contents

Investment Securities

FHN s investment portfolio consists principally of debt securities including government agency issued mortgage-backed securities (MBS) and government agency issued collateralized mortgage obligations (CMO), substantially all of which are classified as available-for-sale (AFS). FHN utilizes the securities portfolio as a source of income, liquidity and collateral for repurchase agreements, for public funds, and as a tool for managing risk of interest rate movements. Investment securities were $4.0 billion on June 30, 2017 and December 31, 2016 and averaged $4.0 billion in first quarter 2017 and fourth quarter 2016, representing 15 percent of average earning assets.

Loans Held-for-Sale

Loans HFS consists of small business, the mortgage warehouse (primarily repurchased government-guaranteed loans), USDA, student, and home equity loans. On June 30, 2017 loans HFS were $432.8 million compared to $111.2 million on December 31, 2016. The average balance of loans HFS increased to $320.7 million in second quarter 2017 from $127.5 million in fourth quarter 2016. The increase in period-end and average loans HFS was driven by the Coastal acquisition, which resulted in an increase in small business loans and the addition of USDA loans.

Other Earning Assets

Other earning assets include trading securities, securities purchased under agreements to resell, federal funds sold (FFS), and interest-bearing deposits with the Fed and other financial institutions. Other earning assets averaged $3.1 billion in second quarter 2017, up from $2.8 billion in fourth quarter 2016. The increase in other earning assets was primarily driven by higher levels of interest bearing cash driven by an inflow of customer deposits. Other earning assets were $2.6 billion on June 30, 2017 and December 31, 2016 as increases in trading inventory and securities purchased under agreements to resell (asset repos) were offset by a decline in interest-bearing cash. Fixed income s trading inventory fluctuates daily based on customer demand. Asset repos are used in fixed income trading activity and generally fluctuate with the level of fixed income trading liabilities (short-positions) as securities collateral from asset repo transactions are used to fulfill trades.

Non-earning assets

Period-end non-earning assets were $2.4 billion on June 30, 2017 compared to $2.3 billion on December 31, 2016. The increase in non-earning assets was primarily due to increases in Fixed income receivables, goodwill and intangible assets associated with the Coastal acquisition.

Deposits

Average deposits were $22.5 billion during second quarter 2017, up 1 percent from $22.3 billion during fourth quarter 2016 and 11 percent from $20.3 billion in second quarter 2016. The increase in average deposits from fourth quarter 2016 was primarily driven by increases in priority savings, non-interest bearing deposits and commercial customer deposits, somewhat offset by FHN s decision to decrease insured network deposit balances and use alternate sources of wholesale funding to support loan growth. The increase in average deposits from second quarter 2016 was also driven by increases in priority savings, non-interest bearing deposits and commercial customer deposits, and was also impacted by an increase in insured network deposits. Insured network deposit sweep program is an FDIC-insured deposit sweep program where financial institutions can receive unsecured deposits for the long-term (several years) and in larger-dollar increments and is used to support loan growth. Period-end deposits were $22.3 billion on June 30, 2017, down 1 percent from $22.7 billion on December 31, 2016, and up 8 percent from $20.6 billion on June 30, 2016. FHN experienced deposit growth within consumer interest, commercial interest and non-interest bearing deposits from June 30, 2016 and December 31, 2016 to June 30, 2017. Insured network deposits decreased from June 30, 2016 and December 31, 2016 to June 30, 2017, however the decrease from year-end was much more significant, more than offsetting other deposit growth and resulting in the net decrease in total deposits from December 31, 2016 on a period-end basis.

Table of Contents

Table 6 Average Deposits

(Dollars in thousands)	Quarter Ended June 30, 2017 Amount	Quarter Ended June 30, 2017 Percent of total	Quarter Ended December 31, 2016 Amount	Quarter Ended December 31, 2016 Percent of total	Growth Rate
Interest-bearing deposits:					
Consumer interest	**$ 9,330,990**	**41%**	$ 8,641,507	39%	8 %
Commercial interest	**3,086,139**	**14**	2,819,980	13	9 %
Market-indexed (a)	**3,809,281**	**17**	4,787,912	21	(20)%
Total interest-bearing deposits	**16,226,410**	**72**	16,249,399	73	*
Noninterest-bearing deposits	**6,280,472**	**28**	6,039,025	27	4 %
Total deposits	**$ 22,506,882**	**100%**	$ 22,288,424	100%	1 %

* Amount is less than one percent.

(a) Market-indexed deposits are tied to an index not administered by FHN and are comprised of insured network deposits, correspondent banking deposits, and trust/sweep deposits.

Table of Contents

Short-Term Borrowings

Short-term borrowings (federal funds purchased (FFP), securities sold under agreements to repurchase, trading liabilities, and other short-term borrowings) averaged $2.0 billion in second quarter 2017, up from $1.9 billion in fourth quarter 2016. The increase between second quarter 2017 and fourth quarter 2016 was primarily due to an increase in securities sold under agreements to repurchase, partially offset by a decline in FFP. Average securities sold under agreements to repurchase increased in second quarter 2017, primarily due to the Coastal acquisition. Average FFP fluctuates depending on the amount of excess funding of FHN s correspondent bank customers. Period-end short-term borrowings increased to $2.7 billion on June 30, 2017 from $1.5 billion on December 31, 2016. The increase in short-term borrowings on a period-end basis was primarily driven by an increase in other short-term funds (primarily FHLB advances) which management uses as an additional source of wholesale funding to support loan growth. The other factors impacting the increase in average balances previously mentioned also impacted balances on a period-end basis as of June 30, 2017.

Table 7 Average Short-Term Borrowings

	Quarter Ended June 30, 2017		Quarter Ended December 31, 2016		
(Dollars in thousands)	**Amount**	**Percent of total**	Amount	Percent of total	Growth Rate
Short-term borrowings:					
Federal funds purchased	**$ 435,854**	**21%**	$ 528,266	28%	(17)%
Securities sold under agreements to repurchase	**616,837**	**30**	378,837	20	63 %
Trading liabilities	**762,667**	**37**	745,011	39	2 %
Other short-term borrowings	**221,472**	**12**	243,527	13	(9)%
Total short-term borrowings	**$ 2,036,830**	**100%**	$ 1,895,641	100%	7 %

Term Borrowings

Term borrowings include senior and subordinated borrowings with original maturities greater than one year. Term borrowings were $1.0 billion on June 30, 2017 and December 31, 2016. Average term borrowings decreased $30.2 million from fourth quarter 2016 to $1.0 billion in second quarter 2017.

Other Liabilities

Period-end other liabilities decreased to $.5 billion on June 30, 2017 from $.6 billion on December 31, 2016.

CAPITAL

Management s objectives are to provide capital sufficient to cover the risks inherent in FHN s businesses, to maintain excess capital to well-capitalized standards, and to assure ready access to the capital markets. Period-end equity increased to $2.8 billion on June 30, 2017 from $2.7 billion on December 31, 2016 primarily due to net income recognized in first and second quarter 2017, partially offset by common and preferred dividends paid. Average equity increased $31.3 million to $2.8 billion in second quarter 2017 from fourth quarter 2016, as a decrease attributable to accumulated other comprehensive income was more than offset by the impact of net income less dividends paid on equity recognized in the first half of 2017 on an average basis. The decline attributable to average accumulated other comprehensive income was largely the result of unrealized losses recognized on the AFS securities portfolio, as well as an increase of net actuarial losses for pension and post retirement plans.

In January 2014, FHN s board of directors approved a share repurchase program which enables FHN to repurchase its common stock in the open market or in privately negotiated transactions, subject to certain conditions. In July 2015 and April 2016 the board increased and extended that program. The current program authorizes total purchases of up to $350 million and expires on January 31, 2018. During second quarter 2017, FHN did not repurchase any common shares under the program. In second quarter 2016 FHN repurchased $11.4 million of common shares under the program. Total purchases under this program through June 30, 2017 were $160.3 million. FHN does not anticipate repurchasing any shares under this authorization through the closing of the Capital Bank acquisition.

Table of Contents

The following tables provide a reconciliation of Shareholders equity from the Consolidated Condensed Statements of Condition to Common Equity Tier 1, Tier 1 and Total Regulatory Capital as well as certain selected capital ratios:

Table 8 Regulatory Capital and Ratios

(Dollars in thousands)	**June 30, 2017**	December 31, 2016
Shareholders equity	**$ 2,531,457**	$ 2,409,653
FHN non-cumulative perpetual preferred	**(95,624)**	(95,624)
Common equity	**$ 2,435,833**	$ 2,314,029
Regulatory adjustments:		
Disallowed goodwill and other intangibles	**(232,086)**	(165,292)
Net unrealized (gains)/losses on securities available-for-sale	**9,857**	17,232
Net unrealized (gains)/losses on pension and other postretirement plans	**226,581**	229,157
Net unrealized (gains)/losses on cash flow hedges	**1,024**	1,265
Disallowed deferred tax assets	**(22,153)**	(18,027)
Other deductions from common equity tier 1	**(478)**	(377)
Common equity tier 1	**$ 2,418,578**	$ 2,377,987
FHN non-cumulative perpetual preferred	**95,624**	95,624
Qualifying noncontrolling interest FTBNA preferred stock	**249,662**	256,811
Other deductions from tier 1	**(64,166)**	(58,551)
Tier 1 capital	**$ 2,699,698**	$ 2,671,871
Tier 2 capital	**243,250**	254,139
Total regulatory capital	**$ 2,942,948**	$ 2,926,010
Risk-Weighted Assets		
First Horizon National Corporation	**$ 24,566,487**	$ 23,914,158
First Tennessee Bank National Association	**24,027,476**	23,447,251
Average Assets for Leverage		
First Horizon National Corporation	**28,793,889**	28,581,251
First Tennessee Bank National Association	**27,925,008**	27,710,158

	June 30, 2017		December 31, 2016	
	Ratio	**Amount**	Ratio	Amount
Common Equity Tier 1				
First Horizon National Corporation	**9.85%**	**$ 2,418,578**	9.94%	$ 2,377,987
First Tennessee Bank National Association	**9.57**	**2,299,275**	9.80	2,298,080

Tier 1				
First Horizon National Corporation	**10.99**	**2,699,698**	11.17	2,671,871
First Tennessee Bank National Association	**10.51**	**2,525,919**	10.83	2,538,382
Total				
First Horizon National Corporation	**11.98**	**2,942,948**	12.24	2,926,010
First Tennessee Bank National Association	**11.38**	**2,735,182**	11.78	2,762,271
Tier 1 Leverage				
First Horizon National Corporation	**9.38**	**2,699,698**	9.35	2,671,871
First Tennessee Bank National Association	**9.05**	**2,525,919**	9.16	2,538,382

Banking regulators define minimum capital ratios for bank holding companies and their bank subsidiaries. Based on the capital rules and definitions prescribed by the banking regulators, should any depository institution s capital ratios decline below predetermined levels, it would become subject to a series of increasingly restrictive regulatory actions. The system categorizes a depository institution s capital position into one of five categories ranging from well-capitalized to critically under-capitalized. For an institution the size of FHN to qualify as well-capitalized, Common Equity Tier 1, Tier 1 Capital, Total

Table of Contents

Capital, and Leverage capital ratios must be at least 6.5 percent, 8 percent, 10 percent, and 5 percent, respectively. As of June 30, 2017, FHN and FTBNA had sufficient capital to qualify as a well-capitalized institution. Regulatory capital ratios generally decreased in the second quarter of 2017 relative to fourth quarter 2016 due primarily to the impact of increased disallowed intangible assets due to the Coastal acquisition and the continued phased-in implementation of the Basel III regulations as well as, increases in risk-weighted assets primarily as a result of a net increase in period end loans. These decreases were partially offset by net income less dividends. During 2017, capital ratios are expected to remain above well-capitalized standards.

Pursuant to board authority, FHN may repurchase shares of its common stock from time to time and will evaluate the level of capital and take action designed to generate or use capital, as appropriate, for the interests of the shareholders, subject to legal and regulatory restrictions. FHN s board has not authorized a preferred stock purchase program. The following tables provide information related to securities repurchased by FHN during second quarter 2017:

Table 9 Issuer Purchases of Common Stock

Compensation Plan-Related Repurchase Authority:

(Volume in thousands, except per share data)	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Maximum number of shares that may yet be purchased under the programs
2017				
April 1 April 30	12	$ 18.97	12	25,628
May 1 to May 31	149	$ 17.99	149	25,479
June 1 to June 30	2	$ 17.14	2	25,477
Total	**163**	**$ 18.06**	**163**	

Compensation Plan Programs:

A consolidated compensation plan share purchase program was announced on August 6, 2004. This program consolidated into a single share purchase program all of the previously authorized compensation plan share programs as well as the renewal of the authorization to purchase shares for use in connection with two compensation plans for which the share purchase authority had expired. The total amount authorized under this consolidated compensation plan share purchase program, inclusive of a program amendment on April 24, 2006, is 29.6 million shares calculated before adjusting for stock dividends distributed through January 1, 2011. The authorization has been reduced for that portion which relates to compensation plans for which no options remain outstanding. The shares may be purchased over the option exercise period of the various compensation plans on or before December 31, 2023. On June 30, 2017, the maximum number of shares that may be purchased under the program was 25.4 million shares. Purchases may be made in the open market or through privately negotiated transactions and are subject to market conditions, accumulation of excess equity, prudent capital management, and legal and regulatory restrictions. Management currently does not anticipate purchasing a material number of shares under this authority during 2017.

Other Repurchase Authority:

(Dollar values and volume in thousands, except per share data)	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Maximum approximate dollar value that may yet be purchased under the programs
2017				
April 1 April 30		**N/A**		$ 189,690
May 1 to May 31		**N/A**		$ 189,690
June 1 to June 30		**N/A**		$ 189,690
Total		**N/A**		

N/A Not applicable

103

Table of Contents

Other Programs:

On January 22, 2014, FHN announced a $100 million share purchase authority with an expiration date of January 31, 2016. On July 21, 2015, FHN announced a $100 million increase in that authority along with an extension of the expiration date to January 31, 2017, and on April 26, 2016, FHN announced a $150 million increase and further extension to January 31, 2018. As of June 30, 2017, $160.3 million in purchases had been made under this authority at an average price per share of $12.86, $12.84 excluding commissions. Purchases may be made in the open market or through privately negotiated transactions and are subject to market conditions, accumulation of excess equity, prudent capital management, and legal and regulatory restrictions.

Table of Contents

ASSET QUALITY

Loan Portfolio Composition

FHN groups its loans into portfolio segments based on internal classifications reflecting the manner in which the ALLL is established and how credit risk is measured, monitored, and reported. From time to time, and if conditions are such that certain subsegments are uniquely affected by economic or market conditions or are experiencing greater deterioration than other components of the loan portfolio, management may determine the ALLL at a more granular level. Commercial loans are composed of commercial, financial, and industrial (C&I) and commercial real estate (CRE). Consumer loans are composed of consumer real estate; permanent mortgage; and credit card and other. FHN has a concentration of residential real estate loans (24 percent of total loans), the majority of which is in the consumer real estate portfolio (22 percent of total loans). Industry concentrations are discussed under the heading C&I below.

Consolidated key asset quality metrics for each of these portfolios can be found in Table 17 Asset Quality by Portfolio. Credit underwriting guidelines are outlined in Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016, in the Loan Portfolio Composition discussion in the Asset Quality Section beginning on page 26 and continuing to page 46. FHN s credit underwriting guidelines and loan product offerings as of June 30, 2017, are generally consistent with those reported and disclosed in the Company s Form 10-K for the year ended December 31, 2016.

COMMERCIAL LOAN PORTFOLIOS

C&I

The C&I portfolio was $12.6 billion on June 30, 2017, and is comprised of loans used for general business purposes and primarily composed of relationship customers in Tennessee and other selected markets. Typical products include working capital lines of credit, term loan financing of owner-occupied real estate and fixed assets, and trade credit enhancement through letters of credit.

The following table provides the composition of the C&I portfolio by industry as of June 30, 2017, and December 31, 2016. For purposes of this disclosure, industries are determined based on the North American Industry Classification System (NAICS) industry codes used by Federal statistical agencies in classifying business establishments for the collection, analysis, and publication of statistical data related to the U.S. business economy.

Table 10 C&I Loan Portfolio by Industry

	June 30, 2017		December 31, 2016	
(Dollars in thousands)	**Amount**	**Percent**	Amount	Percent
Industry:				
Finance & insurance	**$ 2,724,227**	**22%**	$ 2,573,713	21%
Loans to mortgage companies	**2,092,762**	**17**	2,045,189	17
Health care & social assistance	**913,252**	**7**	893,629	7
Wholesale trade	**900,507**	**7**	826,226	7
Accommodation & food service	**882,551**	**7**	987,973	8
Real estate rental & leasing (a)	**868,023**	**7**	769,457	6
Manufacturing	**847,640**	**7**	762,947	6

Transportation & warehousing	**581,929**	**5**	578,586	5
Public administration	**577,808**	**5**	565,119	5
Other (education, arts, entertainment, etc) (b)	**2,209,520**	**16**	2,145,248	18
Total C&I loan portfolio	**$ 12,598,219**	**100%**	$ 12,148,087	100%

(a) Leasing, rental of real estate, equipment, and goods.

(b) Industries in this category each comprise less than 5 percent for 2017.

Table of Contents

Industry Concentrations

Loan concentrations are considered to exist for a financial institution when there are loans to numerous borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions. 39 percent of FHN s C&I portfolio (Finance and insurance plus Loans to mortgage companies) could be affected by items that uniquely impact the financial services industry. Except Finance and Insurance and Loans to Mortgage Companies , as discussed below, on June 30, 2017, FHN did not have any other concentrations of C&I loans in any single industry of 10 percent or more of total loans.

Finance and Insurance

The finance and insurance component represents 22 percent of the C&I portfolio and includes TRUPS (i.e., long-term unsecured loans to bank and insurance-related businesses), loans to bank holding companies, and asset-based lending to consumer finance companies. As of June 30, 2017, asset-based lending to consumer finance companies represents approximately $1.1 billion of the finance and insurance component.

TRUPS lending was originally extended as a form of bridge financing to participants in the pooled trust preferred securitization program offered primarily to smaller banking (generally less than $15 billion in total assets) and insurance institutions through FHN s fixed income business. Origination of TRUPS lending ceased in early 2008. Individual TRUPS are re-graded at least quarterly as part of FHN s commercial loan review process. The terms of these loans generally include a scheduled 30 year balloon payoff and include an option to defer interest for up to 20 consecutive quarters. As of June 30, 2017, and December 31, 2016, one TRUP relationship was on interest deferral.

As of June 30, 2017, the unpaid principal balance (UPB) of trust preferred loans totaled $333.0 million ($206.7 million of bank TRUPS and $126.3 million of insurance TRUPS) with the UPB of other bank-related loans totaling $331.9 million. Inclusive of a valuation allowance on TRUPS of $25.5 million, total reserves (ALLL plus the valuation allowance) for TRUPS and other bank-related loans were $26.7 million or 4 percent of outstanding UPB.

Loans to Mortgage Companies

The balance of loans to mortgage companies was 17 percent of the C&I portfolio as of June 30, 2017 and December 31, 2016, and 20 percent of the C&I portfolio as of June 30, 2016, and includes balances related to both home purchase and refinance activity. This portfolio class, which generally fluctuates with mortgage rates and seasonal factors, includes commercial lines of credit to qualified mortgage companies primarily for the temporary warehousing of eligible mortgage loans prior to the borrower s sale of those mortgage loans to third party investors. Generally, lending to mortgage lenders increases when there is a decline in mortgage rates and decreases when rates rise.

C&I Asset Quality Trends

Overall, the C&I portfolio trends remain strong in 2017, continuing in line with recent historical performance. The C&I ALLL increased $3.0 million from December 31, 2016, to $92.4 million as of June 30, 2017. The allowance as a percentage of period-end loans decreased slightly to .73 percent as of June 30, 2017, from .74 percent as of December 31, 2016. Nonperforming C&I loans decreased $7.7 million from December 31, 2016, to $25.0 million on June 30, 2017. The nonperforming loan (NPL) ratio decreased 7 basis points from December 31, 2016, to .20 percent of C&I loans as of June 30, 2017. The 30+ delinquency ratio decreased to .03 percent as of June 30, 2017, from .08 percent as of December 31, 2016. Second quarter 2017 experienced net charge-offs of $1.3 million compared to $1.6 million of net recoveries in fourth quarter 2016 and $6.3 million of net charge-offs in second quarter 2016. The following table shows C&I asset quality trends by segment.

Table of Contents

Table 11 C&I Asset Quality Trends by Segment

		2017 Three months ended	
(Dollars in thousands)	**Regional Bank**	**Non-Strategic**	**Consolidated**
Allowance for loan losses as of April 1	**$ 91,625**	**$ 1,482**	**$ 93,107**
Charge-offs	**(1,865)**		**(1,865)**
Recoveries	**594**	**6**	**600**
Provision/(provision credit) for loan losses	**604**	**(67)**	**537**
Allowance for loan losses as of June 30	**$ 90,958**	**$ 1,421**	**$ 92,379**
Net charge-offs % (qtr. annualized)	**0.04%**	**NM**	**0.04%**
Allowance / charge-offs	**17.85x**	**NM**	**18.21x**
		As of June 30	
Period-end loans	**$ 12,178,619**	**$ 419,600**	**$ 12,598,219**
Nonperforming loans	**21,030**	**4,001**	**25,031**
Troubled debt restructurings	**25,411**		**25,411**
30+ Delinq. % (a)	**0.03%**	**%**	**0.03%**
NPL %	**0.17**	**0.95**	**0.20**
Allowance / loans %	**0.75**	**0.34**	**0.73**

		2016 Three months ended	
(Dollars in thousands)	Regional Bank	Non-Strategic	Consolidated
Allowance for loan losses as of April 1	$ 79,471	$ 1,416	$ 80,887
Charge-offs	(7,688)	(181)	(7,869)
Recoveries	1,569	33	1,602
Provision/(provision credit) for loan losses	6,245	107	6,352
Allowance for loan losses as of June 30	$ 79,597	$ 1,375	$ 80,972
Net charge-offs % (qtr. annualized)	0.25%	0.14%	0.24%
Allowance / charge-offs	3.23x	2.31x	3.21x
		As of December 31	
Period-end loans	$ 11,728,160	$ 419,927	$ 12,148,087
Nonperforming loans	28,619	4,117	32,736
Troubled debt restructurings	34,334		34,334

30+ Delinq. % (a)	0.08%	%	0.08%
NPL %	0.24	0.98	0.27
Allowance / loans %	0.75	0.33	0.74

NM Not meaningful

Loans are expressed net of unearned income.

(a) 30+ Delinquency % includes all accounts delinquent more than one month and still accruing interest.

Table of Contents

Commercial Real Estate

The CRE portfolio was $2.2 billion on June 30, 2017. The CRE portfolio includes both financings for commercial construction and nonconstruction loans. This portfolio is segregated between the income-producing CRE class which contains loans, draws on lines and letters of credit to commercial real estate developers for the construction and mini-permanent financing of income-producing real estate, and the residential CRE class. Subcategories of income CRE consist of multi-family (31 percent), retail (23 percent), office (17 percent), hospitality (13 percent), industrial (12 percent), and other (4 percent).

The residential CRE class includes loans to residential builders and developers for the purpose of constructing single-family homes, condominiums, and town homes. Active residential CRE lending has been minimal with nearly all new originations limited to tactical advances to facilitate workout strategies with existing clients and selected new transactions with strategic clients. FHN considers a strategic residential CRE borrower as a homebuilder within the regional banking footprint who remained profitable during the most recent down cycle.

CRE Asset Quality Trends

The CRE portfolio had continued stable performance as of June 30, 2017, with nonperforming loans down $1.1 million from December 31, 2016, net recoveries in second quarter 2017, and minimal past due activity. The allowance decreased $3.4 million from December 31, 2016, to $30.5 million as of June 30, 2017. Allowance as a percentage of loans decreased 21 basis points from December 31, 2016, to 1.38 percent as of June 30, 2017. Nonperforming loans as a percentage of total CRE loans improved 6 basis points from year-end to .07 percent as of June 30, 2017. Accruing delinquencies as a percentage of period-end loans remained flat compared to year-end at .01 percent as of June 30, 2017. FHN recognized net recoveries of $.1 million in second quarter 2017 compared to $.9 million in second quarter 2016. The following table shows commercial real estate asset quality trends by segment.

Table of Contents

Table 12 Commercial Real Estate Asset Quality Trends by Segment

	2017		
	Three months ended		
(Dollars in thousands)	**Regional Bank**	**Non-Strategic**	**Consolidated**
Allowance for loan losses as of April 1	**$ 30,888**	**$**	**$ 30,888**
Charge-offs	**(20)**		**(20)**
Recoveries	**126**	**14**	**140**
Provision/(provision credit) for loan losses	**(524)**	**(14)**	**(538)**
Allowance for loan losses as of June 30	**$ 30,470**	**$**	**$ 30,470**
Net charge-offs % (qtr. annualized)	**NM**	**NM**	**NM**
Allowance / charge-offs	**NM**	**NM**	**NM**
		As of June 30	
Period-end loans	**$ 2,211,996**	**$**	**$ 2,211,996**
Nonperforming loans	**1,650**		**1,650**
Troubled debt restructurings	**3,023**		**3,023**
30+ Delinq. % (a)	**0.01%**	**%**	**0.01%**
NPL %	**0.07**		**0.07**
Allowance / loans %	**1.38**		**1.38**

	2016		
	Three months ended		
(Dollars in thousands)	Regional Bank	Non-Strategic	Consolidated
Allowance for loan losses as of April 1	$ 25,626	$	$ 25,626
Charge-offs	(51)		(51)
Recoveries	764	145	909
Provision/(provision credit) for loan losses	3,925	(145)	3,780
Allowance for loan losses as of June 30	$ 30,264	$	$ 30,264
Net charge-offs % (qtr. annualized)	NM	NM	NM
Allowance / charge-offs	NM	NM	NM
		As of December 31	
Period-end loans	$ 2,135,523	$	$ 2,135,523
Nonperforming loans	2,776		2,776
Troubled debt restructurings	3,124		3,124

30+ Delinq. % (a)	0.01%	%	0.01%
NPL %	0.13		0.13
Allowance / loans %	1.59		1.59

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

NM Not meaningful

Loans are expressed net of unearned income.

(a) 30+ Delinquency % includes all accounts delinquent more than one month and still accruing interest.

Table of Contents

CONSUMER LOAN PORTFOLIOS

Consumer Real Estate

The consumer real estate portfolio was $4.4 billion on June 30, 2017, and is primarily composed of home equity lines and installment loans including restricted balances (loans consolidated under ASC 810). The largest geographical concentrations of balances as of June 30, 2017, are in Tennessee (71 percent), California (4 percent), and North Carolina (4 percent) with no other state representing more than 3 percent of the portfolio. As of June 30, 2017, approximately 73 percent of the consumer real estate portfolio was in a first lien position. At origination, weighted average FICO score of this portfolio was 751 and refreshed FICO scores averaged 749 as of June 30, 2017, as compared to 750 and 747, respectively, as of December 31, 2016. Generally, performance of this portfolio is affected by life events that affect borrowers finances, the level of unemployment, and home prices.

Home equity lines of credit (HELOCs) comprise $1.5 billion of the consumer real estate portfolio as of June 30, 2017. FHN s HELOCs typically have a 5 or 10 year draw period followed by a 10 or 20 year repayment period, respectively. During the draw period, a borrower is able to draw on the line and is only required to make interest payments. The line is automatically frozen if a borrower becomes 45 days or more past due on payments. Once the draw period has concluded, the line is closed and the borrower is required to make both principal and interest payments monthly until the loan matures. The principal payment generally is fully amortizing, but payment amounts will adjust when variable rates reset to reflect changes in the prime rate.

As of June 30, 2017, and December 31, 2016, approximately 62 percent of FHN s HELOCs are in the draw period. Based on when draw periods are scheduled to end per the line agreement, it is expected that $437.4 million, or 46 percent of HELOCs currently in the draw period, will enter the repayment period during the next 60 months. Delinquencies and charge-off rates for HELOCs that have entered the repayment period are initially higher than HELOCs still in the draw period because of the increased minimum payment requirement; however, after some seasoning, performance of these loans usually begins to stabilize. The home equity lines of the consumer real estate portfolio are being monitored closely for those nearing the end of the draw period and borrowers are initially being contacted at least 24 months before the repayment period begins to remind the customer of the terms of their agreement and to inform them of options. The following table shows the HELOCs currently in the draw period and expected timing of conversion to the repayment period.

Table 13 HELOC Draw To Repayment Schedule

	June 30, 2017		December 31, 2016	
(Dollars in thousands)	**Repayment Amount**	**Percent**	Repayment Amount	Percent
Months remaining in draw period:				
0-12	**$ 169,157**	**18%**	$ 212,665	20%
13-24	**78,637**	**8**	127,662	12
25-36	**54,758**	**6**	73,331	7
37-48	**64,116**	**7**	68,768	6
49-60	**70,760**	7	68,792	7
>60	**507,933**	**54**	514,126	48
Total	**$ 945,361**	**100%**	$ 1,065,344	100%

Table of Contents

Consumer Real Estate Asset Quality Trends

Overall, performance of the consumer real estate portfolio remained strong in second quarter 2017. Specifically, the regional bank s asset quality metrics were relatively stable from a year ago, with the exception of NPLs as a percentage of loans which increased 2 basis points from year-end to .54 percent as of June 30, 2017. The non-strategic segment is a run-off portfolio and while the absolute dollars of delinquencies and nonaccruals as well as the 30+ accruing delinquencies ratio improved from year-end, nonperforming loans ratios deteriorated and may become more skewed as the portfolio shrinks and some of the stronger borrowers payoff or refinance elsewhere. The ALLL decreased $4.3 million from December 31, 2016, to $46.1 million as of June 30, 2017, with the majority of the decline attributable to the non-strategic segment. The allowance as a percentage of loans declined 7 basis points to 1.04 percent as of June 30, 2017, compared to year-end. The balance of nonperforming loans declined $7.6 million to $75.2 million on June 30, 2017. Loans delinquent 30 or more days and still accruing declined from $42.1 million as of December 31, 2016, to $35.8 million as of June 30, 2017. The portfolio realized net recoveries of $1.2 million in second quarter 2017 compared to net recoveries of $2.2 million in fourth quarter 2016 and net charge-offs of $.5 million in second quarter 2016. The following table shows consumer real estate asset quality trends by segment.

Table of Contents

Table 14 Consumer Real Estate Asset Quality Trends by Segment

		2017	
		Three months ended	
(Dollars in thousands)	**Regional Bank**	**Non-Strategic**	**Consolidated**
Allowance for loan losses as of April 1	**$ 19,204**	**$ 30,476**	**$ 49,680**
Charge-offs	**(793)**	**(3,158)**	**(3,951)**
Recoveries	**1,343**	**3,800**	**5,143**
Provision/(provision credit) for loan losses	**(1,873)**	**(2,930)**	**(4,803)**
Allowance for loan losses as of June 30	**$ 17,881**	**$ 28,188**	**$ 46,069**
Net charge-offs % (qtr. annualized)	**NM**	**NM**	**NM**
Allowance / charge-offs	**NM**	**NM**	**NM**
		As of June 30	
Period-end loans	**$ 3,694,736**	**$ 722,723**	**$ 4,417,459**
Nonperforming loans	**19,951**	**55,224**	**75,175**
Troubled debt restructurings	**45,559**	**92,440**	**137,999**
30+ Delinq. % (a)	**0.46%**	**2.62%**	**0.81%**
NPL %	**0.54**	**7.64**	**1.70**
Allowance / loans %	**0.48**	**3.90**	**1.04**

		2016	
		Three months ended	
(Dollars in thousands)	Regional Bank	Non-Strategic	Consolidated
Allowance for loan losses as of April 1	$ 26,602	$ 40,719	$ 67,321
Charge-offs	(1,487)	(5,095)	(6,582)
Recoveries	1,700	4,382	6,082
Provision/(provision credit) for loan losses	(2,537)	(5,203)	(7,740)
Allowance for loan losses as of June 30	$ 24,278	$ 34,803	$ 59,081
Net charge-offs % (qtr. annualized)	NM	0.26%	0.04%
Allowance / charge-offs	NM	12.14x	29.40x
		As of December 31	
Period-end loans	$ 3,642,894	$ 880,858	$ 4,523,752
Nonperforming loans	18,865	63,947	82,812
Troubled debt restructurings	47,478	105,982	153,460

30+ Delinq. % (a)	0.49%	2.76%	0.93%
NPL %	0.52	7.26	1.83
Allowance / loans %	0.52	3.56	1.11

NM Not meaningful

Loans are expressed net of unearned income.

(a) 30+ Delinquency % includes all accounts delinquent more than one month and still accruing interest.

Table of Contents

Permanent Mortgage

The permanent mortgage portfolio was $.4 billion on June 30, 2017. This portfolio is primarily composed of jumbo mortgages and one-time-close (OTC) completed construction loans in the non-strategic segment that were originated through legacy businesses. The regional banking segment primarily includes recently acquired mortgage loans associated with FHN s CRA initiatives. The corporate segment includes loans that were previously included in off-balance sheet proprietary securitization trusts. These loans were brought back into the loan portfolios at fair value through the execution of cleanup calls due to the relatively small balances left in the securitization and should continue to run-off. Approximately 20 percent of loan balances as of June 30, 2017, are in California, but the remainder of the portfolio is somewhat geographically diverse. Non-strategic and corporate segment run-off contributed to a majority of the $15.0 million net decrease in permanent mortgage period-end balances from December 31, 2016, to June 30, 2017.

The permanent mortgage portfolios within the non-strategic and corporate segments are run-off portfolios. As a result, asset quality metrics may become skewed as the portfolio shrinks and some of the stronger borrowers payoff or refinance elsewhere. The ALLL increased $.1 million as of June 30, 2017, from $16.3 million as of December 31, 2016. TDR reserves (which are estimates of losses for the expected life of the loan) comprise 72 percent of the ALLL for the permanent mortgage portfolio as of June 30, 2017. Consolidated accruing delinquencies as a percentage of total loans increased 21 basis points from year-end to 2.57 percent as of June 30, 2017. Nonperforming loans increased slightly from December 31, 2016, to $27.8 million as of June 30, 2017. The portfolio experienced net charge-offs of $.4 million in second quarter 2017 compared to net recoveries of $.1 million in second quarter 2016. The following table shows permanent mortgage asset quality trends by segment.

Table of Contents

Table 15 Permanent Mortgage Asset Quality Trends by Segment

	2017			
	Three months ended			
(Dollars in thousands)	**Regional Bank**	**Corporate (a)**	**Non-Strategic**	**Consolidated**
Allowance for loan losses as of April 1	**$ 1,857**	**N/A**	**$ 14,036**	**$ 15,893**
Charge-offs		**N/A**	**(843)**	**(843)**
Recoveries		**N/A**	**488**	**488**
Provision/(provision credit) for loan losses	**124**	**N/A**	**736**	**860**
Allowance for loan losses as of June 30	**$ 1,981**	**N/A**	**$ 14,417**	**$ 16,398**
Net charge-offs % (qtr. annualized)	**%**	**N/A**	**0.56%**	**0.35%**
Allowance / charge-offs	**NM**	**N/A**	**10.13x**	**11.52x**
	As of June 30			
Period-end loans	**$ 96,769**	**$ 62,708**	**$ 248,618**	**$ 408,095**
Nonperforming loans	**381**	**1,819**	**25,604**	**27,804**
Troubled debt restructurings	**937**	**4,251**	**80,725**	**85,913**
30+ Delinq. % (b)	**0.49%**	**6.52%**	**2.38%**	**2.57%**
NPL %	**0.39**	**2.90**	**10.30**	**6.81**
Allowance / loans %	**2.05**	**N/A**	**5.80**	**4.02**

	2016			
	Three months ended			
(Dollars in thousands)	Regional Bank	Corporate (a)	Non-Strategic	Consolidated
Allowance for loan losses as of April 1	$ 383	N/A	$ 18,371	$ 18,754
Charge-offs		N/A	(349)	(349)
Recoveries		N/A	484	484
Provision/(provision credit) for loan losses	196	N/A	(1,485)	(1,289)
Allowance for loan losses as of June 30	$ 579	N/A	$ 17,021	$ 17,600
Net charge-offs % (qtr. annualized)	%	N/A	NM	NM
Allowance / charge-offs	NM	N/A	NM	NM
	As of December 31			
Period-end loans	$ 76,973	$ 71,380	$ 274,772	$ 423,125
Nonperforming loans	393	1,186	25,602	27,181
Troubled debt restructurings	878	3,792	89,256	93,926

30+ Delinq. % (b)	0.72%	4.37%	2.29%	2.36%
NPL %	0.51	1.66	9.32	6.42
Allowance / loans %	1.58	N/A	5.49	3.85

NM Not meaningful

Loans are expressed net of unearned income.

(a) An allowance has not been established for these loans as the valuation adjustment taken upon exercise of clean-up calls included expected losses.
(b) 30+ Delinquency % includes all accounts delinquent more than one month and still accruing interest.

Table of Contents

Credit Card and Other

The credit card and other portfolio, which is primarily within the regional banking segment, was $.4 billion as of June 30, 2017, and primarily includes credit card receivables, other consumer-related credits, and automobile loans. The allowance decreased to $11.9 million as of June 30, 2017, from $12.2 million as of December 31, 2016. Loans 30 days or more delinquent and accruing as a percentage of loans decreased 25 basis points from December 31, 2016, to .92 percent as of June 30, 2017. In second quarter 2017, FHN recognized $2.4 million of net charge-offs in the credit card and other portfolio, compared to $2.5 million in second quarter 2016. The following table shows credit card and other asset quality trends by segment.

Table 16 Credit Card and Other Asset Quality Trends by Segment

		2017 Three months ended	
(Dollars in thousands)	**Regional Bank**	**Non-Strategic**	**Consolidated**
Allowance for loan losses as of April 1	**$ 12,394**	**$ 6**	**$ 12,400**
Charge-offs	**(3,084)**	**(67)**	**(3,151)**
Recoveries	**678**	**70**	**748**
Provision/(provision credit) for loan losses	**1,929**	**15**	**1,944**
Allowance for loan losses as of June 30	**$ 11,917**	**$ 24**	**$ 11,941**
Net charge-offs % (qtr. annualized)	**2.77%**	**NM**	**2.71%**
Allowance / charge-offs	**1.24x**	**NM**	**1.24x**
		As of June 30	
Period-end loans	**$ 346,791**	**$ 6,759**	**$ 353,550**
Nonperforming loans		**130**	**130**
Troubled debt restructurings	**329**	**31**	**360**
30+ Delinq. % (a)	**0.90%**	**1.95%**	**0.92%**
NPL %		**1.93**	**0.04**
Allowance / loans %	**3.44**	**0.35**	**3.38**

		2016 Three months ended	
(Dollars in thousands)	Regional Bank	Non-Strategic	Consolidated
Allowance for loan losses as of April 1	$ 11,005	$ 441	$ 11,446
Charge-offs	(3,355)	(90)	(3,445)
Recoveries	929	63	992
Provision/(provision credit) for loan losses	3,054	(157)	2,897
Allowance for loan losses as of June 30	$ 11,633	$ 257	$ 11,890

Net charge-offs % (qtr. annualized)	2.77%	1.15%	2.73%
Allowance / charge-offs	1.19x	2.41x	1.21x
		As of December 31	
Period-end loans	$ 351,198	$ 7,835	$ 359,033
Nonperforming loans		142	142
Troubled debt restructurings	274	32	306
30+ Delinq. % (a)	1.16%	1.73%	1.17%
NPL %		1.82	0.04
Allowance / loans %	3.42	2.26	3.39

NM Not meaningful

Loans are expressed net of unearned income.

(a) 30+ Delinquency % includes all accounts delinquent more than one month and still accruing interest.

Table of Contents

The following table provides additional asset quality data by loan portfolio:

Table 17 Asset Quality by Portfolio

	June 30 2017	December 31 2016
Key Portfolio Details		
C&I		
Period-end loans ($ millions)	**$ 12,598**	$ 12,148
30+ Delinq. % (a)	**0.03%**	0.08%
NPL %	**0.20**	0.27
Charge-offs % (qtr. annualized)	**0.04**	NM
Allowance / loans %	**0.73%**	0.74%
Allowance / charge-offs	**18.21x**	NM
Commercial Real Estate		
Period-end loans ($ millions)	**$ 2,212**	$ 2,136
30+ Delinq. % (a)	**0.01%**	0.01%
NPL %	**0.07**	0.13
Charge-offs % (qtr. annualized)	**NM**	0.09
Allowance / loans %	**1.38%**	1.59%
Allowance / charge-offs	**NM**	17.56x
Consumer Real Estate		
Period-end loans ($ millions)	**$ 4,417**	$ 4,524
30+ Delinq. % (a)	**0.81%**	0.93%
NPL %	**1.70**	1.83
Charge-offs % (qtr. annualized)	**NM**	NM
Allowance / loans %	**1.04%**	1.11%
Allowance / charge-offs	**NM**	NM
Permanent Mortgage		
Period-end loans ($ millions)	**$ 408**	$ 423
30+ Delinq. % (a)	**2.57%**	2.36%
NPL %	**6.81**	6.42
Charge-offs % (qtr. annualized)	**0.35**	NM
Allowance / loans %	**4.02%**	3.85%
Allowance / charge-offs	**11.52x**	NM
Credit Card and Other		
Period-end loans ($ millions)	**$ 354**	$ 359
30+ Delinq. % (a)	**0.92%**	1.17%
NPL %	**0.04**	0.04
Charge-offs % (qtr. annualized)	**2.71**	3.25
Allowance / loans %	**3.38%**	3.39%
Allowance / charge-offs	**1.24x**	1.04x

NM Not meaningful

Loans are expressed net of unearned income.

(a) 30+ Delinquency % includes all accounts delinquent more than one month and still accruing interest.

116

Table of Contents

Allowance for Loan Losses

Management s policy is to maintain the ALLL at a level sufficient to absorb estimated probable incurred losses in the loan portfolio. The total allowance for loan losses decreased to $197.3 million on June 30, 2017, from $202.1 million on December 31, 2016. The ALLL as of June 30, 2017, reflects strong asset quality with the consumer real estate portfolio continuing to stabilize, historically low levels of net charge-offs, and declining non-strategic balances. The ratio of allowance for loan losses to total loans, net of unearned income, decreased to .99 percent on June 30, 2017, from 1.03 percent on December 31, 2016.

The provision for loan losses is the charge to or release of earnings necessary to maintain the ALLL at a sufficient level reflecting management s estimate of probable incurred losses in the loan portfolio. The provision for loan losses was a credit of $2.0 million in second quarter 2017 compared to expense of $4.0 million in second quarter 2016.

FHN expects asset quality trends to remain relatively stable for the near term if the slow growth of the economy continues. The C&I portfolio is expected to continue to show stable trends but short-term variability (both positive and negative) is possible primarily due to the size of the credits within this portfolio. The CRE portfolio metrics should be relatively consistent as FHN expects stable property values over the near term; however, oversupply of any CRE product type, changes in the lending environment, or economic uncertainty could result in decreased property values (which could happen abruptly). The remaining non-strategic consumer real estate and permanent mortgage portfolios should continue to steadily wind down. Asset quality metrics within non-strategic may become skewed as the portfolio continues to shrink. Continued stabilization in performance of the consumer real estate portfolio assumes an ongoing economic recovery as consumer delinquency and loss rates are correlated with life events that affect borrowers finances, unemployment trends, and strength of the housing market.

Consolidated Net Charge-offs

Overall, net charge-offs continue to be at historical lows. Second quarter 2017 experienced net charge-offs of $2.7 million compared to $8.2 million of net charge-offs in second quarter 2016.

The commercial portfolio experienced $1.1 million of net charge-offs in second quarter 2017 compared to $5.4 million in second quarter 2016. In addition, the consumer real estate portfolio experienced net recoveries of $1.2 million in second quarter 2017 compared to $.5 million in net charge-offs during second quarter 2016. Permanent mortgage and credit card and other remained relatively flat compared to a year ago.

Nonperforming Assets

Nonperforming loans are loans placed on nonaccrual if it becomes evident that full collection of principal and interest is at risk, impairment has been recognized as a partial charge-off of principal balance due to insufficient collateral value and past due status, or on a case-by-case basis if FHN continues to receive payments, but there are other borrower-specific issues. Included in nonaccruals are loans in which FHN continues to receive payments, including residential real estate loans where the borrower has been discharged of personal obligation through bankruptcy and second liens, regardless of delinquency status, behind first liens that are 90 or more days past due, are bankruptcies, or are TDRs. These, along with foreclosed real estate, excluding foreclosed real estate from government insured mortgages, represent nonperforming assets (NPAs).

Total nonperforming assets (including NPLs HFS) decreased to $144.1 million on June 30, 2017, from $164.6 million on December 31, 2016. The nonperforming assets ratio (nonperforming assets excluding NPLs HFS to total period-end loans plus foreclosed real estate and other assets) decreased to .68 percent as of June 30, 2017, compared to .80 percent as of December 31, 2016. Portfolio nonperforming loans declined $15.9 million from December 31, 2016, to $129.8 million on June 30, 2017. The decline in nonperforming loans was primarily driven by decreases within the C&I and consumer real estate portfolios. This decrease in the C&I portfolio was largely driven by payoffs.

The ratio of the ALLL to NPLs in the loan portfolio was 1.52 times as of June 30, 2017, compared to 1.39 times as of December 31, 2016. Certain nonperforming loans in both the commercial and consumer portfolios are deemed collateral-dependent and are charged down to an estimate of collateral value less costs to sell. Because loss content has been recognized through a partial charge-off, typically reserves are not recorded.

Table 18 provides an activity rollforward of foreclosed real estate balances for June 30, 2017 and 2016. The balance of foreclosed real estate, exclusive of inventory from government insured mortgages, decreased to $7.0 million as of June 30, 2017, from $14.2 million as of June 30, 2016, as FHN has executed sales of existing foreclosed assets and continued efforts to avoid foreclosures by restructuring loans and working with borrowers. Additionally, property values have stabilized which also affect the balance of foreclosed real estate.

Table 18 Rollforward of Foreclosed Real Estate

	Three Months Ended June 30		**Six Months Ended June 30**	
(Dollars in thousands)	**2017**	2016	**2017**	2016
Beginning balance	**$ 10,259**	$ 17,460	**$ 11,235**	$ 24,977
Valuation adjustments	**(176)**	(314)	**(621)**	(850)
New foreclosed property	**1,741**	2,814	**2,846**	3,546
Disposals:				
Single transactions	**(4,786)**	(5,810)	**(6,422)**	(13,523)
Ending balance, June 30 (a)	**$ 7,038**	$ 14,150	**$ 7,038**	$ 14,150

(a) Excludes foreclosed real estate and receivables related to government insured mortgages of $6.4 million and $7.1 million as of June 30, 2017 and 2016, respectively.

Table of Contents

The following table provides consolidated asset quality information for the three months ended June 30, 2017 and 2016, and as of June 30, 2017, and December 31, 2016:

Table 19 Asset Quality Information

	Three Months Ended June 30	
(Dollars in thousands)	**2017**	2016
Allowance for loan losses:		
Beginning balance on April 1	**$ 201,968**	$ 204,034
Provision/(provision credit) for loan losses	**(2,000)**	4,000
Charge-offs	**(9,830)**	(18,296)
Recoveries	**7,119**	10,069
Ending balance on June 30	**$ 197,257**	$ 199,807
Reserve for remaining unfunded commitments	**5,554**	5,351
Total allowance for loan losses and reserve for unfunded commitments	**$ 202,811**	$ 205,158
Key ratios		
Allowance / net charge-offs (a)	**18.14x**	6.04x
Net charge-offs % (b)	**0.06%**	0.19%

	As of June 30 2017	As of December 31 2016
Nonperforming Assets by Segment		
Regional Banking:		
Nonperforming loans (c)	**$ 43,012**	$ 50,653
Foreclosed real estate (d)	**3,266**	5,081
Total Regional Banking	**46,278**	55,734
Non-Strategic:		
Nonperforming loans (c)	**84,959**	93,808
Nonperforming loans held-for-sale net of fair value adjustment (c)	**7,321**	7,741
Foreclosed real estate (d)	**3,772**	6,154
Total Non-Strategic	**96,052**	107,703
Corporate:		
Nonperforming loans (c)	**1,819**	1,186
Total Corporate	**1,819**	1,186
Total nonperforming assets (c) (d)	**$ 144,149**	$ 164,623

(a) Ratio is total allowance divided by annualized net charge-offs.
(b) Ratio is annualized net charge-offs divided by quarterly average loans, net of unearned income.
(c) Excludes loans that are 90 or more days past due and still accruing interest.
(d) Excludes foreclosed real estate from government-insured mortgages.

Table of Contents

	As of June 30 2017	As of December 31 2016
Loans and commitments:		
Total period-end loans, net of unearned income	**$ 19,989,319**	$ 19,589,520
Potential problem assets (a)	**285,395**	290,354
Loans 30 to 89 days past due	**30,871**	42,570
Loans 90 days past due (b) (c)	**22,403**	23,385
Loans held-for-sale 30 to 89 days past due (d)	**25,571**	6,462
Loans held-for-sale 30 to 89 days past due guaranteed portion (d) (e)	**25,489**	6,248
Loans held-for-sale 90 days past due (c) (d)	**15,406**	14,868
Loans held-for-sale 90 days past due guaranteed portion (c) (d) (e)	**15,271**	14,657
Remaining unfunded commitments	**$ 8,871,103**	$ 8,744,649
Key ratios		
Allowance / loans %	**0.99%**	1.03%
Allowance / NPL	**1.52x**	1.39x
NPA % (f)	**0.68%**	0.80%
NPL %	**0.65%**	0.74%

(a) Includes past due loans.
(b) Excludes loans classified as held-for-sale.
(c) Amounts are not included in nonperforming/nonaccrual loans.
(d) 2017 includes loans related to the Coastal acquisition.
(e) Guaranteed loans include FHA, VA, and GNMA loans repurchased through the GNMA buyout program.
(f) Ratio is non-performing assets related to the loan portfolio to total loans plus foreclosed real estate and other assets.

Past Due Loans and Potential Problem Assets

Past due loans are loans contractually past due as to interest or principal payments, but which have not yet been put on nonaccrual status. Loans in the portfolio that are 90 days or more past due and still accruing were $22.4 million on June 30, 2017, compared to $23.4 million on December 31, 2016. Loans 30 to 89 days past due decreased to $30.9 million on June 30, 2017, from $42.6 million on December 31, 2016.

Potential problem assets represent those assets where information about possible credit problems of borrowers has caused management to have serious doubts about the borrower s ability to comply with present repayment terms and includes loans past due 90 days or more and still accruing. This definition is believed to be substantially consistent with the standards established by the OCC for loans classified as substandard. Potential problem assets in the loan portfolio were $285.4 million on June 30, 2017, $290.4 million on December 31, 2016, and $234.3 million on June 30, 2016. The decline from year-end in potential problem assets was due to a net decrease in classified commercial loans driven by the payoff of a few credits. The current expectation of losses from potential problem assets has been included in management s analysis for assessing the adequacy of the allowance for loan losses.

Troubled Debt Restructuring and Loan Modifications

As part of FHN s ongoing risk management practices, FHN attempts to work with borrowers when appropriate to extend or modify loan terms to better align with their current ability to repay. Extensions and modifications to loans are made in accordance with internal policies and guidelines which conform to regulatory guidance. Each occurrence is unique to the borrower and is evaluated separately. In a situation where an economic concession has been granted to a borrower that is experiencing financial difficulty, FHN identifies and reports that loan as a Troubled Debt Restructuring (TDR). See Note 4 Loans for further discussion regarding TDRs and loan modifications.

On June 30, 2017 and December 31, 2016, FHN had $252.7 million and $285.2 million portfolio loans classified as TDRs, respectively. For TDRs in the loan portfolio, FHN had loan loss reserves of $42.1 million and $44.9 million, or 17 percent and

Table of Contents

16 percent of TDR balances, as of June 30, 2017 and December 31, 2016, respectively. Additionally, FHN had $66.1 million and $69.3 million of HFS loans classified as TDRs as of June 30, 2017 and December 31, 2016, respectively. Total held-to-maturity TDRs decreased by $32.4 million with the majority of the decline attributable to consumer real estate and permanent mortgage loans. Generally, the volume of new TDRs, particularly within the consumer real estate and permanent mortgage portfolios, has substantially declined.

The following table provides a summary of TDRs for the periods ended June 30, 2017 and December 31, 2016:

Table 20 Troubled Debt Restructurings

(Dollars in thousands)	**As of June 30, 2017**	As of December 31, 2016
Held-to-maturity:		
Permanent mortgage:		
Current	**$ 64,591**	$ 73,500
Delinquent	**2,413**	2,751
Non-accrual (a)	**18,909**	17,675
Total permanent mortgage	**85,913**	93,926
Consumer real estate:		
Current	**92,303**	100,383
Delinquent	**3,066**	4,618
Non-accrual (b)	**42,630**	48,459
Total consumer real estate	**137,999**	153,460
Credit card and other:		
Current	**336**	288
Delinquent	**24**	18
Non-accrual		
Total credit card and other	**360**	306
Commercial loans:		
Current	**17,055**	21,887
Delinquent	**303**	
Non-accrual	**11,076**	15,571
Total commercial loans	**28,434**	37,458
Total held-to-maturity	**$ 252,706**	$ 285,150
Held-for-sale:		
Current	**$ 47,877**	$ 46,625
Delinquent	**12,671**	16,436

Non-accrual	**5,586**	6,283
Total held-for-sale	**66,134**	69,344
Total troubled debt restructurings	**$ 318,840**	$ 354,494

(a) Balances as of June 30, 2017 and December 31, 2016, include $5.9 million and $5.3 million, respectively, of discharged bankruptcies.

(b) Balances as of June 30, 2017 and December 31, 2016, include $13.9 million and $15.3 million, respectively, of discharged bankruptcies.

RISK MANAGEMENT

Except as discussed below, there have been no significant changes to FHN s risk management practices as described under Risk Management beginning on page 47 of Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016.

121

Table of Contents

MARKET RISK MANAGEMENT

Except as discussed below, there have been no significant changes to FHN s market risk management practices as described under Market Risk Management beginning on page 48 of Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016.

Value-at-Risk (VaR) and Stress Testing

VaR is a statistical risk measure used to estimate the potential loss in value from adverse market movements over an assumed fixed holding period within a stated confidence level. FHN employs a model to compute daily VaR measures for its trading securities inventory. FHN computes VaR using historical simulation with a 1-year lookback period at a 99 percent confidence level and 1-day and 10-day time horizons. Additionally, FHN computes a Stressed VaR (SVaR) measure. The SVaR computation uses the same model but with model inputs reflecting historical data from a continuous 12-month period that reflects a period of significant financial stress appropriate for our trading securities portfolio.

A summary of FHN s VaR and SVaR measures for 1-day and 10-day time horizons is as follows:

Table 21 VaR and SVaR Measures

A summary of FHN s VaR and SVaR measures for 1-day and 10-day time horizons is as follows:

	Three Months Ended June 30, 2017			**Six Months Ended June 30, 2017**			**As of June 30, 2017**
(Dollars in thousands)	**Mean**	**High**	**Low**	**Mean**	**High**	**Low**	
1-day							
VaR	**$ 1,668**	**$ 2,394**	**$ 1,210**	**$ 1,365**	**$ 2,394**	**$ 779**	**$ 1,605**
SVaR	**4,436**	**6,284**	**3,217**	**3,745**	**6,284**	**1,775**	**3,217**
10-day							
VaR	**3,644**	**5,251**	**2,503**	**3,249**	**5,712**	**1,759**	**4,009**
SVaR	**15,686**	**24,550**	**11,176**	**12,568**	**24,550**	**4,916**	**11,176**

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016			As of June 30, 2016
(Dollars in thousands)	Mean	High	Low	Mean	High	Low	
1-day							
VaR	$ 767	$ 1,248	$ 446	$ 746	$ 1,411	$ 393	$ 846
SVaR	3,983	5,298	2,398	3,496	5,789	1,748	3,469
10-day							
VaR	1,892	3,954	898	1,813	4,058	751	1,866
SVaR	12,826	17,987	8,026	11,326	17,987	3,263	10,376

	Year Ended December 31, 2016			As of December 31, 2016
(Dollars in thousands)	Mean	High	Low	

1-day				
VaR	$ 821	$ 1,745	$ 393	$ 932
SVaR	3,643	5,789	1,748	2,830
10-day				
VaR	2,088	5,852	751	2,136
SVaR	11,671	18,483	3,263	6,443

FHN s overall VaR measure includes both interest rate risk and credit spread risk. Separate measures of these component risks are as follows:

Table of Contents

Table 22 Schedule of Risks Included in VaR

	As of June 30, 2017		As of June 30, 2016		As of December 31, 2016	
(Dollars in Thousands)	**1-day**	**10-day**	1-day	10-day	1-day	10-day
Interest rate risk	**$ 1,194**	**$ 4,664**	$ 744	$ 975	$ 917	$ 1,771
Credit spread risk	**433**	**570**	754	1,666	537	1,391

The potential risk of loss reflected by FHN s VaR measures assumes the trading securities inventory is static. Because FHN s Fixed Income division procures fixed income securities for purposes of distribution to customers, its trading securities inventory turns over multiple times daily, on average. Additionally, Fixed Income traders actively manage the trading securities inventory continuously throughout each trading day. Accordingly, FHN s trading securities inventory is highly dynamic, rather than static. As a result, it would be rare for Fixed Income to incur a negative revenue day in its fixed income activities of the level indicated by its VaR measurements.

In addition to being used in FHN s daily market risk management process, the VaR and SVaR measures are also used by FHN in computing its regulatory market risk capital requirements in accordance with the Market Risk Capital rules. For additional information regarding FHN s capital adequacy refer to the Capital section of this MD&A.

FHN also performs stress tests on its trading securities portfolio to calculate the potential loss under various assumed market scenarios. Key assumed stresses used in those tests are:

Down 25 bps assumes an instantaneous downward move in interest rates of 25 basis points at all points on the interest rate yield curve.

Up 25 bps assumes an instantaneous upward move in interest rates of 25 basis points at all points on the interest rate yield curve.

Curve flattening assumes an instantaneous flattening of the interest rate yield curve through an increase in short-term rates and a decrease in long-term rates. The 2-year point on the Treasury yield curve is assumed to increase 15 basis points and the 10-year point on the Treasury yield curve is assumed to decrease 15 basis points. Shifts in other points on the yield curve are predicted based on their correlation to the 2-year and 10-year points.

Curve steepening assumes an instantaneous steepening of the interest rate yield curve through a decrease in short-term rates and an increase in long-term rates. The 2-year point on the Treasury yield curve is assumed to decrease 15 basis points and the 10-year point on the Treasury yield curve is assumed to increase 15 basis points. Shifts in other points on the yield curve are predicted based on their correlation to the 2-year and 10-year points.

Credit spread widening assumes an instantaneous increase in credit spreads (the difference between yields on Treasury securities and non-Treasury securities) of 25 basis points.

Model Validation

Trading risk management personnel within Fixed Income have primary responsibility for model risk management with respect to the model used by FHN to compute its VaR measures and perform stress testing on the trading inventory. Among other procedures, these personnel monitor model results and perform periodic backtesting as part of an ongoing process of validating the accuracy of the model. These model risk management activities are subject to annual review by FHN s Model Validation Group, an independent assurance group charged with oversight responsibility for FHN s model risk management.

INTEREST RATE RISK MANAGEMENT

Except as disclosed below, there have been no significant changes to FHN s interest rate risk management practices as described under Interest Rate Risk Management beginning on page 50 of Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016.

Net Interest Income Simulation Analysis

The information provided in this section, including the discussion regarding the outcomes of simulation analysis and rate shock analysis, is forward-looking. Actual results, if the assumed scenarios were to occur, could differ because of interest rate movements, the ability of management to execute its business plans, and other factors, including those presented in the Forward-Looking Statements section of this MD&A.

Management uses a simulation model to measure interest rate risk and to formulate strategies to improve balance sheet positioning, earnings, or both, within FHN s interest rate risk, liquidity, and capital guidelines. Interest rate exposure is measured by forecasting 12 months of NII under various interest rate scenarios and comparing the percentage change in NII for each scenario to a base case scenario where interest rates remain unchanged. Assumptions are made regarding future balance sheet composition, interest rate movements, and loan and deposit pricing. In addition, assumptions are made about the magnitude of asset prepayments and earlier than anticipated deposit withdrawals. The results of these scenarios help FHN develop strategies for managing exposure to interest rate risk. While management believes the assumptions used and scenarios selected in its simulations are reasonable, simulation modeling provides only an estimate, not a precise calculation, of exposure to any given change in interest rates.

Based on a static balance sheet as of June 30, 2017, net interest income exposure over the next 12 months assuming a rate shock of plus 25 basis points, 50 basis points, 100 basis points, and 200 basis points is estimated to have a favorable variance of 1.3 percent, 2.6 percent, 4.0 percent, and 7.7 percent, respectively of base net interest income. A steepening yield curve scenario where long-term rates increase by 50 basis points and short-term rates are static, results in a favorable variance in net interest income of 1.1 percent of base net interest income. A flattening yield curve scenario where long-term rates decrease by 50 basis points and short-term rates are static, results in an unfavorable variance in net interest income of 1.2 percent of base net interest income. A rate shock of minus 25 basis points and minus 50 basis points results in an unfavorable variance in net interest income of 1.6 percent and 3.8 percent, respectively, of base net interest income. These hypothetical scenarios are used to create a risk measurement framework, and do not necessarily represent management s current view of future interest rates or market developments. As of June 30, 2017, any scenarios that indicated a change in net interest income of 3 percent or more from base net interest income were reported to the Board quarterly.

CAPITAL MANAGEMENT AND ADEQUACY

There have been no significant changes to FHN s capital management practices as described under Capital Management and Adequacy on page 51 of Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016.

OPERATIONAL RISK MANAGEMENT

Except as discussed below, there have been no significant changes to FHN s operational risk management practices as described under Operational Risk Management on page 52 of Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016.

In second quarter 2017, FHN established a Merger Project Office to manage the execution risk in connection with FHN s proposed Capital Bank merger. The Office has been staffed and an external consultant hired to assist FHN. In addition, the focus of the Investment Rationalization Board has shifted to this project and any other high priority projects.

COMPLIANCE RISK MANAGEMENT

There have been no significant changes to FHN s compliance risk management practices as described under Compliance Risk Management on page 52 of Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016.

CREDIT RISK MANAGEMENT

There have been no significant changes to FHN s credit risk management practices as described under Credit Risk Management beginning on page 52 of Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016.

LIQUIDITY RISK MANAGEMENT

ALCO also focuses on liquidity management: the funding of assets with liabilities of appropriate duration, while mitigating the risk of unexpected cash needs. ALCO and the Board of Directors have adopted a Liquidity Policy. The objective of the Liquidity Policy is to ensure that FHN meets its cash and collateral obligations promptly, in a cost-effective manner and with the highest degree of reliability. The maintenance of adequate levels of asset and liability liquidity should provide FHN with the ability to meet both expected and unexpected cash and collateral needs. Key liquidity ratios, asset liquidity levels and the amount available from funding sources are reported to ALCO on a regular basis. FHN s Liquidity Policy establishes liquidity limits that are deemed appropriate for FHN s risk profile.

In accordance with the Liquidity Policy, ALCO manages FHN s exposure to liquidity risk through a dynamic, real time forecasting methodology. Base liquidity forecasts are reviewed by ALCO and are updated as financial conditions dictate. In addition to the baseline liquidity reports, robust stress testing of assumptions and funds availability are periodically reviewed. FHN maintains a contingency funding plan that may be executed, should unexpected difficulties arise in accessing funding that affects FHN, the industry as a whole, or both. Subject to market conditions and compliance with applicable regulatory requirements from time to time, funds are available from a number of sources including the available-for-sale securities portfolio, dealer and commercial customer repurchase agreements, access to the overnight and term Federal Funds markets, incremental borrowing capacity at the FHLB ($2.2 billion was available at June 30, 2017), brokered deposits, loan sales, syndications, and access to the Federal Reserve Banks.

Core deposits are a significant source of funding and have historically been a stable source of liquidity for banks. Generally, core deposits represent funding from a financial institution s customer base which provide inexpensive, predictable pricing. The Federal Deposit Insurance Corporation insures these deposits to the extent authorized by law. Generally, these limits are $250 thousand per account owner for interest bearing and non-interest bearing accounts. The ratio of total loans, excluding loans HFS and restricted real estate loans, to core deposits was 102 percent on June 30, 2017 compared to 105 percent on December 31, 2016.

FHN also may use unsecured short-term borrowings as a source of liquidity. Currently, the largest concentration of unsecured borrowings is federal funds purchased from bank correspondent customers. These funds are considered to be substantially more stable than funds purchased in the national broker markets for federal funds due to the long, historical, and reciprocal nature of banking services provided by FHN to these correspondent banks. The remainder of FHN s wholesale short-term borrowings is securities sold under agreements to repurchase transactions accounted for as secured borrowings with Regional Banking s business customers or Fixed Income s broker dealer counterparties.

Both FHN and FTBNA may access the debt markets in order to provide funding through the issuance of senior or subordinated unsecured debt subject to market conditions and compliance with applicable regulatory requirements. In 2014, FTBNA issued $400 million of fixed rate senior notes due in December 2019. In October 2015, FHN issued $500 million of fixed rate senior notes due in December 2020.

Both FHN and FTBNA have the ability to generate liquidity by issuing preferred equity, and (for FHN) by issuing common equity, subject to market conditions and compliance with applicable regulatory requirements. In January 2013, FHN issued $100 million of Non-Cumulative Perpetual Preferred Stock, Series A. As of June 30, 2017, FTBNA and subsidiaries had outstanding preferred shares of $295.4 million, which are reflected as noncontrolling interest on the Consolidated Condensed Statements of Condition.

Parent company liquidity is primarily provided by cash flows stemming from dividends and interest payments collected from subsidiaries. These sources of cash represent the primary sources of funds to pay cash dividends to shareholders and principal and interest to debt holders of FHN. The amount paid to the parent company through FTBNA common dividends is managed as part of FHN s overall cash management process, subject to applicable regulatory restrictions. Certain regulatory restrictions exist regarding the ability of FTBNA to transfer funds to FHN in the form of cash, common dividends, loans, or advances. At any given time, the pertinent portions of those regulatory restrictions allow FTBNA to declare preferred or common dividends without prior regulatory approval in an aggregate amount equal to FTBNA s retained net income for the two most recent completed years plus the current year to date. For any period, FTBNA s retained net income generally is equal to FTBNA s regulatory net income reduced by the preferred and common dividends declared by FTBNA. Excess dividends in either of the two most recent completed years may be offset with available retained net income in the two years immediately preceding it. Applying the applicable rules, FTBNA s total amount available for dividends was negative $61.3 million as of June 30, 2017 compared to negative $132.5 million as of December 31, 2016. Consequently, FTBNA could not pay common dividends to its sole common stockholder, FHN, or to its preferred shareholders without prior regulatory approval. FTBNA applied for and received approval from the OCC to declare and pay common dividends to FHN in first, second and third quarter 2017 in the amounts of $40 million, $50 million, and $80 million, respectively, and in the amount of $250 million in 2016. FTBNA declared and paid preferred dividends in first and second quarter 2017 and each quarter of 2016, with OCC approval as necessary. Additionally, FTBNA declared preferred dividends in third quarter 2017, with OCC approval.

Payment of a dividend to shareholders of FHN is dependent on several factors which are considered by the Board. These factors include FHN s current and prospective capital, liquidity, and other needs, applicable regulatory restrictions, and also availability of funds to FHN through a dividend from FTBNA. Additionally, the Federal Reserve and the OCC generally require insured banks and bank holding companies to pay cash dividends only out of current operating earnings. Consequently, the decision of whether FHN will pay future dividends and the amount of dividends will be affected by current operating results. FHN paid a cash dividend of $.09 per common share on July 3, 2017, and in July 2017 the Board approved a $.09 per common share cash dividend payable on October 2, 2017, to shareholders of record on September 8, 2017. FHN paid a cash dividend of $1,550.00 per preferred share on July 10, 2017, and in July 2017 the Board approved a $1,550.00 per preferred share cash dividend payable on October 10, 2017, to shareholders of record on September 22, 2017.

CASH FLOWS

The Consolidated Condensed Statements of Cash Flows provide information on cash flows from operating, investing, and financing activities for the six months ended June 30, 2017 and 2016. The level of cash and cash equivalents increased $41.3 million during the first half of 2017 compared to an increase of $174.9 million in the second half of 2016, as cash provided by financing activities more than offset cash used by operating and investing activities during both periods.

Net cash provided by financing activities was $523.1 million in the first half of 2017, largely driven by an increase in short-term borrowings (primarily FHLB borrowings) used to fund loan growth, somewhat offset by a decline in market-indexed deposits. Net cash used by investing activities was $41.3 million in the first half of 2017, as loan growth and cash paid to acquire Coastal, was partially offset by a $490.5 million decrease in interest bearing cash. Net cash used by operating activities was $440.4 million in the first half of 2017. Operating cash decreased in the first half of 2017 primarily due to net cash outflows of $445.4 million related to fixed income trading activities, a $85.4 million increase in loans held-for-sale, and cash outflows of $51.3 million related to operating assets and liabilities, but were somewhat offset by favorably driven cash-related net income items.

Net cash provided by financing activities was $837.4 million in the first half of 2016. Financing cash inflows in 2016 were positively affected by a $663.2 million increase in deposits and a $562.7 million increase in short-term borrowings, but were partially offset by $259.9 million of long-term borrowings, which included the maturity of of $250 million of subordinated notes. Net cash used by investing activities was $639.0 million in the second half of 2016. In 2016, a $921.0 million increase in loans were partially offset by a $281.1 million decrease in interest-bearing cash. Net cash used by operating activities was $23.4 million in the first half of 2016. Operating cash decreased in the first half of 2016 primarily driven by net cash outflows of net fixed income trading activities of $148.7 million and net changes in operating assets and liabilities of $73.0 million.

REPURCHASE OBLIGATIONS, OFF-BALANCE SHEET ARRANGEMENTS, AND OTHER CONTRACTUAL OBLIGATIONS

Obligations from Legacy Mortgage Businesses

Overview

Prior to September 2008 FHN originated loans through its legacy mortgage business, primarily first lien home loans, with the intention of selling them. Sales typically were effected either as non-recourse whole loan sales or through non-recourse proprietary securitizations. Conventional conforming single-family residential mortgage loans were sold predominately to two GSEs: Fannie Mae and Freddie Mac. Also, federally insured or guaranteed whole loans were pooled, and payments to investors were guaranteed through Ginnie Mae. Many mortgage loan originations, especially nonconforming mortgage loans, were sold to investors, or certificate-holders, predominantly through FH proprietary securitizations but also, to a lesser extent, through other whole loans sold to private non-Agency purchasers. FHN used only one trustee for all of its FH proprietary securitizations. FHN also originated mortgage loans eligible for FHA insurance or VA guaranty. In addition, FHN originated and sold HELOCs and second lien mortgages through other whole loans sold to private purchasers and, to a lesser extent, through FH proprietary securitizations. Currently, only one FH securitization of HELOCs remains outstanding.

For non-recourse loan sales, FHN has exposure for repurchase of loans, make-whole damages, or other related damages, arising from claims that FHN breached its representations and warranties made at closing to the purchasers, including GSEs, other whole loan purchasers, and the trustee of FH proprietary securitizations.

During the time these legacy activities were conducted, FHN frequently sold mortgage loans with servicing retained. As a result, FHN accumulated substantial amounts of MSR on its balance sheet, as well as contractual servicing obligations and related deposits and receivables. FHN conducted a significant servicing business under its First Horizon Home Loans brand.

MI was required by GSE rules for certain of the loans sold to GSEs and was also provided for certain of the loans that were securitized. MI generally was provided for first lien loans sold or securitized having an LTV ratio at origination of greater than 80 percent.

In 2007, market conditions deteriorated to the point where mortgage-backed securitizations could no longer be sold economically; FHN s last securitization occurred that year. FHN continued selling mortgage loans to GSEs until August 31, 2008, when FHN sold its national mortgage origination and servicing platforms along with a portion of its servicing assets and obligations. FHN then contracted to have its remaining servicing obligations sub-serviced. Since the platform sale FHN has sold substantially all remaining servicing assets and obligations in several transactions, concluding in 2014.

Certain mortgage-related terms used in this section are defined in Mortgage-Related Glossary below.

Repurchase and Make-Whole Obligations

Starting in 2009 FHN received a high number of claims either to repurchase loans from the purchaser or to pay the purchaser to make them whole for economic losses incurred. These claims have been driven primarily by loan delinquencies. In repurchase or make-whole claims a loan purchaser typically asserts that specified loans violated representations and warranties FHN made when the loans were sold. A significant majority of claims received overall have come from GSEs, and the remainder are from purchasers of other whole loan sales. FHN has not received a loan repurchase or make-whole claim from the FH proprietary securitization trustee.

Generally, FHN reviews each claim and MI cancellation notice individually. FHN s responses include appeal, provide additional information, deny the claim (rescission), repurchase the loan or remit a make-whole payment, or reflect cancellation of MI.

After several years resolving repurchase and make-whole claims with each GSE on a loan-by-loan basis, in 2013 and 2014 FHN entered into DRAs with the GSEs, resolving a large fraction of potential claims. Starting in 2014 the overall number of such claims diminished substantially, primarily as a result of the DRAs. Each DRA resolved obligations associated with loans originated from 2000 to 2008, but certain obligations and loans were excluded. Under each DRA, FHN remains responsible for repurchase obligations related to certain excluded defects (such as title defects and violations of the GSE s Charter Act) and FHN continues to have loan repurchase or monetary compensation obligations under the DRAs related to private mortgage insurance rescissions, cancellations, and denials (with certain exceptions). FHN also has exposure related to loans where there has been a prior bulk sale of servicing, as well as certain other whole-loan sales. With respect to loans where there has been a prior bulk sale of servicing, FHN is not responsible for MI cancellations and denials to the extent attributable to the acts of the current servicer.

While large portions of repurchase claims from the GSEs were settled with the DRAs, comprehensive settlement of repurchase, make-whole, and indemnity claims with non-Agency claimants is not practical. Such claims that are not resolved by the parties can, and sometimes have, become litigation.

FH Proprietary Securitization Actions

FHN has potential financial exposure from FH proprietary securitizations outside of the repurchase/make-whole process. Several investors in certificates sued FHN and others starting in 2009, and several underwriters or other counterparties have demanded that FHN indemnify and defend them in securitization lawsuits. The pending suits generally assert that disclosures made to investors in the offering and sale of certificates were legally deficient. A number of those matters have settled or otherwise been resolved. See Note 10 Contingencies and Other Disclosures for a discussion of certain actions pending against FHN in relation to FH proprietary securitizations.

Servicing Obligations

FHN s national servicing business was sold as part of the platform sale in 2008. A significant amount of MSR was sold at that time, and a significant amount was retained. The related servicing activities, including foreclosure and loss mitigation practices, not sold in 2008 were outsourced through a three-year subservicing arrangement (the 2008 subservicing agreement) with the platform buyer (the 2008 subservicer). The 2008 subservicing agreement expired in 2011 when FHN entered into a replacement agreement with a new subservicer (the 2011 subservicer). In fourth quarter 2013, FHN contracted to sell a substantial majority of its remaining servicing obligations and servicing assets (including advances) to the 2011 subservicer. The servicing was transferred to the buyer in stages, and was substantially completed in first quarter 2014. The servicing still retained by FHN is not significant and continues to be subserviced.

As servicer, FHN had contractual obligations to the owners of the loans (primarily GSEs) and securitization trustees to handle billing, custodial, and other tasks related to each loan. Each subservicer undertook to perform those obligations on FHN s behalf during the applicable subservicing period, although FHN legally remained the servicer of record for those loans that were subserviced.

The 2008 subservicer has been subject to a consent decree, and entered into a settlement agreement, with regulators related to alleged deficiencies in servicing and foreclosure practices. The 2008 subservicer has made demands of FHN, under the 2008 subservicing agreement, to pay certain resulting costs and damages totaling $43.5 million. FHN disagrees with those demands and has made no payments. This disagreement has the potential to result in litigation and, in any such future litigation, the claim against FHN may be substantial.

A certificate holder has contacted FHN, claiming that it has been damaged from alleged deficiencies in servicing loans held in certain FH proprietary securitization trusts. The holder has sued the FH securitization trustee on related grounds, but has not yet sued FHN. FHN cannot predict how this matter will proceed nor can FHN predict whether this matter ultimately will be material to FHN.

Origination Data

From 2005 through 2008, FHN originated and sold $69.5 billion of mortgage loans to the Agencies. This includes $57.6 billion of loans sold to GSEs and $11.9 billion of loans guaranteed by Ginnie Mae. Although FHN conducted these businesses before 2005, GSE loans originated in 2005 through 2008 account for a substantial majority of all repurchase requests/make-whole claims received since the 2008 platform sale.

From 2005 through 2007, $26.7 billion of mortgage loans were included in FH proprietary securitizations. The last FH securitization occurred in 2007. On June 30, 2017, the remaining UPB of loans held in FH proprietary securitizations was $3.4 billion, comprised of $2.5 billion of Alt-A loans and $1.0 billion of Jumbo loans.

Table of Contents

Mortgage-Related Glossary

Agencies	the two GSEs and Ginnie Mae
certificates	securities sold to investors representing interests in mortgage loan securitizations
DOJ	U.S. Department of Justice
DRA	definitive resolution agreement with a GSE
Fannie Mae, Fannie, FNMA	Federal National Mortgage Association
FH proprietary securitization	securitization of mortgages sponsored by FHN under its First Horizon brand
FHA	Federal Housing Administration
Freddie Mac, Freddie, FHLMC	Federal Home Loan Mortgage Corporation
Ginnie Mae, Ginnie, GNMA	Government National Mortgage Association
GSEs	Fannie Mae and Freddie Mac
HELOC	home equity line of credit
HUD	Dept. of Housing and Urban Development
LTV	loan-to-value, a ratio of the loan amount divided by the home value
MI	private mortgage insurance, insuring against borrower payment default
MSR	mortgage servicing rights
nonconforming loans	loans that did not conform to Agency program requirements
other whole loans sold	mortgage loans sold to private, non-Agency purchasers
2008 platform sale, platform sale, 2008 sale	FHN s sale of its national mortgage origination and servicing platforms in 2008
pipeline or active pipeline	pipeline of mortgage repurchase, make-whole, & certain related claims against FHN
VA	Veterans Administration

Active Pipeline

FHN accumulates the amount of repurchase requests, make-whole claims, and certain other related claims into the active pipeline. The active pipeline includes the amount of claims for loan repurchase, make-whole payments, loans as to which MI has been canceled, and information requests from purchasers of loans originated and sold through FHN s legacy mortgage banking business. MI was required for certain of the loans sold to GSEs or that were securitized. Although unresolved MI cancellation notices are not formal repurchase requests, FHN includes those loans in the active pipeline. Additionally, FHN is responsible for covering losses for purchasers to the extent there is a shortfall in MI insurance coverage (MI curtailment). Generally, the amount of a loan subject to a repurchase/make-whole claim, or with open MI issues, remains in the active pipeline throughout the resolution process with a claimant. During the last several years the active pipeline has steadily decreased, due in part to settlements and other resolutions, but also due to significant reductions in inflows. On June 30, 2017, the active pipeline was $51.4 million, relatively flat compared to $51.7 million on December 31, 2016.

The following table provides a detail of the active pipeline as of June 30, 2017 and 2016:

Table 23 Active Pipeline

	June 30, 2017		December 31, 2016	
(Dollars in thousands)	**Number**	**Amount**	Number	Amount
Repurchase/make whole requests:				
Agencies	**33**	**$ 5,706**	23	$ 4,196
Non-Agency whole loan-related	**121**	**18,442**	126	19,214
MI	**141**	**22,595**	147	23,171
Other requests (a)	**34**	**4,731**	37	5,122
Total	**329**	**$ 51,474**	333	$ 51,703

(a) Other requests typically include requests for additional information from both GSE and non-GSE purchasers.
On June 30, 2017, Agencies accounted for approximately 61 percent of the total active pipeline, inclusive of MI cancellation notices, MI curtailments, and all other claims. MI curtailment requests, the largest portion of the active pipeline, are intended only to cover the shortfall in MI insurance proceeds. As a result, FHN s loss from MI curtailments as a percentage of UPB generally is significantly lower than that of a repurchase or make-whole claim. At June 30, 2017, the active pipeline contained no loan repurchase or make-whole requests from the FH proprietary securitization trustee related to first lien mortgage loans based on claims related to breaches of representations and warranties related to origination.

Repurchase Accrual Methodology

Over the past several years FHN s approach for determining the adequacy of the repurchase and foreclosure reserve has evolved, sometimes substantially, based on changes in information available. Repurchase/make-whole rates vary based on purchaser, vintage, and claim type. For those loans repurchased or covered by a make-whole payment, cumulative average loss severities range between 50 and 60 percent of the UPB.

Repurchase Accrual Approach

Repurchase/Make-whole and Damages obligations and estimates for probable incurred losses associated with loan populations excluded from the DRAs are significant components of FHN s remaining repurchase liability as of June 30, 2017. Other components of that liability primarily relate to other whole loans sold, MI rescissions, and loans included in bulk servicing sales effected prior to the DRAs.

In determining the loss content of GSE loans subject to repurchase requests excluded from the DRAs (primarily loans included in bulk sales), FHN applies a vintage level estimate of loss to all loans sold to the GSEs that were not included in the settlements and which have not had a prior repurchase resolution. First, pre-payment, default, and claim rate estimates are applied by vintage to estimate the aggregate claims expected but not yet resolved. Historical loss factors for each sale vintage and repurchase rates are then applied to estimate total loss content. Loss content related to other whole loan sales is estimated by applying the historical average repurchase and loss severity rates to the current UPB in the active pipeline to calculate estimated losses attributable to the current pipeline. FHN then uses an internal model to calculate loss content by applying historical average repurchase and loss severity rates to historical average inflows. For purposes of estimating loss content, FHN also considers MI cancellations. When assessing loss content related to loans where MI has been cancelled, FHN applies historical loss factors (including repurchase rates and loss severity ratios) to the total unresolved MI cancellations in the active pipeline, as well as applying these factors to historical average inflows to estimate loss content. Additionally, FHN identifies estimated losses related to MI curtailment requests. Management also evaluates the nature of claims from purchasers and/or servicers of loans sold to determine if qualitative adjustments are appropriate.

Table of Contents

Repurchase and Foreclosure Liability

The repurchase and foreclosure liability is comprised of reserves to cover estimated loss content in the active pipeline, as well as estimated loss content related to certain known claims not currently included in the active pipeline. FHN compares the estimated probable incurred losses determined under the applicable loss estimation approaches described above for the respective periods with current reserve levels. Changes in the estimated required liability levels are recorded as necessary through the repurchase and foreclosure provision.

Table of Contents

The following table provides a rollforward of the legacy mortgage repurchase liability for the three and six months ended June 30, 2017 and 2016:

Table 24 Reserves for Repurchase and Foreclosure Losses

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2017**	2016	**2017**	2016
Legacy Mortgage				
Beginning balance	**$ 64,777**	$ 114,320	**$ 65,309**	$ 114,947
Provision/(provision credit) for repurchase and foreclosure losses (a)	**(21,733)**	(31,400)	**(21,971)**	(31,400)
Net realized losses	**(8,445)**	(15,537)	**(8,739)**	(16,164)
Balance on June 30	**$ 34,599**	$ 67,383	**$ 34,599**	$ 67,383

(a) Three and six months ended June 30, 2017 and 2016 include $20.0 million and $31.4 million, respectively, related to the settlement of certain repurchase claims.

Other FHN Mortgage Exposures

FHN s FHA and VA program lending was substantial prior to the 2008 platform sale, and has continued at a much lower level since then. As lender, FHN made certain representations and warranties as to the compliance of the loans with program requirements. Over the past several years, most recently in first quarter 2015, FHN occasionally has recognized significant losses associated with settling claims and potential claims by government agencies, and by private parties asserting claims on behalf of agencies, related to these origination activities. At June 30, 2017, FHN had not accrued a liability for any matter related to these government lending programs, and no pending or known threatened matter related to these programs represented a material loss contingency described in Note 10 Contingencies and Other Disclosures.

At June 30, 2017, FHN had not accrued a liability for exposure for repurchase of first-lien loans related to FH proprietary securitizations arising from claims from the trustee that FHN breached its representations and warranties in FH proprietary securitizations at closing. FHN s trustee is a defendant in lawsuits in which the plaintiffs have asserted that the trustee has duties to review loans and otherwise to act against loan originators and loan servicers, including FHN, outside of the duties specified in the applicable trust documents; FHN is not a defendant and is not able to assess what, if any, exposure FHN may have as a result of them.

FHN is defending, directly or as indemnitor, certain pending lawsuits brought by purchasers of certificates in FH proprietary securitizations or their assignees. FHN believes a new lawsuit based on federal securities claims that offering disclosures were deficient cannot be brought at this time due to the running of applicable limitation periods, but other investor claims, based on other legal theories, might still be possible. Due to the sales of MSR from 2008 through 2014, FHN has limited visibility into current loan information such as principal payoffs, refinance activity, delinquency trends, and loan modification activity.

Many non-GSE purchasers of whole loans from FHN included those loans in their own securitizations. Regarding such other whole loans sold, FHN made representations and warranties concerning the loans and provided indemnity covenants to the purchaser/securitizer. Typically the purchaser/securitizer assigned key contractual rights against FHN to the securitization trustee. As mentioned above, repurchase, make-whole, indemnity, and other monetary claims related to specific loans are included in the active pipeline and repurchase reserve. In addition, currently the following categories of actions are pending which involve FHN and other whole loans sold: (i) FHN has received indemnification requests from purchasers of loans or their assignees in cases where FHN is not a defendant; (ii) FHN has received subpoenas seeking loan reviews in cases where FHN is not a defendant; (iii) FHN has received repurchase, indemnity, and other demands from purchasers or their assignees; and (iv) FHN is a defendant in legal actions involving FHN-originated other whole loans sold. At June 30, 2017, FHN s repurchase and foreclosure liability included certain known exposures from other whole loans sold.

Table of Contents

Certain government entities have subpoenaed information from FHN and others. These entities include the FDIC (on behalf of certain failed banks) and the FHLBs of San Francisco, Atlanta, and Seattle, among others. These entities purport to act on behalf of several purchasers of FH proprietary securitizations, and of non-FH securitizations which included other whole loans sold. Collectively, the subpoenas seek information concerning: a number of FH proprietary securitizations and/or underlying loan originations; and originations of certain other whole loans sold which, in many cases, were included by the purchaser in its own securitizations. Some subpoenas fail to identify the specific investments made or loans at issue. Moreover, FHN has limited information regarding at least some of the loans under review. Unless and until a review (if related to specific loans) becomes an identifiable repurchase claim, the associated loans are not considered part of the active pipeline.

MARKET UNCERTAINTIES AND PROSPECTIVE TRENDS

FHN s future results could be affected both positively and negatively by several known trends. Key among those are FHN s strategic initiatives, changes in the U.S. economy and outlook, government actions affecting interest rates, and potential changes in federal policies. In addition, legacy matters in the non-strategic segment are likely to continue to impact FHN s quarterly results in ways which are both difficult to predict and unrelated to current operations.

FHN has prioritized expense discipline to include reducing or controlling certain expenses and investing in revenue-producing activities and critical infrastructure. FHN has actively pursued acquisition opportunities while maintaining a disciplined approach to valuations; to date all which closed have been moderate in size. FHN has been and remains amenable to a much more impactful acquisition, including the recently announced acquisition of Capital Bank which will increase FHN s proforma size to approximately $40 billion in assets. FHN remains committed to organic growth through customer retention, key hires, targeted incentives, and other traditional means.

Performance by FHN, and the entire U.S. financial services industry, is affected considerably by the overall health of the U.S. economy. The most recent recession ended in 2009. Growth during the economic expansion since 2009 has been muted, compared to earlier recoveries, and somewhat inconsistent from one quarter to the next. Though the economic expansion is 8 years old, currently the U.S. economy does not appear to be weakening or falling back into recession. A continuation of the current expansion would support, rather than hinder, future loan and other financial activity growth by our customers.

The Federal Reserve has raised short-term interest rates by 25 basis point during each of the last three quarters and has signaled a willingness to continue to raise rates in a measured fashion depending on economic data and trends. If the Fed continues to raise rates, FHN s net interest margin in the future is likely to continue an improving trend. A steeper yield curve should also bolster activity within FHN s Fixed Income business. However, if future economic data shows a risk of lower growth or recession, interest rates may stall or even fall, which likely would adversely impact FHN s net interest margin. Falling and/or moderately volatile interest rates, however, should enhance activity within FHN s Fixed Income business. Also, if Fed actions cause long-term rates to rise slower than short-term rates, then the yield curve would flatten, which would adversely impact FHN s net interest margin.

FHN cannot predict the timing, resolution and effects of potential new legislation. The legislative actions which currently seem the most likely to be impactful to FHN include corporate tax reform, general regulatory reform, and financial regulatory reform, all of which can affect the overall economy and FHN customers.

Lastly, while FHN has made significant progress in resolving matters from the legacy mortgage business, several matters remain unresolved. The timing or financial impact of resolution of these matters, most of which are in litigation, cannot be predicted with accuracy. Accordingly, the non-strategic segment is expected to occasionally and unexpectedly impact FHN s overall quarterly results negatively or positively with reserve accruals or releases. Also, although new legacy matters of significance arise at a much slower pace than in years past and some formerly common legal claims no longer can be made due to the passage of time, potential for new legacy matters remains.

Table of Contents

Foreclosure Practices

All lenders are affected by the heightened regulation of servicing, foreclosure, and loss mitigation practices, at both federal and state levels, implemented since 2009. In addition, FHN retains exposure for potential deficiencies in servicing related to its legacy servicing business and subservicing arrangements. Further details regarding these legacy matters are provided in Obligations from Legacy Mortgage Businesses Overview Servicing Obligations under Repurchase Obligations, Off-Balance Sheet Arrangements, and Other Contractual Obligations.

CRITICAL ACCOUNTING POLICIES

There have been no significant changes to FHN s critical accounting policies as described in Critical Accounting Policies beginning on page 64 of Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016.

Table of Contents

ACCOUNTING CHANGES ISSUED BUT NOT CURRENTLY EFFECTIVE

Refer to Note 1 Financial Information for a detail of accounting standards that have been issued but are not currently effective, which section is incorporated into MD&A by this reference.

Table of Contents

NON-GAAP INFORMATION

The following table provides a reconciliation of non-GAAP items presented in this MD&A to the most comparable GAAP presentation:

Table 25 Non-GAAP to GAAP Reconciliation

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2017**	2016	**2017**	2016
Average Tangible Common Equity (Non-GAAP)				
Average total equity (GAAP)	**$ 2,778,169**	$ 2,655,488	**$ 2,750,571**	$ 2,649,931
Less: Average noncontrolling interest (a)	**295,431**	295,431	**295,431**	295,431
Less: Average preferred stock (a)	**95,624**	95,624	**95,624**	95,624
(A) Total average common equity	**$ 2,387,114**	$ 2,264,433	**$ 2,359,516**	$ 2,258,876
Less: Average intangible assets (GAAP) (b)	**281,326**	215,556	**246,734**	216,205
(B) Average Tangible Common Equity (Non-GAAP)	**$ 2,105,788**	$ 2,048,877	**$ 2,112,782**	$ 2,042,671
Net Income Available to Common Shareholders				
(C) Net income available to common shareholders (annualized) (GAAP)	**$ 364,206**	$ 227,395	**$ 292,040**	$ 209,847
Ratios				
(C)/(A) Return on average common equity (ROE) (GAAP) (c)	**15.26%**	10.04%	**12.38%**	9.29%
(C)/(B) Return on average tangible common equity (ROTCE) (Non-GAAP) (d)	**17.30**	11.10	**13.82**	10.27

(a) Included in Total equity on the Consolidated Condensed Statements of Condition.

(b) Includes Goodwill and other intangible assets, net of amortization.

(c) Ratio is annualized net income available to common shareholders to average common equity.

(d) Ratio is annualized net income available to common shareholders to average tangible common equity.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information called for by this item is contained in

(a) Management s Discussion and Analysis of Financial Condition and Results of Operations included as Item 2 of Part I of this report, including in particular the section entitled Risk Management beginning on page 121 of this report and the subsections entitled Market Risk Management beginning on page 122 and Interest Rate Risk Management beginning on page 123 of this report, and

(b) Note 14 to the Consolidated Condensed Financial Statements appearing on pages 53-61 of this report,

all of which materials are incorporated herein by reference. For additional information concerning market risk and our management of it, refer to: Management s Discussion and Analysis of Financial Condition and Results of Operations appearing in Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016, including in particular the section entitled Risk Management beginning on page 47 of that Report and the subsections entitled Market Risk Management beginning on page 48 and Interest Rate Risk Management appearing on pages 50-51 of that Report; and Note 22 to the Consolidated Financial Statements appearing on pages 153-158 of Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2016.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures. FHN s management, with the participation of FHN s chief executive officer and chief financial officer, has evaluated the effectiveness of FHN s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this quarterly report. Based on that evaluation, the chief executive officer and the chief financial officer have concluded that FHN s disclosure controls and procedures were effective as of the end of the period covered by this report.

(b) Changes in Internal Control over Financial Reporting. There have not been any changes in FHN s internal control over financial reporting during FHN s last fiscal quarter that have materially affected, or are reasonably likely to materially affect, FHN s internal control over financial reporting.

Table of Contents

Part II.

OTHER INFORMATION

Item 1 Legal Proceedings

The Contingencies section of Note 10 to the Consolidated Condensed Financial Statements beginning on page 35 of this Report is incorporated into this Item by reference.

Item 1A Risk Factors

Not applicable

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

(a) & (b) Not Applicable

(c) Table 9 captioned Issuer Purchases of Common Stock, including the explanatory notes, which material is included in Item 2 of Part I of this report under the heading First Horizon National Corporation Management s Discussion and Analysis of Financial Condition and Results of Operations, beginning on page 103 of this report, is incorporated herein by reference.

Items 3 and 4

Not applicable

Item 5. Other Information

(a) *Determination of Frequency of Advisory Vote on Executive Compensation*

On April 25, 2017, FHN held its annual meeting of shareholders. Vote item #3 was an advisory proposal regarding the frequency of conducting an advisory vote on executive compensation at FHN s annual meeting of shareholders. The choices were every year, every two years, and every three years. FHN s Board of Directors recommended every yea As reported in FHN s Current Report on Form 8-K dated April 25, 2017, the every year choice received a substantial majority of the votes cast by FHN s shareholders.

On July 25, 2017, the Board determined that an advisory vote on executive compensation will be conducted every year.

(b) *Certain Changes in Director Nomination Process*

None.

Table of Contents

Item 6. Exhibits

(a) Exhibits

Exhibits marked * represent management contracts or compensatory plans or arrangements required to be identified as such and filed as exhibits. Exhibits marked *R were filed previously in ASCII text format, and are re-filed with this report in html format.

Exhibits marked ** are furnished pursuant to 18 U.S.C. Section 1350 and are not filed as part of this Report or as a separate disclosure document.

Exhibits marked *** contain or consist of interactive data file information which is unaudited and unreviewed.

In many agreements filed as exhibits, each party makes representations and warranties to other parties. Those representations and warranties are made only to and for the benefit of those other parties in the context of a business contract. Such representations and warranties may be partially or fully waived by such parties, or not enforced by such parties, in their discretion. No such representation or warranty may be relied upon by any other person for any purpose.

Exhibit	Description
2.1	Agreement and Plan of Merger, dated as of May 3, 2017, by and among First Horizon National Corporation, Capital Bank Financial Corp., and Firestone Sub, Inc., incorporated by reference to Exhibit 2.1 to First Horizon s Current Report on Form 8-K filed May 5, 2017.
4	FHN agrees to furnish to the Securities and Exchange Commission upon request a copy of each instrument defining the rights of the holders of the senior and subordinated long-term debt of FHN and its consolidated subsidiaries.
10.1*R	Form of Agreement to Defer Receipt of Shares Following Option Exercise [originally filed as Exh 10.5(c) to FHN s Annual Report on Form10-K for 2004]
10.2*R	Description of long-term disability program [originally filed as Exh 10(v) to FHN s Annual Report on Form 10-K for 2003]
10.3*R	Form of Indemnity Agreement with executive officers [2004 form] [originally filed as Exh 10.13 to FHN s Annual Report on Form 10-K for 2004]
10.4*	Directors and Executives Deferred Compensation Plan [originally adopted 1985], as amended and restated [2017], with forms of deferral agreement and 2007 addendum to deferral agreement.
10.5	Form of Company Support Agreement, incorporated by reference to Exhibit 10.1 to FHN s Current Report on Form 8-K filed May 5, 2017.
31(a)	Rule 13a-14(a) Certifications of CEO (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)
31(b)	Rule 13a-14(a) Certifications of CFO (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)
32(a)**	18 USC 1350 Certifications of CEO (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

32(b)**	18 USC 1350 Certifications of CFO (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)
101***	The following financial information from First Horizon National Corporation s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, formatted in XBRL: (i) Consolidated Condensed Statements of Condition at June 30, 2017 and December 31, 2016; (ii) Consolidated Condensed Statements of Income for the Three and Six Months Ended June 30, 2017 and 2016; (iii) Consolidated Condensed Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2017 and 2016; (iv) Consolidated Condensed Statements of Equity for the Six Months Ended June 30, 2017 and 2016; (v) Consolidated Condensed Statements of Cash Flows for the Six Months Ended June 30, 2017 and 2016; (vi) Notes to Consolidated Condensed Financial Statements.
101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase
101.LAB***	XBRL Taxonomy Extension Label Linkbase
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase
101.DEF***	XBRL Taxonomy Extension Definition Linkbase

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST HORIZON NATIONAL CORPORATION

(Registrant)

DATE: August 8, 2017

By: /s/ William C. Losch III
Name: William C. Losch III
Title: Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

141

Table of Contents

EXHIBIT INDEX

Exhibits marked * represent management contracts or compensatory plans or arrangements required to be identified as such and filed as exhibits. Exhibits marked *R were filed previously in ASCII text format, and are re-filed with this report in html format.

Exhibits marked ** are furnished pursuant to 18 U.S.C. Section 1350 and are not filed as part of this Report or as a separate disclosure document.

Exhibits marked *** contain or consist of interactive data file information which is unaudited and unreviewed.

In many agreements filed as exhibits, each party makes representations and warranties to other parties. Those representations and warranties are made only to and for the benefit of those other parties in the context of a business contract. Such representations and warranties may be partially or fully waived by such parties, or not enforced by such parties, in their discretion. No such representation or warranty may be relied upon by any other person for any purpose.

Exhibit	Description
2.1	Agreement and Plan of Merger, dated as of May 3, 2017, by and among First Horizon National Corporation, Capital Bank Financial Corp., and Firestone Sub, Inc., incorporated by reference to Exhibit 2.1 to First Horizon s Current Report on Form 8-K filed May 5, 2017.
4	FHN agrees to furnish to the Securities and Exchange Commission upon request a copy of each instrument defining the rights of the holders of the senior and subordinated long-term debt of FHN and its consolidated subsidiaries.
10.1*R	Form of Agreement to Defer Receipt of Shares Following Option Exercise [originally filed as Exh 10.5(c) to FHN s Annual Report on Form10-K for 2004]
10.2*R	Description of long-term disability program [originally filed as Exh 10(v) to FHN s Annual Report on Form 10-K for 2003]
10.3*R	Form of Indemnity Agreement with executive officers [2004 form] [originally filed as Exh 10.13 to FHN s Annual Report on Form 10-K for 2004]
10.4*	Directors and Executives Deferred Compensation Plan [originally adopted 1985], as amended and restated [2017], with forms of deferral agreement and 2007 addendum to deferral agreement.
10.5	Form of Company Support Agreement, incorporated by reference to Exhibit 10.1 to FHN s Current Report on Form 8-K filed May 5, 2017.
31(a)	Rule 13a-14(a) Certifications of CEO (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)
31(b)	Rule 13a-14(a) Certifications of CFO (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)
32(a)**	18 USC 1350 Certifications of CEO (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)
32(b)**	18 USC 1350 Certifications of CFO (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

101***	The following financial information from First Horizon National Corporation s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, formatted in XBRL: (i) Consolidated Condensed Statements of Condition at June 30, 2017 and December 31, 2016; (ii) Consolidated Condensed Statements of Income for the Three and Six Months Ended June 30, 2017 and 2016; (iii) Consolidated Condensed Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2017 and 2016; (iv) Consolidated Condensed Statements of Equity for the Six Months Ended June 30, 2017 and 2016; (v) Consolidated Condensed Statements of Cash Flows for the Six Months Ended June 30, 2017 and 2016; (vi) Notes to Consolidated Condensed Financial Statements.
101.INS***	XBRL Instance Document
101.SCH***	XBRL Taxonomy Extension Schema
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase
101.LAB***	XBRL Taxonomy Extension Label Linkbase
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase
101.DEF***	XBRL Taxonomy Extension Definition Linkbase