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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

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	**(IRS Employer**
incorporation of organization)	**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. x 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). x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x 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 September 30, 2012**
Common Stock, $.625 par value	247,133,973

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FIRST HORIZON NATIONAL CORPORATION

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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.

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CONSOLIDATED CONDENSED STATEMENTS OF CONDITION

	First Horizon National Corporation		
	September 30		December 31
(Dollars in thousands, except restricted and share amounts)(Unaudited)	**2012**	2011	2011
Assets:			
Cash and due from banks (Restricted - $.6 million on September 30, 2012; $4.7 million on September 30, 2011; and $4.9 million on December 31, 2011)	**$ 355,978**	$ 339,895	$ 384,667
Federal funds sold and securities purchased under agreements to resell	**529,688**	719,400	443,588
Total cash and cash equivalents (Restricted - $.6 million on September 30, 2012; $4.7 million on September 30, 2011; and $4.9 million on December 31, 2011)	**885,666**	1,059,295	828,255
Interest-bearing cash	**440,916**	358,537	452,856
Trading securities	**1,204,366**	1,227,197	988,217
Loans held-for-sale	**410,550**	386,147	413,897
Securities available-for-sale (Note 3)	**3,123,629**	3,327,846	3,066,272
Loans, net of unearned income (Restricted - $.1 billion on September 30, 2012; $.7 billion on September 30, 2011; and $.6 billion on December 31, 2011) (Note 4)	**16,523,783**	16,241,402	16,397,127
Less: Allowance for loan losses (Restricted - $4.4 million on September 30, 2012; $32.4 million on September 30, 2011; and $31.8 million on December 31, 2011) (Note 4)	**281,744**	449,645	384,351
Total net loans (Restricted - $.1 billion on September 30, 2012; $.6 billion on September 30, 2011; and $.6 billion on December 31, 2011)	**16,242,039**	15,791,757	16,012,776
Mortgage servicing rights (Note 5)	**120,537**	150,803	144,069
Goodwill (Note 6)	**134,242**	133,659	133,659
Other intangible assets, net (Note 6)	**23,679**	27,243	26,243
Capital markets receivables	**791,190**	521,198	164,987
Premises and equipment, net	**305,346**	326,667	321,253
Real estate acquired by foreclosure	**70,779**	91,492	85,244
Other assets (Restricted - $1.9 million on September 30, 2012; $13.6 million on September 30, 2011; and $13.4 million on December 31, 2011)	**1,986,891**	2,169,628	2,151,656
Total assets (Restricted - $.1 billion on September 30, 2012; $.7 billion on September 30, 2011; and $.6 billion on December 31, 2011)	**$ 25,739,830**	$ 25,571,469	$ 24,789,384
Liabilities and equity:			
Deposits:			
Savings	**$ 6,608,534**	$ 6,467,377	$ 6,624,405
Time deposits	**1,063,380**	1,210,661	1,173,375
Other interest-bearing deposits	**3,468,367**	3,096,621	3,193,697
Certificates of deposit $100,000 and more	**518,717**	511,221	608,518
Interest-bearing	**11,658,998**	11,285,880	11,599,995
Noninterest-bearing	**4,569,113**	4,412,375	4,613,014
Total deposits	**16,228,111**	15,698,255	16,213,009
Federal funds purchased and securities sold under agreements to repurchase	**1,794,176**	2,101,953	1,887,052
Trading liabilities	**516,970**	471,120	347,285
Other short-term borrowings	**856,958**	621,998	172,550
Term borrowings (Restricted - $.1 billion on September 30, 2012; $.7 billion on September 30, 2011; and $.6 billion on December 31, 2011)	**2,263,238**	2,509,804	2,481,660

Capital markets payables	**574,201**	509,164	164,708
Other liabilities (Restricted - $- on September 30, 2012; $.1 million on September 30, 2011 and December 31, 2011)	**974,288**	915,945	838,483
Total liabilities (Restricted - $.1 billion on September 30, 2012; $.7 billion on September 30, 2011; and $.6 billion on December 31, 2011)	**23,207,942**	22,828,239	22,104,747
Equity:			
First Horizon National Corporation Shareholders Equity:			
Common stock - $.625 par value (shares authorized - 400,000,000; shares issued - 247,133,973 on September 30, 2012; 263,619,040 on September 30, 2011; and 257,468,092 on December 31, 2011)	**154,459**	164,762	160,918
Capital surplus	**1,517,488**	1,641,878	1,601,346
Undivided profits	**681,460**	724,977	757,364
Accumulated other comprehensive loss, net	**(116,684)**	(83,552)	(130,156)
Total First Horizon National Corporation Shareholders Equity	**2,236,723**	2,448,065	2,389,472
Noncontrolling interest	**295,165**	295,165	295,165
Total equity	**2,531,888**	2,743,230	2,684,637
Total liabilities and equity	**$ 25,739,830**	$ 25,571,469	$ 24,789,384

See accompanying notes to consolidated condensed financial statements.

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CONSOLIDATED CONDENSED STATEMENTS OF INCOME

	First Horizon National Corporation			
	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars and shares in thousands except per share data)(Unaudited)	**2012**	2011	**2012**	2011
Interest income:				
Interest and fees on loans	**$ 163,813**	$ 162,340	**$ 486,507**	$ 486,771
Interest on investment securities	**24,136**	30,007	**76,413**	90,449
Interest on loans held-for-sale	**3,808**	5,126	**11,174**	12,050
Interest on trading securities	**8,392**	10,765	**27,450**	32,834
Interest on other earning assets	**367**	122	**1,210**	618
Total interest income	**200,516**	208,360	**602,754**	622,722
Interest expense:				
Interest on deposits:				
Savings	**4,764**	6,773	**15,127**	21,042
Time deposits	**5,169**	7,096	**16,626**	22,911
Other interest-bearing deposits	**1,455**	1,650	**4,628**	4,841
Certificates of deposit $100,000 and more	**1,975**	2,328	**6,586**	7,650
Interest on trading liabilities	**2,556**	3,703	**7,914**	11,595
Interest on short-term borrowings	**1,443**	1,389	**3,958**	4,397
Interest on term borrowings	**9,689**	9,081	**29,846**	28,331
Total interest expense	**27,051**	32,020	**84,685**	100,767
Net interest income	**173,465**	176,340	**518,069**	521,955
Provision for loan losses	**40,000**	32,000	**63,000**	34,000
Net interest income after provision for loan losses	**133,465**	144,340	**455,069**	487,955
Noninterest income:				
Capital markets	**80,773**	99,557	**262,429**	267,535
Deposit transactions and cash management	**30,352**	35,701	**89,216**	102,706
Mortgage banking	**10,373**	12,751	**43,603**	72,578
Brokerage management fees and commissions	**8,699**	9,576	**25,954**	25,393
Trust services and investment management	**6,055**	6,086	**18,340**	19,130
Insurance commissions	**946**	739	**2,344**	2,192
Debt securities gains/(losses), net			**328**	772
Equity securities gains/(losses), net		35,162	**5,065**	35,189
Gain on divestiture			**200**	
All other income and commissions (Note 7)	**26,340**	21,315	**77,407**	79,321
Total noninterest income	**163,538**	220,887	**524,886**	604,816
Adjusted gross income after provision for loan losses	**297,003**	365,227	**979,955**	1,092,771
Noninterest expense:				
Employee compensation, incentives, and benefits	**153,970**	153,540	**479,044**	461,212
Repurchase and foreclosure provision		52,791	**299,256**	114,557
Occupancy	**13,059**	13,523	**36,664**	41,445
Legal and professional fees	**12,295**	18,132	**26,779**	56,935
Computer software	**10,260**	8,689	**29,685**	25,149

Contract employment and outsourcing	**10,187**	14,352	**32,146**	29,382
Operations services	**8,702**	11,978	**27,306**	39,746
Equipment rentals, depreciation, and maintenance	**7,931**	8,795	**23,336**	25,166
FDIC premium expense	**7,532**	5,904	**20,669**	22,798
Communications and courier	**4,722**	4,428	**13,705**	14,716
Foreclosed real estate	**2,968**	4,691	**9,046**	17,283
Amortization of intangible assets	**979**	1,004	**2,931**	3,016
Miscellaneous loan costs	**577**	959	**3,202**	3,310
All other expense (Note 7)	**29,987**	23,922	**108,571**	126,245
Total noninterest expense	**263,169**	322,708	**1,112,340**	980,960
Income/(loss)before income taxes	**33,834**	42,519	**(132,385)**	111,811
Provision/(benefit) for income taxes	**5,260**	8,367	**(72,348)**	16,362
Income/(loss) from continuing operations	**28,574**	34,152	**(60,037)**	95,449
Income/(loss) from discontinued operations, net of tax (a)	**108**	4,828	**160**	9,369
Net income/(loss)	**$ 28,682**	$ 38,980	**$ (59,877)**	$ 104,818
Net income attributable to noncontrolling interest	**2,875**	2,875	**8,563**	8,563
Net income/(loss) available to common shareholders	**$ 25,807**	$ 36,105	**$ (68,440)**	$ 96,255
Basic earnings/(loss) per share from continuing operations (Note 8)	**$ 0.10**	$ 0.12	**$ (0.27)**	$ 0.33
Diluted earnings/(loss) per share from continuing operations (Note 8)	**$ 0.10**	$ 0.12	**$ (0.27)**	$ 0.33
Basic earnings/(loss) per share available to common shareholders (Note 8)	**$ 0.10**	$ 0.14	**$ (0.27)**	$ 0.37
Diluted earnings/(loss) per share available to common shareholders (Note 8)	**$ 0.10**	$ 0.14	**$ (0.27)**	$ 0.37
Weighted average common shares (Note 8)	**246,628**	261,284	**249,742**	261,250
Diluted average common shares (Note 8)	**248,306**	262,803	**249,742**	263,697

See accompanying notes to consolidated condensed financial statements.

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

(a) Due to the nature of the subsidiary preferred stock issued by First Horizon Preferred Funding, LLC, First Horizon Preferred Funding II, LLC, and FTBNA, all components of Income/(loss) from discontinued operations, net of tax have been attributed solely to FHN as the controlling interest holder.

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CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	First Horizon National Corporation			
	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in thousands)(Unaudited)	**2012**	2011	**2012**	2011
Net income/(loss)	**$ 28,682**	$ 38,980	**$ (59,877)**	$ 104,818
Other comprehensive income/(loss), net of tax:				
Unrealized fair value adjustments:				
Securities available for sale	**243**	21,290	**(3,147)**	33,992
Recognized pension and other employee benefit plans net periodic benefit costs	**5,655**	3,665	**16,619**	10,001
Other comprehensive income/(loss)	**5,898**	24,955	**13,472**	43,993
Comprehensive income/(loss)	**34,580**	63,935	**(46,405)**	148,811
Comprehensive income attributable to noncontrolling interest	**2,875**	2,875	**8,563**	8,563
Comprehensive income/(loss) attributable to controlling interest	**$ 31,705**	$ 61,060	**$ (54,968)**	$ 140,248

See accompanying notes to consolidated condensed financial statements.

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CONSOLIDATED CONDENSED STATEMENTS OF EQUITY

	First Horizon National Corporation					
	2012			2011		
(Dollars in thousands except per share data)(Unaudited)	Controlling Interest	Noncontrolling Interest	Total	Controlling Interest	Noncontrolling Interest	Total
Balance, January 1	**$ 2,389,472**	**$ 295,165**	**$ 2,684,637**	$ 2,382,840	$ 295,165	$ 2,678,005
Net income/(loss)	**(68,440)**	**8,563**	**(59,877)**	96,255	8,563	104,818
Other comprehensive income/(loss) (a)	**13,472**		**13,472**	43,993		43,993
Comprehensive income/(loss)	**(54,968)**	**8,563**	**(46,405)**	140,248	8,563	148,811
Common stock warrant repurchased - CPP				(79,700)		(79,700)
Common stock repurchased (b)	**(98,902)**		**(98,902)**	(920)		(920)
Cash dividends declared ($.01/share)	**(7,464)**		**(7,464)**	(7,770)		(7,770)
Common stock issued for:						
Stock options and restricted stock - equity awards	**133**		**133**			
Stock-based compensation expense	**12,398**		**12,398**	9,514		9,514
Dividends declared - noncontrolling interest of subsidiary preferred stock		**(8,563)**	**(8,563)**		(8,563)	(8,563)
Tax benefit reversals - stock-based compensation plans	**(3,946)**		**(3,946)**	(928)		(928)
Other changes in equity				4,781		4,781
Balance, September 30	**$ 2,236,723**	**$ 295,165**	**$ 2,531,888**	$ 2,448,065	$ 295,165	$ 2,743,230

See accompanying notes to consolidated condensed financial statements.

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

(a) Due to the nature of the subsidiary preferred stock issued by First Horizon Preferred Funding, LLC, First Horizon Preferred Funding II, LLC, and FTBNA, all components of Other comprehensive income/(loss) have been attributed solely to FHN as the controlling interest holder.

(b) 2012 includes $96.4 million repurchased under the share repurchase program launched in fourth quarter 2011.

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CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	First Horizon National Corporation	
	Nine Months Ended September 30	
(Dollars in thousands) (Unaudited)	**2012**	2011
Operating Activities		
Net income/(loss)	**$ (59,877)**	$ 104,818
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:		
Provision for loan losses	**63,000**	34,000
Provision/(benefit) for deferred income tax	**(83,807)**	21,953
Depreciation and amortization of premises and equipment	**26,320**	26,042
Amortization of intangible assets	**2,931**	3,380
Net other amortization and accretion	**59,161**	36,333
Net (increase)/decrease in derivatives	**(11,635)**	9,098
Market value adjustment on mortgage servicing rights	**4,541**	38,157
Repurchase and foreclosure provision	**299,256**	114,557
Fair value adjustment to foreclosed real estate	**7,873**	14,001
Goodwill impairment		10,100
Loss accruals from litigation and regulatory matters	**29,013**	40,585
(Gains)/losses on divestitures (a)	**(485)**	(10,177)
Stock-based compensation expense	**12,398**	9,514
Tax benefit reversals stock-based compensation plans	**3,946**	928
Equity securities (gains)/losses, net	**(5,065)**	(35,189)
Debt securities gains, net	**(328)**	(772)
Gains on extinguishment of debt		(5,761)
Net (gain)/losses on sale/disposal of fixed assets	**(2,432)**	10
Net (increase)/decrease in:		
Trading securities	**(223,064)**	(463,652)
Loans held-for-sale	**3,347**	(10,858)
Capital markets receivables	**(626,203)**	(375,107)
Interest receivable	**(6,256)**	(6,717)
Other assets	**211,679**	(13,677)
Net increase/(decrease) in:		
Capital markets payables	**409,493**	443,658
Interest payable	**12,684**	6,693
Other liabilities	**(183,736)**	(137,157)
Trading liabilities	**169,685**	109,200
Total adjustments	**172,316**	(140,858)
Net cash provided/(used) by operating activities	**112,439**	(36,040)
Investing Activities		
Available-for-sale securities:		
Sales	**47,493**	493,591
Maturities	**758,573**	558,462
Purchases	**(870,973)**	(1,261,130)
Premises and equipment:		
Purchases	**(14,826)**	(30,669)
Sales	**6,845**	
Net (increase)/decrease in:		
Loans	**(291,042)**	306,204
Interests retained from securitizations classified as trading securities	**6,915**	6,205
Interest-bearing cash	**11,940**	159,202
Cash receipts related to divestitures	**5,278**	24,594

Net cash provided/(used) by investing activities	**(339,797)**	256,459
Financing Activities		
Common stock:		
Cash dividends paid	**(7,604)**	(5,333)
Repurchase of shares (b)	**(98,902)**	(920)
Repurchase of common stock warrant - CPP		(79,700)
Tax benefit reversals stock-based compensation plans	**(3,946)**	(928)
Stock option exercised	**133**	
Cash dividends paid - preferred stock - noncontrolling interest	**(8,531)**	(8,500)
Term borrowings:		
Payments/maturities	**(208,637)**	(662,646)
Increases in restricted term borrowings	**5,622**	9,797
Net cash paid for extinguishment of debt		(100,000)
Net increase/(decrease) in:		
Deposits	**15,102**	490,024
Short-term borrowings	**591,532**	428,308
Net cash provided/(used) by financing activities	**284,769**	70,102
Net increase/(decrease) in cash and cash equivalents	**57,411**	290,521
Cash and cash equivalents at beginning of period	**828,255**	768,774
Cash and cash equivalents at end of period	**$ 885,666**	$ 1,059,295
Supplemental Disclosures		
Total interest paid	**$ 71,535**	$ 93,605
Total taxes paid	**34,560**	14,543
Total taxes refunded	**168,391**	81,235
Transfer from loans to other real estate owned	**25,986**	50,063

See accompanying notes to consolidated condensed financial statements.

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

(a) Net of tax, gains on divestitures are $9.9 million for 2011.
(b) 2012 includes $96.4 million repurchased under the share repurchase program launched in fourth quarter 2011.

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Notes to the Consolidated Financial Statements

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 filing. The operating results for the interim 2012 periods are not necessarily indicative of the results that may be expected going forward. For further information, refer to the audited consolidated financial statements in the 2011 Annual Report to shareholders.

Summary of Accounting Changes. Effective January 1, 2012, the FASB issued Accounting Standards Update 2011-08, Testing Goodwill for Impairment (ASU 2011-08). ASU 2011-08 provides that an entity may first perform a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill, when determining whether it is necessary to perform the current two-step goodwill impairment test discussed in FASB Accounting Standards Codification 350, Intangibles - Goodwill and Other (ASC 350). Thus, if an entity concludes from its qualitative assessment that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, it must perform the two-step test. ASU 2011-08 provides examples of events and circumstances that should be considered in an evaluation of whether it is more likely than not that the fair value of an entity s reporting unit is less than its carrying amount. The new qualitative indicators replace the guidance previously provided in ASC 350 which is used to determine whether an interim goodwill impairment test is required, and is applicable for assessing whether to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. Under the provisions of ASU 2011-08, entities will be allowed, on the basis of their discretion, to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test, and will be able to resume performing the qualitative assessment in any subsequent period. ASU 2011-08 removes the current alternative in ASC 350 which allows for the carryforward of the detailed calculation of the fair value of a reporting unit from one year to the next if certain conditions are met. The provisions of ASU 2011-08 are effective for fiscal years beginning after December 15, 2011, with early adoption permitted. The adoption of the provisions of ASU 2011-08 had no effect on FHN s statement of condition, results of operations, or cash flows.

Effective January 1, 2012, the FASB issued Accounting Standards Update 2011-05, Presentation of Comprehensive Income (ASU 2011-05). ASU 2011-05 requires that net income and other comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 also provides that regardless of the method used to present comprehensive income, presentation is required on the face of the financial statements of reclassification adjustments for items that are reclassified from other comprehensive income to net income. ASU 2011-05 does not change the current option for entities to present components of other comprehensive income gross or net of the effect of income taxes, provided that such tax effects are presented in the statement in which other comprehensive income is presented or disclosed in the notes to the financial statements. The provisions of ASU 2011-05 are effective for periods beginning after December 15, 2011, with retrospective application to all periods presented in the financial statements required. No transition disclosures are required upon adoption. For interim reporting periods, filers are only required to present total comprehensive income in a single continuous statement or in two consecutive statements. On December 23, 2011, the FASB issued ASU 2011-12, which indefinitely defers the provisions of ASU 2011-05 that require entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented (for both interim and annual financial statements). Upon adoption of the provisions of ASU 2011-05 and ASU 2011-12 on January 1, 2012, FHN revised its financial statements and disclosures accordingly.

Effective January 1, 2012, the FASB issued Accounting Standards Update 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). ASU 2011-04 provides that the highest-and-best use and valuation-premise concepts included in ASC 820 are only relevant when measuring the fair value of nonfinancial assets, thereby prohibiting the grouping of financial instruments for purposes of determining their fair values when the unit of account is specified in other guidance. However, under ASU 2011-04 an exception is permitted which allows an entity to measure the fair value of financial instruments that are managed on the basis of the entity s net exposure to a particular market risk, or to the credit risk of a particular counterparty, on a net basis when certain criteria are met. Such criteria include that there is evidence that the entity manages its financial instruments in that way, the entity applies such accounting policy election consistently from period to period, and the entity is required or has elected to measure those financial assets and financial liabilities at fair value in the statement of financial position at the end of each reporting period. Additionally, to qualify for the exception to the valuation premise, market risks that are being offset must be substantially the same. ASU 2011-04 also extends ASC 820 s prohibition on the use of blockage factors in fair value measurements to all three levels of the fair value hierarchy except for fair value measurements of Level 2 and 3 measurements when market participants would incorporate the premium or discount into the measurement at the level of the unit of account specified in other guidance. ASU 2011-04 also provides that an entity should measure the fair value of its own equity instruments from the perspective of a market participant that holds the instruments as assets. Under ASC 820, as amended, expanded

Note 1 - Financial Information (Continued)

disclosures are required including disclosure of quantitative information about significant unobservable inputs used in Level 3 fair value measurements, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of recurring Level 3 measurements. Additional disclosures required under ASU 2011-04 include disclosure of fair value by level for each class of assets and liabilities not recorded at fair value but for which fair value is disclosed, and disclosure of any transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. The provisions of ASU 2011-04 are effective for periods beginning after December 15, 2011, with disclosure of the change, if any, in valuation technique and related inputs resulting from application of the amendments to ASC 820 required upon adoption, along with quantification of the total effect of the change, if practicable. Upon adoption of the provisions of ASU 2011-04, FHN revised its disclosures accordingly. Adoption of ASU 2011-04 had no effect on FHN s statement of condition, results of operations, or cash flows.

Effective January 1, 2012, the FASB issued Accounting Standards Update 2011-03, Reconsideration of Effective Control for Repurchase Agreements (ASU 2011-03). For entities that enter into agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity, ASU 2011-03 removes from the assessment of effective control under ASC 860, Transfers and Servicing , the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, as well as the collateral maintenance implementation guidance related to that criterion. Under ASC 860-10, as amended, the remaining criteria related to whether effective control over transferred financial assets has been maintained would still need to be evaluated, including whether the financial assets to be repurchased or redeemed are the same or substantially the same as those transferred, the agreement is to repurchase or redeem them before maturity at a fixed or determinable price, and whether the agreement is entered into contemporaneously with, or in contemplation of, the transfer. The provisions of ASU 2011-03 are effective for periods beginning after December 15, 2011, with prospective application to transactions or modifications of existing transactions that occur on or after the effective date. Since FHN accounts for all of its repurchase agreements as secured borrowings, adopting the provisions of ASU 2011-03 did not have an effect on FHN s statement of condition, results of operations, or cash flows.

Accounting Changes Issued but Not Currently Effective. In December 2011, the FASB issued Accounting Standards Update 2011-11, Balance Sheet: Disclosures about Offsetting Assets and Liabilities (ASU 2011-11). ASU 2011-11 creates new disclosure requirements about the nature of an entity s rights of setoff and related arrangements associated with its financial instruments and derivative instruments. ASU 2011-11 requires entities to disclose both gross and net information about both instruments/transactions eligible for offset in the balance sheet and instruments/transactions subject to an agreement similar to a master netting arrangement. The scope of ASU 2011-11 includes derivatives, sale and repurchase agreements/reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The provisions of ASU 2011-11 are effective for periods beginning after January 1, 2013, with retrospective application to all periods presented in the financial statements required. FHN is currently assessing the effects of adopting the provisions of ASU 2011-11.

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Note 2 - Acquisitions and Divestitures

In 2011, FHN sold First Horizon Insurance, Inc. (FHI), the former subsidiary of First Tennessee Bank, a property and casualty insurance agency that served customers in over 40 states, Highland Capital Management Corporation (Highland), the former subsidiary of First Horizon National Corporation which provided asset management services, and First Horizon Msaver, Inc. (Msaver), the former subsidiary of First Tennessee Bank which provided administrative services for health savings accounts. FHN recognized $4.2 million combined after-tax gains on the sales of FHI and Highland and a $5.7 million after-tax gain related to the sale of Msaver. Additionally, in connection with the agreement to sell FHI, FHN incurred a pre-tax goodwill impairment of $10.1 million which was more than offset by $11.1 million of tax benefits recognized in first quarter 2011 related to the sale. The sales of FHI and Highland closed in second quarter 2011 and the sale of Msaver closed in third quarter 2011. The financial results of these businesses, the goodwill impairment, the gains on sales, and associated tax effects are reflected in the Income/(loss) from discontinued operations, net of tax line on the Consolidated Condensed Statements of Income for all periods presented.

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

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Note 3 - Investment Securities

The following tables summarize FHN s available for sale (AFS) securities on September 30, 2012 and 2011:

	September 30, 2012			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
U.S. treasuries	$ 54,995	$ 1	$	$ 54,996
Government agency issued mortgage-backed securities (MBS)	1,191,811	79,639		1,271,450
Government agency issued collateralized mortgage obligations (CMO)	1,530,075	25,562	(896)	1,554,741
Other U.S. government agencies	3,911	291		4,202
States and municipalities	17,970			17,970
Equity (a)	219,737	16		219,753
Other	510	7		517
Total securities available for sale (b)	**$ 3,019,009**	**$ 105,516**	**$ (896)**	**$ 3,123,629**

(a) Includes restricted investments in FHLB-Cincinnati stock of $125.5 million and FRB stock of $66.0 million. The remainder is money market, venture capital, and cost method investments.

(b) Includes $2.8 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes. Of this amount, $.6 billion was pledged as collateral for securities sold under repurchase agreements.

	September 30, 2011			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
U.S. treasuries	$ 40,054	$ 135	$	$ 40,189
Government agency issued MBS	1,433,636	81,324		1,514,960
Government agency issued CMO	1,462,668	47,507		1,510,175
Other U.S. government agencies	17,033	898		17,931
States and municipalities	19,365			19,365
Equity (a)	224,698			224,698
Other	511	17		528
Total securities available for sale (b)	$ 3,197,965	$ 129,881	$	$ 3,327,846

(a) Includes restricted investments in FHLB-Cincinnati stock of $125.5 million and FRB stock of $66.1 million. The remainder is money market, venture capital, and cost method investments.

(b) Includes $3.0 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes. Of this amount, $1.1 billion was pledged as collateral for securities sold under repurchase agreements.

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

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Note 3 - Investment Securities (Continued)

The amortized cost and fair value by contractual maturity for the available for sale securities portfolio on September 30, 2012 are provided below:

	Available for Sale	
(Dollars in thousands)	Amortized Cost	Fair Value
Within 1 year	$ 54,995	$ 54,996
After 1 year; within 5 years	5,411	5,702
After 5 years; within 10 years		
After 10 years	16,470	16,470
Subtotal	76,876	77,168
Government agency issued MBS and CMO	2,721,886	2,826,191
Equity and other securities	220,247	220,270
Total	**$ 3,019,009**	**$ 3,123,629**

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 realized gains and gross realized losses from investment securities for the three and nine months ended September 30:

	Three Months Ended		Nine Months Ended	
(Dollars in thousands)	**2012**	2011	**2012**	2011
Gross gains on sales of securities (a)	**$**	$ 35,162	**$ 5,433**	$ 44,584
Gross (losses) on sales of securities				(8,623)
Net gain/(loss) on sales of securities(b)	**$**	$ 35,162	**$ 5,433**	$ 35,961
Net other than temporary impairment (OTTI) recorded			**(40)**	
Total securities gain/(loss), net	**$**	$ 35,162	**$ 5,393**	$ 35,961

(a) Three and nine months ended September 30, 2011 include gain of $35.1 million related to sale of Visa Class B shares.
(b) There were no proceeds from sales for the three months ended September 30, 2012. Proceeds from sales for the three months ended September 30, 2011 were $35.2 million, and were $47.5 million and $493.6 million for the nine months ended September 30, 2012 and 2011, respectively.

There were no unrealized losses within the available for sale portfolio on September 30, 2011. The following table provides information on investments within the available for sale portfolio that had unrealized losses on September 30, 2012:

	On September 30, 2012					
	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	$ 205,205	$ (896)	$	$	$ 205,205	$ (896)
Total temporarily impaired securities	**$ 205,205**	**$ (896)**	**$**	**$**	**$ 205,205**	**$ (896)**

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 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.

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Note 4 - Loans

The following table provides the balance of loans by portfolio segment as of September 30, 2012 and 2011, and December 31, 2011:

	September 30		December 31
(Dollars in thousands)	**2012**	2011	2011
Commercial:			
Commercial, financial, and industrial	**$ 8,466,450**	$ 7,705,749	$ 8,014,927
Commercial real estate			
Income CRE	**1,160,866**	1,286,683	1,257,497
Residential CRE	**68,989**	141,657	120,913
Retail:			
Consumer real estate	**5,318,898**	5,305,005	5,291,364
Permanent mortgage	**791,271**	838,020	787,597
Credit card & other	**286,063**	298,544	284,051
Restricted real estate loans and secured borrowings (a)	**431,246**	665,744	640,778
Loans, net of unearned income	**$ 16,523,783**	$ 16,241,402	$ 16,397,127
Allowance for loan losses	**281,744**	449,645	384,351
Total net loans	**$ 16,242,039**	$ 15,791,757	$ 16,012,776

(a) Balances as of September 30, 2012 and 2011, and December 31, 2011, include $417.0 million, $623.3 million, and $600.2 million of consumer real estate loans and $14.2 million, $42.4 million, and $40.6 million of permanent mortgage loans, respectively.

Components of the Loan Portfolio

For purposes of this disclosure, the loan portfolio was disaggregated into segments and then further disaggregated into classes for certain disclosures. A portfolio segment is defined 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 an entity 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, and the trust preferred loans (TRUPs)(i.e., loans to bank and insurance-related businesses) portfolio. Loans to mortgage companies includes commercial lines of credit to qualified mortgage companies exclusively 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 commercial real estate include income CRE and residential CRE. Retail loan portfolio segments include consumer real estate, permanent mortgage, and the credit card and other portfolio. Retail classes include home equity lines of credit (HELOC) and real estate (R/E) installment loans within the consumer real estate segment, permanent mortgage (which is both a segment and a class), and credit card and other. Restricted real estate loans and secured borrowings include residential real estate loans in both consolidated and nonconsolidated variable interest entities. Restricted real estate loans relate to consolidated securitization trusts and are discussed in Note 13 - Variable Interest Entities. Other real estate loans secure borrowings related to nonconsolidated VIEs and remain on FHN s balance sheet as the securitizations do not qualify for sale treatment.

Concentrations

FHN has a concentration of loans secured by residential real estate (40 percent of total loans), the majority of which is in the consumer real estate portfolio (32 percent of total loans). FHN had loans to mortgage companies totaling $1.6 billion (19 percent of the C&I portfolio, or 10 percent of total loans) as of September 30, 2012. Additionally, FHN had a sizeable portfolio of bank-related loans (including TRUPs) totaling $.6 billion (7 percent of the C&I portfolio, or 4 percent of total loans).

Impact of 2012 Regulatory Guidance

In third quarter 2012, the consumer portfolios, primarily consumer real estate, were affected by recently issued regulatory guidance related to secured loans discharged in bankruptcy (discharged bankruptcies), when the loan has not been reaffirmed by the borrower. As a result of this guidance, loans were charged down to their estimated collateral value less disposition costs (net realizable value) and the remaining balances were reported as nonperforming loans (NPLs) and troubled debt restructurings (TDRs). This guidance applies regardless of the payment status of the loans. As of September 30, 2012, 80 percent of these loans that were placed on nonperforming were current. With the implementation of this guidance, provision expense increased by approximately $30 million and net charge-offs increased by $40.0 million in third quarter 2012. The increase in consumer NPLs and TDRs is also associated with implementation of the recently issued regulatory guidance. The incremental impacts to nonperforming loan and TDR levels cannot be directly linked as certain of the discharged bankruptcies in which charge-offs were recognized were either already reported as nonaccrual loans or TDRs, neither, or both in prior periods for other reasons.

The regulatory guidance issued in first quarter 2012, related to performing second liens that were behind first liens with performance issues. These second liens were placed on nonaccrual status if the associated first lien was either 90 days or more delinquent, in foreclosure, or modified as a TDR.

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Note 4 - Loans (Continued)

Loan Sales

In third quarter 2011, FHN executed bulk sales of certain consumer and commercial loans, a significant majority of which were nonperforming. The largest transaction was a sale of permanent mortgages with an unpaid principal balance of approximately $188 million, or $126 million after consideration of partial charge-offs and lower of cost or market (LOCOM) adjustments previously taken on the loans. FHN recognized a loss on sale of $29.8 million which is recognized within the loan loss provision and $40.2 million of net charge-offs associated with this sale. FHN also sold nonperforming commercial loans with unpaid principal balance of approximately $32 million and $23 million after consideration of amounts already charged off. FHN recognized a loss which is reflected in the loan loss provision of $6.0 million and $7.3 million of net charge-offs related to this commercial loan bulk sale.

Allowance for Loan Losses

The allowance for loan losses (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 retail loans, both determined in accordance with the ASC Topic related to Contingencies (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 slow economic recovery, weak housing market, elevated unemployment levels, and both positive and negative portfolio segment-specific trends, are examples of additional factors considered by management in determining the allowance for loan losses. Also included are reserves, determined in accordance with the Receivables Topic (ASC 310-10-35), for loans determined by management to be individually impaired.

Commercial

For commercial loans, reserves are established using historical net loss factors by grade level, loan product, and business segment. An assessment of the quality of individual commercial loans is made utilizing credit grades assigned internally based on a dual grading system which estimates both the probability of default (PD) and loss severity in the event of default. PD grades range from 1-16 while estimated loss severities, or loss given default (LGD) grades, range from 1-12. 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. The appropriate relationship team performs the process of categorizing commercial loans into the appropriate credit grades, initially as a component of the approval of the loan, and subsequently throughout the life of the loan as part of the servicing regimen. The proper loan grade for larger exposures is confirmed by a senior credit officer in the approval process. To determine the most appropriate credit grade for each loan, the credit risk grading system employs scorecards for particular categories of loans that consist of a number of objective and subjective measures that are weighted in a manner that produces a rank ordering of risk within pass-graded credits. Loan grading discipline is regularly reviewed by Credit Risk Assurance 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. Where guarantor contributions are determined to be a source of repayment, an assessment of the guarantee is made. This guarantee assessment would include but not be limited to factors such as type and feature of the guarantee, consideration for the guarantee, key provisions of the guarantee agreement, and ability of the guarantor to be a viable secondary source of repayment. Reliance on the guarantee as a viable secondary source of repayment is a function of an analysis proving capability to pay, factoring in, among other things, liquidity and direct/indirect debt cash flows. Therefore, a proper evaluation of each guarantor is critical. FHN establishes a guarantor s ability (financial wherewithal) to support a credit based on an analysis of recent information on the guarantor s financial condition. This would generally include income and asset information from sources such as recent tax returns, credit reports, and personal financial statements. In analyzing this information FHN seeks to assess a combination of liquidity, global cash flow, cash burn rate, and contingent liabilities to demonstrate the guarantor s capacity to sustain support for the credit and fulfill the obligation. FHN also considers the volume and amount of guarantees provided for all global indebtedness and the likelihood of realization. Guarantor financial information is periodically updated throughout the life of the loan. FHN presumes a guarantor s willingness to perform until financial support becomes necessary or if there is any current or prior indication or future expectation that the guarantor may not willingly and voluntarily perform under the terms of the guarantee. In FHN s risk grading approach, it is deemed that financial support becomes necessary generally at a point when the loan would otherwise be graded substandard, reflecting a well-defined weakness. At that point, provided willingness and capacity to support are appropriately demonstrated, a strong, legally enforceable guarantee can mitigate the risk of default or loss, justify a less severe rating, and consequently reduce the level of allowance or charge-off that might otherwise be deemed appropriate. FHN establishes guarantor willingness to support the credit through documented evidence of previous and ongoing support of the credit. Previous performance under a guarantor s obligation to pay is not considered if the performance was involuntary.

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Note 4 - Loans (Continued)

Retail

The ALLL for smaller-balance homogenous retail loans is determined based on pools of similar loan types that have similar credit risk characteristics. FHN manages retail loan credit risk on a class basis. Reserves by portfolio are determined using segmented roll-rate models that incorporate various factors including historical delinquency trends, experienced loss frequencies, and experienced loss severities. Generally, reserves for retail loans reflect inherent losses in the portfolio that are expected to be recognized over the following twelve months.

Individually Impaired

Generally, classified nonaccrual commercial loans over $1 million and all commercial and consumer loans classified TDRs are deemed to be impaired and are individually assessed for impairment measurement in accordance with ASC 310-10-35. For all commercial portfolio segments, commercial TDRs and other individually impaired commercial loans are measured based on the present value of expected future payments discounted at the loan s effective interest rate (the DCF method), observable market prices, or for loans that are solely dependent on the collateral for repayment, the estimated fair value of the collateral less estimated costs to sell (net realizable value). For loans measured using the DCF method or by observable market prices, if the recorded investment in the impaired loan exceeds this amount, a specific allowance is established as a component of the ALLL until such time as a loss is expected and recognized; however, for impaired collateral-dependent loans, FHN will charge off the full difference between the book value and the best estimate of net realizable value. Except for loans discharged through bankruptcy discussed below, beginning in first quarter 2012, the allowance for TDRs in all consumer portfolio segments was determined by estimating the expected future cash flows using the modified interest rate (if an interest rate concession), incorporating payoff and net charge-off rates specific to the TDRs within the portfolio segment being assessed, and discounted using the pre-modification interest rate. Generally, the discount rates of variable rate TDRs are adjusted to reflect changes in the interest rate index in which the rates are tied. The discounted cash flows are then compared to the outstanding principal balance in order to determine required reserves. For residential real estate loans discharged through bankruptcy that are classified as TDR s, impairment is measured based on estimated collateral value less costs to sell.

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Note 4 - Loans (Continued)

The following table provides a rollforward of the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2012 and 2011:

(Dollars in thousands)	**C&I**	**Commercial Real Estate**	**Consumer Real Estate**	**Permanent Mortgage**	**Credit Card and Other**	**Total**
Balance as of July 1, 2011	$ 206,278	$ 99,467	$ 162,655	$ 46,602	$ 9,089	$ 524,091
Charge-offs (a)	(17,348)	(10,702)	(39,122)	(48,556)	(4,927)	(120,655)
Recoveries	4,716	2,673	4,052	1,728	1,040	14,209
Provision	(11,356)	(26,287)	34,485	31,888	3,270	32,000
Balance as of September 30, 2011 (b) (c)	182,290	65,151	162,070	31,662	8,472	449,645
Balance as of January 1, 2011	239,469	155,085	192,350	65,009	12,886	664,799
Charge-offs (a)	(42,200)	(34,413)	(130,886)	(69,340)	(14,511)	(291,350)
Recoveries	13,553	7,739	12,488	5,262	3,154	42,196
Provision	(28,532)	(63,260)	88,118	30,731	6,943	34,000
Balance as of September 30, 2011 (b) (c)	182,290	65,151	162,070	31,662	8,472	449,645
Allowance - individually evaluated for impairment	46,500	7,998	40,509	5,692	842	101,541
Allowance - collectively evaluated for impairment	135,790	57,153	121,561	25,970	7,630	348,104
Loans, net of unearned as of September 30, 2011:						
Individually evaluated for impairment	203,652	130,543	112,124	47,910	1,138	495,367
Collectively evaluated for impairment	7,502,097	1,297,797	5,816,186	832,549	297,406	15,746,035
Total loans, net of unearned (b) (c)	7,705,749	1,428,340	5,928,310	880,459	298,544	16,241,402
Balance as of July 1, 2012	**110,645**	**41,546**	**133,421**	**29,112**	**6,327**	**321,051**
Charge-offs (d)	**(7,077)**	**(4,446)**	**(69,351)**	**(2,889)**	**(3,259)**	**(87,022)**
Recoveries	**1,892**	**1,240**	**2,941**	**734**	**908**	**7,715**
Provision (e)	**1,081**	**(10,991)**	**48,938**	**(1,400)**	**2,372**	**40,000**
Balance as of September 30, 2012 (b) (c)	**106,541**	**27,349**	**115,949**	**25,557**	**6,348**	**281,744**
Balance as of January 1, 2012	**130,413**	**55,586**	**165,077**	**26,194**	**7,081**	**384,351**
Charge-offs (d)	**(23,310)**	**(18,070)**	**(132,618)**	**(10,597)**	**(9,238)**	**(193,833)**
Recoveries	**8,568**	**2,779**	**12,255**	**1,905**	**2,719**	**28,226**
Provision (e)	**(9,130)**	**(12,946)**	**71,235**	**8,055**	**5,786**	**63,000**
Balance as of September 30, 2012 (b) (c)	**106,541**	**27,349**	**115,949**	**25,557**	**6,348**	**281,744**
Allowance - individually evaluated for impairment	**28,672**	**183**	**31,629**	**20,988**	**237**	**81,709**
Allowance - collectively evaluated for impairment	**77,869**	**27,166**	**84,320**	**4,569**	**6,111**	**200,035**
Loans, net of unearned as of September 30, 2012:						
Individually evaluated for impairment	**153,480**	**66,357**	**145,481**	**129,101**	**913**	**495,332**

Collectively evaluated for impairment	**8,312,970**	**1,163,498**	**5,590,423**	**676,410**	**285,150**	**16,028,451**
Total loans, net of unearned (b) (c)	**$ 8,466,450**	**$ 1,229,855**	**$ 5,735,904**	**$ 805,511**	**$ 286,063**	**$ 16,523,783**

(a) Third quarter 2011 includes $40.2 million of charge-offs associated with loan sales.

(b) Balances as of September 30, 2012 and 2011 include $14.7 million and $26.9 million of reserves, respectively, and $417.0 million and $623.3 million of balances in restricted consumer real estate loans and secured borrowings, respectively.

(c) Balances as of September 30, 2012 and 2011 include $.6 million and $5.5 million of reserves, respectively, and $14.2 million and $42.4 million of balances in restricted permanent mortgage loans and secured borrowings, respectively.

(d) Third quarter 2012 includes approximately $40 million of charge-off associated with implementation of recently issued regulatory guidance.

(e) Third quarter 2012 includes approximately $30 million of loan loss provision associated with implementation of recently issued regulatory guidance.

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Note 4 - Loans (Continued)

Impaired Loans

The following tables provide information by class related to individually impaired loans and consumer TDR s. Recorded investment is defined as the amount of the investment in a loan, before valuation allowance but which does reflect any direct write-down of the investment. For purposes of this disclosure, LOCOM has been excluded.

	September 30, 2012			Three Months Ended September 30, 2012		Nine Months Ended September 30, 2012	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance recorded:							
Commercial:							
General C&I	$ 59,215	$ 75,587	$	$ 60,669	$ 142	$ 67,098	$ 549
TRUPs	45,892	45,892		46,446		46,446	
Income CRE	44,956	69,684		48,166	96	56,305	249
Residential CRE	19,993	36,108		21,167	70	22,142	204
Total	$ 170,056	$ 227,271	$	$ 176,448	$ 308	$ 191,991	$ 1,002
Retail:							
HELOC (a)	$ 13,086	$ 36,927	$	$ 142	$	$ 48	$
R/E installment loans (a)	8,696	22,750		95		32	
Permanent mortgage (a)	13,282	17,040		144		48	
Total	$ 35,064	$ 76,717	$	$ 381	$	$ 128	$
Impaired loans with related allowance recorded:							
Commercial:							
General C&I	$ 20,580	$ 22,374	$ 7,351	$ 19,764	$ 33	$ 17,512	$ 100
TRUPs	33,700	33,700	21,321	33,700		33,700	
Income CRE	1,408	1,408	183	1,469	14	1,815	43
Residential CRE				8,700		10,577	
Total	$ 55,688	$ 57,482	$ 28,855	$ 63,633	$ 47	$ 63,604	$ 143
Retail:							
HELOC	$ 57,020	$ 57,020	$ 12,980	$ 57,097	$ 389	$ 53,469	$ 1,173
R/E installment loans	66,679	66,679	18,649	67,272	294	68,444	835
Permanent mortgage	115,819	115,819	20,988	117,679	714	94,442	2,104
Credit card & other	913	913	237	923	2	1,015	23
Total	$ 240,431	$ 240,431	$ 52,854	$ 242,971	$ 1,399	$ 217,370	$ 4,135
Total commercial	$ 225,744	$ 284,753	$ 28,855	$ 240,081	$ 355	$ 255,595	$ 1,145
Total retail	$ 275,495	$ 317,148	$ 52,854	$ 243,352	$ 1,399	$ 217,498	$ 4,135

Total impaired loans	$ 501,239	$ 601,901	$ 81,709	$ 483,433	$ 1,754	$ 473,093	$ 5,280

(a) All discharged bankruptcy loans were charged down to an estimate of collateral value per the recently issued regulatory guidance and do not carry any allowance.

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Note 4 - Loans (Continued)

	September 30, 2011			Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance recorded:							
Commercial:							
General C&I	$ 83,699	$ 110,815	$	$ 87,820	$ 328	$ 62,782	$ 817
TRUPs	60,700	60,700		58,850		44,350	
Income CRE	77,245	131,012		87,090	150	92,566	681
Residential CRE	28,843	56,337		35,881	82	44,122	426
Total	$ 250,487	$ 358,864	$	$ 269,641	$ 560	$ 243,820	$ 1,924
Impaired loans with related allowance recorded:							
Commercial:							
General C&I	$ 36,245	$ 43,691	$ 20,280	$ 40,100	$ 35	$ 74,893	$ 175
TRUPs	30,000	30,000	26,220	30,000		30,000	
Income CRE	2,722	2,732	348	7,426	15	18,631	26
Residential CRE	21,733	21,733	7,650	22,064		31,023	
Total	$ 90,700	$ 98,156	$ 54,498	$ 99,590	$ 50	$ 154,547	$ 201
Retail:							
HELOC	$ 44,624	$ 44,624	$ 21,732	$ 40,620	$ 224	$ 34,999	$ 551
R/E installment loans	59,717	59,717	18,777	55,594	232	52,058	568
Permanent mortgage	55,693	55,693	5,692	85,351	535	76,229	1,463
Credit card & other	1,138	1,138	842	1,162	12	951	36
Total	$ 161,172	$ 161,172	$ 47,043	$ 182,727	$ 1,003	$ 164,237	$ 2,618
Total commercial	$ 341,187	$ 457,020	$ 54,498	$ 369,231	$ 610	$ 398,367	$ 2,125
Total retail	$ 161,172	$ 161,172	$ 47,043	$ 182,727	$ 1,003	$ 164,237	$ 2,618
Total impaired loans	$ 502,359	$ 618,192	$ 101,541	$ 551,958	$ 1,613	$ 562,604	$ 4,743

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

Asset Quality Indicators

As previously discussed, FHN employs a dual grade commercial risk grading methodology to assign an estimate for PD and the LGD for each commercial loan, 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. 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. Prior to second quarter 2011, all loans with an assigned PD grade of 12 which is the lowest pass grade were included on the Watch List. In second quarter 2011, FHN implemented an enhanced process for determining which loans warrant additional oversight and monitoring. The identification of Watch List loans is now determined by the appropriate relationship team and is generally driven by specific events that may impact borrowers, rather than being driven solely by the assigned PD grade. This process enhancement did not have a material impact on the allowance for loan losses. 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 no less frequently than annually or 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. LGD grades are assigned based on a scale of 1-12 and represent FHN s expected recovery based on collateral type in the event a loan defaults.

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Note 4 - Loans (Continued)

The following tables provide the balances of commercial loan portfolio classes with associated allowance, disaggregated by PD grade as of September 30, 2012 and 2011:

	September 30, 2012							
(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	$ 213,871	$	$	$	$	$ 213,871	2%	$ 54
2	183,044			2,557		185,601	2	94
3	129,183			8,210		137,393	1	79
4	254,537			5,660	26	260,223	3	226
5	497,375			28,115	117	525,607	5	1,027
6	891,971	129,816		166,183	5,024	1,192,994	12	3,002
7	1,033,349	327,812		156,309	4,056	1,521,526	16	7,868
8	968,311	959,623		172,200	515	2,100,649	22	12,028
9	644,862	186,130		172,544	1,375	1,004,911	10	10,084
10	498,174	33,302		96,892	1,336	629,704	7	8,103
11	449,874			84,635	2,024	536,533	6	9,112
12	167,041			11,848	1,278	180,167	2	2,709
13	149,268		338,177	75,408	3,705	566,558	6	9,211
14,15,16	257,249			133,941	29,540	420,730	4	41,439
Collectively evaluated for impairment	6,338,109	1,636,683	338,177	1,114,502	48,996	9,476,467	98	105,036
Individually evaluated for impairment	79,796		73,685	46,364	19,993	219,838	2	28,854
Total commercial loans	$ 6,417,905	$ 1,636,683	$ 411,862	$ 1,160,866	$ 68,989	$ 9,696,305	100%	$ 133,890

	September 30, 2011							
(Dollars in thousands)	General C&I	Loans to Mortgage Companies	TRUPS (a)	Income CRE	Residential CRE	Total	Percent of Total	Allowance for Loan Losses
PD Grade:								
1	$ 166,468	$	$	$	$	$ 166,468	2%	$ 16
2	151,483			2,635		154,118	2	35
3	186,256			16,961		203,217	2	182
4	184,891			6,763	97	191,751	2	532
5	339,569			29,521	68	369,158	4	1,244
6	902,482	276,960		78,654	2,623	1,260,719	13	7,107
7	789,022	344,002		140,093	2,086	1,275,203	14	11,581
8	1,117,411	314,251		185,485	4,132	1,621,279	17	17,842
9	586,787	91,955		116,130	3,526	798,398	9	16,825
10	411,252	38,829		123,546	607	574,234	6	11,788
11	487,740			125,077	1,669	614,486	7	16,760
12	129,760			15,954	5,357	151,071	2	5,011
13	322,884		334,099	113,228	7,553	777,764	9	31,891
14,15,16	321,424	491	4,081	252,669	63,363	642,028	7	72,129

Collectively evaluated for impairment	6,097,429	1,066,488	338,180	1,206,716	91,081	8,799,894	96	192,943
Individually evaluated for impairment	119,944		83,708	79,967	50,576	334,195	4	54,498
Total commercial loans	$ 6,217,373	$ 1,066,488	$ 421,888	$ 1,286,683	$ 141,657	$ 9,134,089	100%	$ 247,441

(a) Balances as of September 30, 2012 and 2011, presented net of $34.2 million and $35.3 million, respectively, LOCOM. Based on the underlying structure of the notes, the highest possible internal grade is 13 .

The retail 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 retail loan-types, FHN is able to utilize the Fair Isaac Corporation (FICO) score, among other attributes, to assess the 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 retail portfolio.

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Note 4 - Loans (Continued)

The following tables reflect period-end balances and average FICO scores by origination vintage for the HELOC, real estate installment, and permanent mortgage classes of loans as of September 30, 2012 and 2011:

HELOC

(Dollars in thousands)	**September 30, 2012**			September 30, 2011		
Origination Vintage	**Period End Balance (a)**	**Average Origination FICO**	**Average Refreshed FICO**	Period End Balance (a)	Average Origination FICO	Average Refreshed FICO
pre-2003	**$ 135,605**	**718**	**710**	$ 194,070	723	719
2003	**235,546**	**733**	**724**	285,848	734	727
2004	**514,791**	**728**	**718**	611,791	728	720
2005	**642,027**	**734**	**719**	759,689	734	722
2006	**474,706**	**741**	**726**	568,673	741	726
2007	**498,011**	**745**	**729**	582,307	746	732
2008	**267,346**	**755**	**748**	300,211	755	750
2009	**152,687**	**753**	**748**	185,662	755	755
2010	**150,243**	**754**	**752**	182,186	755	757
2011	**146,768**	**759**	**758**	116,612	757	757
2012	**117,905**	**761**	**759**	N/A	N/A	N/A
Total	**$ 3,335,635**	**740**	**731**	$ 3,787,049	740	730

(a) Balances as of September 30, 2012 and 2011 include $417.0 million and $623.3 million of restricted loan and secured borrowing balances.

R/E Installment Loans *(Dollars in thousands)*	**September 30, 2012**			September 30, 2011		
Origination Vintage	**Period End Balance**	**Average Origination FICO**	**Average Refreshed FICO**	Period End Balance	Average Origination FICO	Average Refreshed FICO
pre-2003	**$ 41,783**	**686**	**686**	$ 62,465	691	688
2003	**122,330**	**721**	**730**	177,168	723	731
2004	**78,439**	**707**	**706**	105,307	712	710
2005	**224,780**	**718**	**713**	287,501	721	716
2006	**244,101**	**719**	**703**	314,204	721	707
2007	**338,306**	**728**	**711**	440,296	730	715
2008	**122,014**	**728**	**720**	166,352	736	730
2009	**67,590**	**748**	**744**	108,874	751	754
2010	**163,618**	**745**	**751**	207,151	748	752
2011	**428,167**	**760**	**759**	271,943	756	754
2012	**569,141**	**765**	**761**	N/A	N/A	N/A
Total	**$ 2,400,269**	**741**	**733**	$ 2,141,261	732	726

Permanent Mortgage *(Dollars in thousands)*	**September 30, 2012**			September 30, 2011		
Origination Vintage	**Period End Balance (a)**	**Average Origination FICO**	**Average Refreshed FICO**	Period End Balance (a)	Average Origination FICO	Average Refreshed FICO

pre-2004	**$ 220,499**	**726**	**729**	$ 190,304	726	733
2004	**31,422**	**715**	**692**	11,965	711	688
2005	**52,058**	**739**	**716**	66,060	736	729
2006	**94,898**	**734**	**706**	122,741	730	696
2007	**275,594**	**734**	**712**	325,726	728	693
2008	**131,040**	**742**	**712**	163,663	731	687
Total	**$ 805,511**	**732**	**712**	$ 880,459	729	700

(a) Balances as of September 30, 2012 and 2011 include $14.2 million and $42.4 million of restricted loan and secured borrowing balances.

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Note 4 - Loans (Continued)

The following table reflects accruing delinquency amounts for the credit card and other portfolio classes.

	Credit Card		Other	
(Dollars in thousands)	**September 30, 2012**	September 30, 2011	**September 30, 2012**	September 30, 2011
Accruing delinquent balances:				
30-89 days past due	**$ 1,666**	$ 1,816	**$ 594**	$ 602
90+ days past due	**1,352**	1,377	**477**	71
Total	**$ 3,018**	$ 3,193	**$ 1,071**	$ 673

Nonaccrual and Past Due Loans

For all portfolio segments and classes, loans are placed on nonaccrual status 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, or on a case-by-case basis if FHN continues to receive payments, but there are atypical loan structures or other borrower-specific issues. FHN does have a meaningful portion of loans that are classified as nonaccrual but where loan payments are received including residential real estate loans where the borrower has been discharged of personal obligation through bankruptcy and current second liens behind first liens with performance issues.

The following table reflects accruing and non-accruing loans by class on September 30, 2012:

	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	$ 6,315,340	$ 25,221	$ 428	**$ 6,340,989**	$ 36,480	$ 9,734	$ 30,702	**$ 76,916**	**$ 6,417,905**
Loans to mortgage companies	1,636,683			**1,636,683**					**1,636,683**
TRUPs (a)	338,177			**338,177**			73,685	**73,685**	**411,862**
Total C&I	8,290,200	25,221	428	**8,315,849**	36,480	9,734	104,387	**150,601**	**8,466,450**
Commercial real estate:									
Income CRE	1,111,616	2,393		**1,114,009**	10,552	3,689	32,616	**46,857**	**1,160,866**
Residential CRE	51,288	823		**52,111**	1,654	126	15,098	**16,878**	**68,989**
Total commercial real estate	1,162,904	3,216		**1,166,120**	12,206	3,815	47,714	**63,735**	**1,229,855**
Consumer real estate:									
HELOC (b)	3,246,585	36,223	18,774	**3,301,582**	20,990	1,195	11,868	**34,053**	**3,335,635**
R/E installment loans	2,350,465	18,332	10,185	**2,378,982**	12,954	2,470	5,863	**21,287**	**2,400,269**
Total consumer real estate	5,597,050	54,555	28,959	**5,680,564**	33,944	3,665	17,731	**55,340**	**5,735,904**
	748,470	15,241	7,774	**771,485**	18,165	2,095	13,766	**34,026**	**805,511**

Permanent mortgage (b)									
Credit card & other									
Credit card	183,893	1,666	1,352	**186,911**					**186,911**
Other	96,245	594	477	**97,316**	1,835	1		**1,836**	**99,152**
Total credit card & other	280,138	2,260	1,829	**284,227**	1,835	1		**1,836**	**286,063**
Total loans, net of unearned (c)	$ 16,078,762	$ 100,493	$ 38,990	**$ 16,218,245**	$ 102,630	$ 19,310	$ 183,598	**$ 305,538**	**$ 16,523,783**

(a) Includes LOCOM valuation allowance $34.2 million.

(b) Includes restricted real estate loans and secured borrowings.

(c) The non-accruing balance as of September 30, 2012 includes $15.5 million of HELOC and R/E installment nonperforming loans, and $10.1 million of permanent mortgage nonperforming loans associated with implementation of recently issued regulatory guidance. Approximately 80 percent of these nonperforming loans are current.

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Note 4 - Loans (Continued)

The following table reflects accruing and non-accruing loans by class on September 30, 2011:

	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	$ 6,068,266	$ 28,618	$ 4,181	**$ 6,101,065**	$ 52,141	$ 12,844	$ 51,323	**$ 116,308**	**$ 6,217,373**
Loans to mortgage companies	1,065,823	174		**1,065,997**			491	**491**	**1,066,488**
TRUPs (a)	338,180			**338,180**			83,708	**83,708**	**421,888**
Total C&I	7,472,269	28,792	4,181	**7,505,242**	52,141	12,844	135,522	**200,507**	**7,705,749**
Commercial real estate:									
Income CRE	1,187,094	18,634	256	**1,205,984**	18,409	8,093	54,197	**80,699**	**1,286,683**
Residential CRE	85,823	869		**86,692**	34,874	1,237	18,854	**54,965**	**141,657**
Total commercial real estate	1,272,917	19,503	256	**1,292,676**	53,283	9,330	73,051	**135,664**	**1,428,340**
Consumer real estate:									
HELOC (b)	3,692,346	46,053	22,574	**3,760,973**	17,098	1,143	7,835	**26,076**	**3,787,049**
R/E installment loans	2,086,734	26,275	9,126	**2,122,135**	13,505	2,919	2,702	**19,126**	**2,141,261**
Total consumer real estate	5,779,080	72,328	31,700	**5,883,108**	30,603	4,062	10,537	**45,202**	**5,928,310**
Permanent mortgage (b)	808,293	31,724	13,205	**853,222**	8,214	448	18,575	**27,237**	**880,459**
Credit card & other									
Credit card	198,569	1,816	1,377	**201,762**					**201,762**
Other	91,064	602	71	**91,737**	5		5,040	**5,045**	**96,782**
Total credit card & other	289,633	2,418	1,448	**293,499**	5		5,040	**5,045**	**298,544**
Total loans, net of unearned	$ 15,622,192	$ 154,765	$ 50,790	**$ 15,827,747**	$ 144,246	$ 26,684	$ 242,725	**$ 413,655**	**$ 16,241,402**

(a) Includes LOCOM valuation allowance $35.3 million.
(b) Includes restricted real estate loans and secured borrowings.

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. FHN considers regulatory guidelines when restructuring loans to ensure that prudent lending practices are followed. As such, qualification criteria and payment terms consider the borrower s current and prospective ability to comply with the modified terms of the loan.

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 difficultly 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, particularly as it relates to commercial borrowers due to the complex nature of loan structures, business/industry risk, and borrower/guarantor structures. Concessions could include reductions of interest rates, extension of the maturity date at a rate lower than current market rate for a new loan with similar risk, reduction of accrued interest, or principal forgiveness. When evaluating whether a concession has been granted, FHN also considers whether the borrower has provided additional collateral or guarantors and whether such additions adequately compensate FHN for the restructured terms. The assessments of whether a borrower is experiencing (or is likely to experience) financial difficulty and whether a concession has been granted is 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 3 to 6 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 Home Affordable Modification Programs (HAMP). Within the HELOC, R/E installment loans, and permanent mortgage 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 ratio. 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.

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Note 4 - Loans (Continued)

The recently issued regulatory guidance states that the discharge of personal liability through bankruptcy proceedings should be considered a concession. As a result, FHN classified all non-reaffirmed residential real estate loans after bankruptcy as nonaccruing TDRs.

On September 30, 2012 and 2011, FHN had $371.4 million and $259.6 million portfolio loans classified as TDRs, respectively. For TDRs in the loan portfolio, FHN had loan loss reserves of $60.0 million and $50.0 million, or 16 percent and 19 percent of TDR balances, as of September 30, 2012 and 2011, respectively. Additionally, FHN had restructured $171.9 million and $72.2 million of loans held for sale as of September 30, 2012 and 2011, respectively. Loans held for sale are at unpaid principal balance (UPB) before fair value and do not carry reserves.

The following tables reflect portfolio loans that were classified as TDRs during the three and nine month ended September 30, 2012 and 2011:

	Three Months Ended September 30, 2012			Nine Months Ended September 30, 2012		
(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	8	$ 4,285	$ 4,244	19	$ 22,406	$ 22,264
Total commercial (C&I)	8	4,285	4,244	19	22,406	22,264
Commercial real estate:						
Income CRE	3	4,538	4,144	9	13,045	12,502
Residential CRE				2	88	87
Total commercial real estate	3	4,538	4,144	11	13,133	12,589
Consumer real estate:						
HELOC (a)	737	17,087	16,916	831	27,730	27,511
R/E installment loans (b)	567	13,604	13,445	677	26,782	25,710
Total consumer real estate	1,304	30,691	30,361	1,508	54,512	53,221
Permanent mortgage (c)	61	16,641	16,648	123	66,308	66,710
Credit card & other:						
Credit card	26	101	97	188	1,063	1,025
Total credit card & other	26	101	97	188	1,063	1,025
Total troubled debt restructurings	**1,402**	**$ 56,256**	**$ 55,494**	**1,849**	**$ 157,422**	**$ 155,809**

(a) Balances as of September 30, 2012 includes $11.6 million associated with implementation of the recently issued regulatory guidance.
(b) Balances as of September 30, 2012 includes $6.2 million associated with implementation of the recently issued regulatory guidance.
(c) Balances as of September 30, 2012 includes $10.2 million associated with implementation of the recently issued regulatory guidance.

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Note 4 - Loans (Continued)

	Three Months Ended September 30, 2011			Nine Months Ended September 30, 2011		
(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	$ 1,563	$ 1,549	14	$ 13,374	$ 13,356
Total commercial (C&I)	4	1,563	1,549	14	13,374	13,356
Commercial real estate:						
Income CRE	2	3,759	3,748	9	10,290	10,210
Residential CRE	2	732	739	5	2,435	2,510
Total commercial real estate	4	4,491	4,487	14	12,725	12,720
Consumer real estate:						
HELOC	59	9,072	9,030	168	20,918	20,817
R/E installment loans	63	15,258	15,391	146	20,650	20,856
Total consumer real estate	122	24,330	24,421	314	41,568	41,673
Permanent mortgage				85	54,403	57,291
Credit card & other:						
Credit card	24	105	102	72	312	301
Total credit card & other	24	105	102	72	312	301
Total troubled debt restructurings	154	$ 30,489	$ 30,559	499	$ 122,382	$ 125,341

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Note 4 - Loans (Continued)

The following tables reflect receivables that became classified as TDRs within the previous 12 months for which there was a payment default during the three and nine months ended September 30, 2012 and 2011. Financing receivables that became classified as TDRs within the previous 12 months and for which there was a payment default during the period are calculated by first identifying TDRs that defaulted during the period and then determining whether they were modified within the 12 months prior to the default. For purposes of this disclosure, FHN defines payment default as generally 30 plus days past due.

	Three Months Ended September 30, 2012		Nine Months Ended September 30, 2012	
(Dollars in thousands)	Number	Recorded Investment	Number	Recorded Investment
Commercial (C&I):				
General C&I	9	$ 8,559	27	$ 21,618
Loans to Mortgage Companies				
TRUPs				
Total commercial (C&I)	9	8,559	27	21,618
Commercial real estate:				
Income CRE	9	10,396	19	18,840
Residential CRE	1	73	3	259
Total commercial real estate	10	10,469	22	19,099
Consumer real estate:				
HELOC	15	1,749	31	3,379
R/E installment loans	4	210	33	3,392
Total consumer real estate	19	1,959	64	6,771
Permanent mortgage	6	2,743	9	3,515
Credit card & other:				
Credit card	4	17	19	69
Other				
Total credit card & other	4	17	19	69
Total troubled debt restructurings	**48**	**$ 23,747**	**141**	**$ 51,072**

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
(Dollars in thousands)	Number	Recorded Investment	Number	Recorded Investment
Commercial (C&I):				
General C&I	19	$ 13,978	40	$ 30,348
Loans to Mortgage Companies				
TRUPs				
Total commercial (C&I)	19	13,978	40	30,348

Commercial real estate:				
Income CRE	7	12,134	23	24,427
Residential CRE	3	766	15	18,290
Total commercial real estate	10	12,900	38	42,717
Consumer real estate:				
HELOC	7	1,088	32	5,081
R/E installment loans	5	566	23	2,033
Total consumer real estate	12	1,654	55	7,114
Permanent mortgage	4	2,970	36	37,448
Credit card & other:				
Credit card	1	72	35	3,766
Other				
Total credit card & other	1	72	35	3,766
Total troubled debt restructurings	46	$ 31,574	204	$ 121,393

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Note 4 - Loans (Continued)

The determination of whether a TDR is placed on nonaccrual status generally follows the same internal policies and procedures as other portfolio loans. However, FHN will typically place a consumer real estate loan on nonaccrual status if it is 30 or more days delinquent upon modification into a TDR. For commercial loans, nonaccrual TDRs that are reasonably assured of repayment according to their modified terms may be returned to accrual status by FHN upon a detailed credit evaluation of the borrower s financial condition and prospects for repayment under the revised terms. For consumer loans, FHN s evaluation supporting the decision to return a modified loan to accrual status includes consideration of the borrower s sustained historical repayment performance for a reasonable period prior to the date on which the loan is returned to accrual status, which is generally a minimum of six months. For loans reported as TDRs as a result of the recently issued regulatory guidance related to bankruptcies, loans are placed on nonaccrual regardless of payment status. FHN may also consider a borrower s sustained historical repayment performance for a reasonable time prior to the restructuring in assessing whether the borrower can meet the restructured terms, as it may indicate that the borrower is capable of servicing the level of debt under the modified terms. Otherwise, FHN will continue to classify restructured loans as nonaccrual. Consistent with regulatory guidance, upon sustained performance and classification as a TDR over FHN s year-end, the loan will be removed from TDR status as long as the modified terms were market-based at the time of modification.

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Note 5 - Mortgage Servicing Rights

FHN recognizes all classes of mortgage servicing rights (MSR) at fair value. Classes of MSR are established based on market inputs used to determine the fair value of the servicing asset and FHN s risk management practices. See Note 15 - Fair Value of Assets & Liabilities, the Determination of Fair Value section for a discussion of FHN s MSR valuation methodology and Note 14 - Derivatives for a discussion of how FHN hedges the fair value of MSR. The balance of MSR included on the Consolidated Condensed Statements of Condition represents the rights to service approximately $20 billion and $25 billion of mortgage loans on September 30, 2012 and 2011, respectively, for which a servicing right has been capitalized.

Following is a summary of changes in capitalized MSR as of September 30, 2012 and 2011:

(Dollars in thousands)	First Liens	Second Liens	HELOC	Total
Fair value on January 1, 2011	$ 203,812	$ 262	$ 3,245	$ 207,319
Reductions due to loan payments	(17,972)	(31)	(161)	(18,164)
Reductions due to exercise of cleanup calls	(195)			(195)
Changes in fair value due to:				
Changes in valuation model inputs or assumptions	(38,230)			(38,230)
Other changes in fair value	16	10	47	73
Fair value on September 30, 2011	$ 147,431	$ 241	$ 3,131	$ 150,803
Fair value on January 1, 2012	$ **140,724**	**$ 231**	**$ 3,114**	**$ 144,069**
Reductions due to loan payments	**(18,214)**	**(26)**	**(257)**	**(18,497)**
Reductions due to exercise of cleanup calls	**(494)**			**(494)**
Changes in fair value due to:				
Changes in valuation model inputs or assumptions	**(4,503)**			**(4,503)**
Other changes in fair value	**(73)**		**35**	**(38)**
Fair value on September 30, 2012	**$ 117,440**	**$ 205**	**$ 2,892**	**$ 120,537**

Servicing, late, and other ancillary fees recognized within mortgage banking income were $13.8 million and $16.7 million for the three months ended September 30, 2012 and 2011, respectively, and $46.0 million and $56.8 million for the nine months ended September 30, 2012 and 2011, respectively. FHN services a portfolio of mortgage loans related to transfers by other parties utilizing securitization trusts. The servicing assets represent FHN s sole interest in these transactions. The total MSR recognized by FHN related to these transactions was $1.7 million and $2.8 million at September 30, 2012 and 2011, respectively. The aggregate principal balance serviced by FHN for these transactions was $.4 billion and $.5 billion at September 30, 2012 and 2011, respectively. FHN has no obligation to provide financial support and has not provided any form of support to the related trusts. The MSR recognized by FHN has been included in the first lien mortgage loans column within the rollforward of MSR.

In prior periods, FHN transferred MSR to third parties in transactions that did not qualify for sales treatment due to certain recourse provisions that were included within the sale agreements. On September 30, 2012 and 2011, FHN had $11.6 million and $15.8 million, respectively, of MSR related to these transactions. These MSR are included within the first liens mortgage loans column within the rollforward of MSR. The proceeds from these transfers have been recognized within Other short-term borrowings in the Consolidated Condensed Statements of Condition.

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Note 6 - Intangible Assets

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

(Dollars in thousands)	Goodwill	Other Intangible Assets (a)
December 31, 2010	$ 162,180	$ 32,881
Amortization expense (b)		(3,380)
Impairment (c) (d)	(10,100)	
Divestitures (d)	(18,421)	(2,258)
September 30, 2011	$ 133,659	$ 27,243
December 31, 2011	$ 133,659	$ 26,243
Amortization expense		(2,931)
Additions	583	367
September 30, 2012	**$ 134,242**	**$ 23,679**

(a) Represents customer lists, acquired contracts, premium on purchased deposits, and covenants not to compete.
(b) Amortization expense of $.3 million related to FHI and $.1 million related to Msaver is included in Income/(loss) from discontinued operations, net of tax on the Consolidated Condensed Statements of Income.
(c) See Note 16 - Restructuring, Repositioning, and Efficiency for further details related to goodwill impairments.
(d) See Note 2 - Acquisitions and Divestitures for further details regarding goodwill related to divestitures.

The gross carrying amount of other intangible assets subject to amortization is $104.9 million on September 30, 2012, net of $81.2 million of accumulated amortization. Estimated aggregate amortization expense is expected to be $1.0 million for the remainder of 2012, and $3.7 million, $3.5 million, $3.4 million, $3.2 million, and $3.0 million for the twelve-month periods of 2013, 2014, 2015, 2016, and 2017, respectively.

The agreement to sell FHI resulted in a pre-tax goodwill impairment of $10.1 million in first quarter 2011. In second quarter 2011, the remaining $16.4 million of goodwill was removed in conjunction with the divestiture. The sale of Msaver during third quarter 2011 resulted in the removal of $2.0 million of goodwill. During 2011, FHN also recognized $2.2 million and $.1 million of other intangible asset write-offs related to the FHI and Msaver divestitures, respectively.

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Note 6 Intangible Assets (Continued)

The following is a summary of gross goodwill and accumulated impairment losses and write-offs detailed by reportable segments included in the Consolidated Condensed Statements of Condition through September 30, 2012. Gross goodwill, accumulated impairments, and accumulated divestiture related write-offs were determined beginning on January 1, 2002, when a change in accounting requirements resulted in goodwill being assessed for impairment rather than being amortized.

(Dollars in thousands)	Non-Strategic	Regional Banking	Capital Markets	Total
Gross goodwill	$ 199,995	$ 36,238	$ 97,421	$ 333,654
Accumulated impairments	(104,023)			(104,023)
Accumulated divestiture related write-offs	(67,451)			(67,451)
December 31, 2010	$ 28,521	$ 36,238	$ 97,421	$ 162,180
Additions				
Impairments	(10,100)			(10,100)
Divestitures	(18,421)			(18,421)
Net change in goodwill during 2011	(28,521)			(28,521)
Gross goodwill	$ 199,995	$ 36,238	$ 97,421	$ 333,654
Accumulated impairments	(114,123)			(114,123)
Accumulated divestiture related write-offs	(85,872)			(85,872)
September 30, 2011	$	$ 36,238	$ 97,421	$ 133,659
Gross goodwill	$ 199,995	$ 36,238	$ 97,421	$ 333,654
Accumulated impairments	(114,123)			(114,123)
Accumulated divestiture related write-offs	(85,872)			(85,872)
December 31, 2011	$	$ 36,238	$ 97,421	$ 133,659
Additions			583	583
Impairments				
Divestitures				
Net change in goodwill during 2012			583	583
Gross goodwill	$ 199,995	$ 36,238	$ 98,004	$ 334,237
Accumulated impairments	(114,123)			(114,123)
Accumulated divestiture related write-offs	(85,872)			(85,872)
September 30, 2012	**$**	**$ 36,238**	**$ 98,004**	**$ 134,242**

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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 September 30		Nine Months Ended September 30	
(Dollars in thousands)	**2012**	2011	**2012**	2011
All other income and commissions:				
Bankcard income	**$ 5,298**	$ 5,258	**$ 16,618**	$ 15,129
Bank-owned life insurance	**4,293**	5,116	**13,724**	14,851
Other service charges	**3,263**	2,969	**9,768**	8,641
ATM interchange fees	**2,579**	3,709	**7,804**	11,035
Deferred compensation (a)	**1,966**	(2,093)	**4,065**	(893)
Electronic banking fees	**1,589**	1,609	**4,927**	4,679
Letter of credit fees	**1,072**	1,407	**3,966**	5,052
Gains on extinguishment of debt				5,761
Other	**6,280**	3,340	**16,535**	15,066
Total	**$ 26,340**	$ 21,315	**$ 77,407**	$ 79,321
All other expense:				
Losses from litigation and regulatory matters	**$ 6,760**	$	**$ 29,013**	$ 40,585
Tax credit investments	**5,635**	4,712	**14,457**	14,382
Advertising and public relations	**4,121**	4,571	**11,524**	11,919
Travel and entertainment	**2,009**	2,075	**6,308**	5,982
Other insurance and taxes	**1,327**	3,352	**7,656**	10,326
Employee training and dues	**1,032**	1,009	**3,354**	3,598
Customer relations	**1,027**	1,185	**3,230**	3,607
Supplies	**881**	1,092	**2,731**	2,847
Bank examinations costs	**816**	1,138	**2,415**	3,373
Loan insurance expense	**578**	744	**1,803**	2,231
Federal service fees	**323**	338	**972**	1,093
Other	**5,478**	3,706	**25,108**	26,302
Total	**$ 29,987**	$ 23,922	**$ 108,571**	$ 126,245

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

(a) Deferred compensation market value adjustments are mirrored by adjustments to employee compensation, incentives, and benefits expense.

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Note 8 - Earnings Per Share

The following tables provide a reconciliation of the numerators used in calculating earnings/(loss) per share attributable to common shareholders:

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in thousands)	**2012**	2011	**2012**	2011
Income/(loss) from continuing operations	**$ 28,574**	$ 34,152	**$ (60,037)**	$ 95,449
Income/(loss) from discontinued operations, net of tax	**108**	4,828	**160**	9,369
Net income/(loss)	**28,682**	38,980	**(59,877)**	104,818
Net income attributable to noncontrolling interest	**2,875**	2,875	**8,563**	8,563
Net income/(loss) available to common shareholders	**$ 25,807**	$ 36,105	**$ (68,440)**	$ 96,255
Income/(loss) from continuing operations	**$ 28,574**	$ 34,152	**$ (60,037)**	$ 95,449
Net income attributable to noncontrolling interest	**2,875**	2,875	**8,563**	8,563
Net income/(loss) from continuing operations available to common shareholders	**$ 25,699**	$ 31,277	**$ (68,600)**	$ 86,886

The component of Income/(loss) from continuing operations attributable to FHN as the controlling interest holder of the subsidiary preferred stock issued by First Horizon Preferred Funding, LLC, First Horizon Preferred Funding II, LLC, and FTBNA was $25.7 million and $31.3 million during the three months ended September 30, 2012 and 2011, respectively, and $(68.6) million and $86.9 million during the nine months ended September 30, 2012 and 2011, respectively.

The following table provides a reconciliation of weighted average common shares to diluted average common shares:

	Three Months Ended September 30		Nine Months Ended September 30	
(Shares in thousands)	**2012**	2011	**2012**	2011
Weighted average common shares outstanding - basic	**246,628**	261,284	**249,742**	261,250
Effect of dilutive securities	**1,678**	1,519		2,447
Weighted average common shares outstanding - diluted	**248,306**	262,803	**249,742**	263,697

The following tables provide a reconciliation of earnings/(loss) per common and diluted share:

	Three Months Ended September 30		Nine Months Ended September 30	
	2012	2011	**2012**	2011
Earnings/(loss) per common share:				
Income/(loss) per share from continuing operations available to common shareholders	**$ 0.10**	$ 0.12	**$ (0.27)**	$ 0.33
Income/(loss) per share from discontinued operations, net of tax		0.02		0.04
Net income/(loss) per share available to common shareholders	**$ 0.10**	$ 0.14	**$ (0.27)**	$ 0.37

Diluted earnings/(loss) per common share:				
Diluted income/(loss) per share from continuing operations available to common shareholders	**$ 0.10**	$ 0.12	**$ (0.27)**	$ 0.33
Diluted income/(loss) per share from discontinued operations, net of tax		0.02		0.04
Diluted income/(loss) per share available to common shareholders	**$ 0.10**	$ 0.14	**$ (0.27)**	$ 0.37

For the three months ended September 30, 2012, the dilutive effect for all potential common shares was 1.7 million. For the nine months ended September 30, 2012, all potential common shares were antidilutive due to the net loss attributable to common shareholders for that period. For the three and nine months ended September 30, 2011, the dilutive effect for all potential common shares was 1.5 million and 2.4 million, respectively. 10.0 million and 10.7 million stock options, with weighted average exercise prices of $21.27 and $24.34 per share for the three months ended September 30, 2012 and 2011, respectively, were excluded from diluted shares because including such shares would be antidilutive. 10.4 million and 10.1 million stock options, with weighted average exercise prices of $21.94 and $25.91 per share for the nine months ended September 30, 2012 and 2011, respectively, were also excluded from diluted shares. Other equity awards of 1.1 million for the three months ended September 30, 2011 were excluded from diluted shares while other equity awards of 3.5 million and .3 million for the nine months ended September 30, 2012 and 2011, respectively, were excluded from diluted shares because including such shares would have been antidilutive. The CPP common stock warrant, which was dilutive for the nine-month period ended September 30, 2011, was repurchased in 2011 and is not included in diluted shares in 2012.

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Note 9 - Contingencies and Other Disclosures

Contingencies

General

Contingent liabilities arise in the ordinary course of business, including those 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 and from other government authorities 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 with the authorities involved. 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 are possible but have not been brought, FHN cannot reasonably determine what the eventual outcome of the pending 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 loss contingency liabilities for litigation matters when loss is both probable and reasonably estimable as prescribed by applicable financial accounting guidance. A liability generally is not established when a loss contingency either is not probable or its amount is not reasonably estimable. If loss for a matter is probable and a range of possible loss outcomes is the best estimate available, accounting guidance would require a liability to be established at the low end of the range.

In addition, disclosure of a range of reasonably possible loss associated with litigation matters, as prescribed by applicable financial accounting guidance, is provided as to those matters where there is more than a remote chance of an estimable, material loss outcome for FHN in excess of currently established loss liabilities. Based on current knowledge, and after consultation with counsel, management is of the opinion that loss contingencies related to such 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.

Litigation - Gain Contingency

The Chapter 11 Liquidation Trustee (the Trustee) of Sentinel Management Group, Inc. (Sentinel) filed complaints against two subsidiaries, First Tennessee Bank National Association (FTBNA) and FTN Financial Securities Corp. (FTN), and two former FTN employees. The Trustee s claims related to Sentinel s purchases of Preferred Term Securities Limited (PreTSL) products and other securities from FTN and/or the FTN Financial Capital Markets division of FTBNA from March 2005 to August 2007. In July 2011, the parties reached an agreement to settle the dispute. Under the terms of the settlement the Trustee received a total of $38.5 million dollars. After considering the terms of the settlement, FHN recognized a pre-tax expense of $36.7 million during second quarter 2011 related to the settlement. FHN believes that certain insurance policies provide coverage for these losses and related litigation costs, subject to policy limits and applicable deductibles. The insurers have denied coverage. FHN has brought suit against the insurers to enforce the policies under Tennessee law. The case is in U.S. District Court for the Western District of Tennessee styled as *First Horizon National Corporation, et al. v. Certain Underwriters at Lloyd s Syndicate Nos. 2987, et al.,* No. 2:11-cv-02608. In connection with this matter the previously recognized expense may be recouped in whole or in part. As to this matter, under applicable financial accounting guidance, FHN has determined that although material gain is not probable there is more than a slight 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 incomplete status of the discovery process.

Litigation - Loss Contingencies

Set forth below are discussions of certain pending or threatened litigation matters. These material loss contingency matters generally fall into 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 matters reported as having been substantially settled or otherwise substantially resolved; (ii) FHN has determined material loss to be probable but is unable to determine an amount of material loss liability; or (iii) FHN has determined that material loss is not probable but is reasonably possible (as defined in applicable accounting guidance, there is more than a slight chance of a material loss outcome for FHN). In all litigation matters discussed, except as indicated, FHN has estimated a range of reasonably possible loss outcomes in excess of any currently established loss liabilities. In all litigation matters discussed 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 September 30, 2012, the aggregate amount of liabilities established for the litigation loss contingency matters discussed below was $29 million. No matter discussed under the heading First Horizon Branded Mortgage Securitization Litigation Matters below is among those matters for which a liability has been established. The liabilities discussed in this paragraph relate only to litigation matters and are separate from those discussed under the heading Established Repurchase Liability below.

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Note 9 - Contingencies and Other Disclosures (Continued)

In each potential loss contingency litigation matter discussed below, except as otherwise noted, there is a more than slight chance that each 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 September 30, 2012, FHN estimates that, for those litigation loss contingency matters discussed below as to which reasonably possible loss is estimable, reasonably possible losses in future periods in excess of currently established liabilities could aggregate in a range from zero to approximately $90 million. Of those matters discussed under the heading First Horizon Branded Mortgage Securitization Litigation Matters, only the FHLB of Chicago, Charles Schwab, and Western & Southern suits are included in that range.

Matters Included in Reasonably Possible Loss Range

Branch Sale Litigation Matter. Manufacturers & Traders Trust Company (M&T) is pursuing an arbitration claim against FTBNA arising out of FTBNA s sale of certain branch assets to M&T in 2007. M&T claims that FTBNA violated its obligations to repurchase home equity lines of credit (HELOCs) that it sold to M&T as part of the asset sale agreement. M&T alleges that the loans either are not in conformity with FTBNA s representations about them or are insured and sold due to mutual mistake or both. At this time, as a result of rulings to date, the claim has become a demand that FTBNA repurchase certain HELOCs having an original principal balance of $45.5 million. At September 30, 2012, the HELOCs at issue included loans with an unpaid principal balance of $22.7 million and also included charged-off loans of $11.9 million. These HELOCs are not included in the mortgage repurchase pipeline discussed below as potential repurchase obligations, but instead are evaluated separately as part of this pending litigation matter based on specific facts and circumstances related to this loan sale. FHN s estimate of reasonably possible loss for this matter is subject to significant uncertainties regarding: the potential remedies that might be available or awarded; the identity and value of assets FHN may be required to repurchase; and the unpredictable nature of the arbitration process.

Debit Transaction Sequencing Litigation Matter. FTBNA is a defendant in a putative class action lawsuit concerning overdraft fees charged in connection with debit card transactions. A key claim is that the method used to order or sequence the transactions posted each day was improper. The case is styled as *Hawkins v. First Tennessee Bank National Association*, before the Circuit Court for Shelby County, Tennessee, Case No. CT-004085-11. The plaintiff seeks actual damages of at least $5 million, unspecified restitution of fees charged, and unspecified punitive damages, among other things. FHN s estimate of reasonably possible loss for this matter is subject to significant uncertainties regarding: whether a class will be certified and, if so, the definition of the class; claims as to which no dollar amount is specified; the potential remedies that might be available or awarded; the outcome of potentially dispositive early-stage motions such as motions to dismiss; and the lack of discovery. FHN is aware that claims which appear to be somewhat similar have been brought against other financial institutions.

First Horizon Branded Mortgage Securitization Litigation Matters - Certain Matters. Several pending litigation matters are discussed under the heading First Horizon Branded Mortgage Securitization Litigation Matters below. For certain of those FHN has been able to estimate reasonably possible loss. Those estimable matters are the FHLB of Chicago, Charles Schwab, and Western & Southern cases. The estimates for those matters are included in the range of reasonably possible loss discussed above and are subject to significant uncertainties regarding: the dollar amount claimed; the potential remedies that might be available or awarded; the outcome of any settlement discussions; the outcome of potentially dispositive early stage motions such as motions to dismiss; the identity and value of assets that FHN may be required to repurchase to the extent asset repurchase is sought; the incomplete status of the discovery process; and the lack of precedent claims. The other such securitization matters are not included in the reasonably possible loss range discussed above.

Matters Not Included in Reasonably Possible Loss Range

VA Loan Guarantee Litigation Matter. FTBNA is a defendant in a qui tam action brought privately on behalf of the federal government against a number of mortgage lenders. The case is styled as *United States ex rel Bibby and Donnelly v. Wells Fargo Bank N.A. et al*, before the U.S. District Court for the N.D. of Georgia, Case No. 1:06-CV-0547-MHS. The plaintiffs allege that defendants improperly disclosed and improperly charged certain fees related to certain VA guaranteed interest rate reduction refinancing loans. They assert that the alleged acts violated the regulations governing loans of that type as well as the federal False Claims Act. The plaintiffs seek unspecified restitution of loan guarantee benefits improperly claimed and unspecified treble damages, among other things. In late September 2012 FHN agreed to settle this case. The settlement has not yet been finally documented or effected, but the agreed terms are reflected in the litigation liability established at September 30, 2012 discussed above.

First Horizon Branded Mortgage Securitization Litigation Matters. Prior to September 2008 FHN originated and sold home loan products through various channels and conducted its servicing business under the First Horizon Home Loans and First Tennessee Mortgage Servicing brands. Those sales channels included the securitization of loans into pools held by trustees and the sale of the resulting securities, sometimes called certificates, to investors. These activities are discussed in more detail below under the heading Legacy Home Loan Sales and Servicing.

At the time this report is filed, FHN, along with multiple defendants, is defending several lawsuits brought by investors which claim that the offering documents under which First Horizon branded certificates were sold to them were materially deficient. The plaintiffs

Note 9 - Contingencies and Other Disclosures (Continued)

and venues of these suits are: (1) the Federal Housing Finance Agency (FHFA), as conservator for Fannie Mae and Freddie Mac, in U.S. District Court for the Southern District of New York (Case No. 11-cv-6193 (PGG)); (2) Charles Schwab Corp. in the Superior Court of San Francisco, California (Case No. 10-501610); (3) Federal Home Loan Bank (FHLB) of Chicago in the Circuit Court of Cook County, Illinois (Case No. 10 CH 45033); (4) Western & Southern Life Insurance Co, among others in the Court of Common Pleas, Hamilton County, Ohio (Case No. A1105352); (5) Federal Deposit Insurance Corporation (FDIC) as receiver for Colonial Bank, in the U.S. District Court for the Middle District of Alabama (Case No. CV-12-791-WKW-WC); and (6) FDIC as a 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 plaintiffs in the pending suits claim to have purchased certificates in a number of separate First Horizon securitizations and demand that FHN repurchase their investments, or answer in damages or rescission, among other remedies sought.

In some of these suits, underwriters are co-defendants 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 senior certificates in First Horizon branded securitizations (FH proprietary securitizations). FHN has not been named a defendant in these suits, which FHN is defending indirectly as indemnitor. The plaintiffs and venues of these other suits are: (7) FHLB of San Francisco, in the Superior Court of San Francisco County, California (Case No. CGC-10-497840); (8) Metropolitan Life Insurance Co., in the Supreme Court of New York County, New York (No. 651360-2012); and (9) Royal Park Invs. SA/NV, in the Supreme Court of New York County, New York (No. 652607-2012).

Details concerning the original purchase amounts of the investments at issue in these suits, as to which FHN is a named defendant or as to which FHN has an agreement to indemnify an underwriter defendant, are set forth below. Plaintiffs in the pending lawsuits claimed to have purchased a total of $1.2 billion of certificates and the purchase price of the certificates subject to the indemnification requests total $301.4 million. Senior and Junior refer to the ranking of the investments in broad terms; in most cases the securitization provided for sub-classifications within the Senior or Junior groups.

	Alt-A		Jumbo	
(Dollars in thousands)	Senior	Junior	Senior	Junior
Vintage				
2005 (a)	$ 843,868	$	$ 30,000	$
2006 (a)	277,926		84,659	9,793
2007	204,061		50,000	7,084
Total	$ 1,325,855	$	$ 164,659	$ 16,877

(a) The amounts shown in the table which are the subject of the FHFA litigations include $230,020 of the Senior Alt-A loans from 2006 and $643,751 of the Senior Alt-A from 2005.

If FHN were to repurchase certificates, it would recognize as a loss the difference between the amount paid (adjusted for any related litigation liability previously established) and the fair value of the certificates at that time. The original purchase amounts reported in this table do not reflect the cumulative amounts of principal and interest distributions received by investors since 2005. Such receipts generally would diminish any recovery a plaintiff might obtain.

Information on the performance of the securitizations related to these suits is available in monthly reports published by the trustee for the securitization trusts. Based on these reports, the ending certificate balance of the investments which are the subject of these lawsuits was approximately $645 million as of the September 25, 2012 trust statements. FHN believes that certain plaintiffs did not purchase the entire tranche, or class, in the securitizations in which they invested. Reporting by the trustee is at a class-level and as a result, ending certificate balances in this disclosure were adjusted to reflect FHN s estimate of the ending balance of the certificates purchased by these plaintiffs.

Within that total, the ending certificate balance of the investments which are the subject of the FHFA lawsuit was $346.2 million, with approximately 85 percent of the remaining balances performing. Cumulative losses on the FHFA investments which are the subject of the lawsuit as reported on the September 25, 2012 trust statements represent approximately 6 percent of the original principal amount underlying the certificates purchased. The total ending certificate balance of the investments which are the subject of the remaining lawsuits was $298.9 million, with approximately 80 percent of the remaining balances performing. Cumulative losses on the remaining investments which are the subject of the lawsuits as reported on the September 25, 2012 trust statements represent approximately 5 percent of the original principal amount underlying the certificates purchased. Ending certificate balances reflect the remaining principal balance on the certificates, after the monthly principal and interest distributions and after reduction for applicable cumulative and current realized losses. Recognized cumulative losses largely do not take into account outstanding principal and interest amounts advanced by the servicer due to nonpayment by the borrowers; those advances may increase cumulative losses. Losses are often reported by the trustee based on each certificate within a pool or group, which limits FHN s ability to ascertain losses at the individual investor level.

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Note 9 - Contingencies and Other Disclosures (Continued)

FHN has been able to estimate reasonably possible loss for the FHLB of Chicago, Charles Schwab, and Western & Southern suits, as discussed above. For the other suits, FHN is unable to estimate a range of reasonably possible loss 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 identity and value of assets that FHN may be required to repurchase for those claims seeking asset repurchase; the incomplete status of the discovery process; the lack of a precise statement of damages; and lack of precedent claims.

As discussed under Legacy Home Loan Sales and Servicing, similar claims may be pursued by other investors, and loan repurchase, make-whole, or indemnity claims may be pursued by securitization trustees or other parties to transactions seeking indemnity. At September 30, 2012, FHN had not recognized a liability for exposure for investment rescission or damages arising from the foregoing or other potential claims by investors that the offering documents under which the loans were securitized were materially deficient, nor for exposure for repurchase of loans arising from potential claims that FHN breached its representations and warranties made in securitizations at closing.

Contract Claim Settlement Process - Mortgage Repurchase Pipeline

For several years FHN has received claims from government sponsored enterprises (GSEs), other government agencies, mortgage insurers, and others that FHN breached certain representations and warranties made in connection with whole-loan sales prior to September 2008. Generally such claims request or otherwise demand that FHN repurchase the loans or otherwise make the purchaser whole. FHN analyzes these claims using a pipeline approach. FHN reviews each claim in the pipeline and either offers to satisfy the claim or rejects the claim by asking the claimant to rescind it. FHN has established a material loss liability for probable incurred losses related to repurchase obligations for breaches of representations and warranties. As of September 30, 2012 none of these claims had become active litigation. These matters and the associated reserving methodologies are discussed under Legacy Home Loan Sales and Servicing.

Other Litigation Matters

A shareholder, Cranston Reid, filed a putative derivative lawsuit in the U.S. District Court for the Western District of Tennessee, Western Division (Case No. 2:10cv02413-STA-cgc) against various former and current officers and directors of FHN. FHN is named as a nominal defendant, though no relief is sought against it. The complaint alleged the following causes of action: breach of fiduciary duty, abuse of control, gross mismanagement, and unjust enrichment. The claimed breach of fiduciary duty and other causes of action stemmed from a number of alleged events, including: certain litigation matters, both pending and previously disposed, unrelated to this plaintiff; certain matters that allegedly could become litigation matters, unrelated to this plaintiff; a matter that previously had been investigated and concluded, unrelated to this plaintiff; and an alleged general use of allegedly unlawful and high-risk banking practices. In March 2011 the District Court dismissed all claims, and the plaintiff appealed. In September 2012, the appellate court affirmed the District Court s decision.

Legacy Home Loan Sales and Servicing

Overview

Prior to September 2008, as a means to provide liquidity for its legacy mortgage banking business, FHN originated loans through its legacy mortgage business, primarily first lien home loans, with the intention of selling them. Some government-insured and government-guaranteed loans were originated with credit recourse retained by FHN and some other mortgages were originated to be held, but predominantly mortgage loans were intended to be sold without recourse for credit default. 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 - the Federal National Mortgage Association (Fannie Mae, Fannie, or FNMA) and the Federal Home Loan Mortgage Corporation (Freddie Mac, Freddie, or FHLMC). Federally insured or guaranteed whole loans were pooled, and payments to investors were guaranteed through the Government National Mortgage Association (Ginnie Mae , Ginnie, or GNMA). Many mortgage loan originations, especially those nonconforming mortgage loans that did not meet criteria for whole loan sales to the GSEs, or insurance through Ginnie (collectively, the Agencies), were sold to investors, or certificate-holders, predominantly through proprietary securitizations but also, to a lesser extent, through whole loan sales to private non-Agency purchasers. In addition, FHN originated with the intent to sell and sold HELOCs and second lien mortgages through whole loan sales to private purchasers and, to a lesser extent, through proprietary securitizations.

Regarding these past loan sale activities, FHN has exposure to potential loss primarily through two avenues. First, purchasers of these mortgage loans may request that FHN repurchase loans or make the purchaser whole for economic losses incurred if it is determined that FHN violated certain contractual representations and warranties made at the time of these sales. Contractual representations and warranties differ based on deal structure and counterparty. For whole-loan sales, a claimant generally would be the purchaser. For securitizations, a repurchase claimant generally would be a trustee. Second, investors in securitizations may attempt to achieve rescission of their investments or damages through litigation by claiming that the applicable offering documents were materially

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Note 9 - Contingencies and Other Disclosures (Continued)

deficient. In addition, overlaying these avenues: some of the loans that were sold or securitized were insured and the insurance carrier may seek repurchase or make-whole remedies by claiming that FHN violated certain contractual representations and warranties made in connection with the insurance contract; and, some of the loans sold to non-Agency whole-loan purchasers were included in securitizations of the purchasers, and the purchasers may seek repurchase or indemnification for losses and expenses caused by such a violation by FHN. In some cases FHN retains the servicing of the loans sold or securitized and so has substantial visibility into the status of the loans; in many cases FHN does not retain servicing and has had very limited or no such direct visibility.

From 2005 through 2008, FHN originated and sold $69.5 billion of mortgage loans without recourse which includes $57.6 billion of loans sold to GSEs and $11.9 billion of loans guaranteed by Ginnie Mae. Although additional GSE sales occurred in earlier years, a substantial majority of GSE repurchase requests have come from that period. In addition, from 2005 through 2007, FHN securitized $26.7 billion of mortgage loans without recourse in First Horizon branded proprietary transactions.

On August 31, 2008 FHN sold its national mortgage and servicing platforms along with a portion of its servicing assets and obligations. This is sometimes referred to as the 2008 sale, the 2008 divestiture, the platform sale, or other similar words. FHN contracted with the purchaser to have its remaining servicing obligations sub-serviced by the purchaser through August 2011.

Loans Sold With Full or Limited Recourse

Although not a substantial part of FHN s former business, FHN sold certain Agency mortgage loans with full recourse under agreements to repurchase the loans upon default. Loans sold with full recourse generally include mortgage loans sold to investors in the secondary market which are uninsurable under government guaranteed mortgage loan programs due to issues associated with underwriting activities, documentation, or other concerns. For mortgage insured single-family residential loans, in the event of borrower nonperformance, FHN would assume losses to the extent they exceed the value of the collateral and private mortgage insurance, the Federal Housing Administration (FHA) insurance, or the Veteran s Administration (VA) guaranty. On September 30, 2012 and 2011, the current unpaid principal balance (UPB) of single-family residential loans that were sold on a full recourse basis with servicing retained was $37.8 million and $44.9 million, respectively.

Loans sold with limited recourse include loans sold under government guaranteed mortgage loan programs including the FHA and VA. FHN may absorb losses due to uncollected interest and foreclosure costs but has limited risk of credit losses in the event of foreclosure of the mortgage loan sold. Generally, the amount of recourse liability in the event of foreclosure is determined based upon the respective government program and/or the sale or disposal of the foreclosed property collateralizing the mortgage loan. Another instance of limited recourse is the VA/No bid. In this case, the VA guarantee is limited and FHN may be required to fund any deficiency in excess of the VA guarantee if the loan goes to foreclosure.

FHN also has potential loss exposure from claims that FHN violated FHA or VA requirements related to the origination of the loans and guarantee claims filed related to the loans. FHN recently agreed to settle a civil lawsuit, mentioned above, claiming that such violations occurred with respect to certain VA-guaranteed refinancing loans. In addition, FHN is cooperating with the U.S. Department of Justice and the Office of the Inspector General for the Department of Housing and Urban Development in a civil investigation regarding compliance with requirements relating to certain FHA-guaranteed loans.

Unless otherwise noted, the remaining discussion under this section, Legacy Home Loan Sales and Servicing, excludes information concerning full or limited recourse loan sales.

Agency Whole Loan Sales

Substantially all of the conventional, conforming mortgage loans originated by FHN were sold to the GSEs. Each agency has specific guidelines and criteria for originators and servicers of loans backing their respective securities, and the risk of credit loss with regard to the principal amount of the loans sold was generally transferred to the GSEs upon sale, or resides with the insuring government agency if the loans were guaranteed through Ginnie.

Generally these loans were sold without recourse for credit loss. However, if it is determined that the loans sold were in breach of representations or warranties required by the Agency and made by FHN at the time of sale, FHN has obligations to either repurchase the loan for the UPB or make the purchaser whole for the economic loss incurred by the purchaser of such loan. Such representations and warranties required by the Agencies typically include those made regarding the existence and sufficiency of file documentation and the absence of fraud by borrowers or other third parties such as appraisers in connection with obtaining the loan.

At the time of sale, FHN retained servicing rights for a majority of these mortgage loans sold. However, FHN has since sold (through the 2008 divestiture and bulk sales) servicing rights on a significant amount of the loans that were sold to or insured by Agencies. As of September 30, 2012, the original and current UPB of agency loans originated from 2005 through 2008 that FHN continues to service was $5.4 billion and $4.8 billion, respectively. A substantial amount of FHN s existing repurchase obligations from outstanding requests relate to conforming conventional mortgage loans that were sold to the GSEs. Since the mortgage platform sale in 2008 through September 30, 2012, Agencies have accounted for the vast majority of repurchase/make-whole claims received.

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Note 9 - Contingencies and Other Disclosures (Continued)

First Horizon Branded Proprietary Mortgage Securitizations

From 2005-2007 FHN originated and sold certain non-agency, nonconforming mortgage loans, consisting of Jumbo and Alternative-A (Alt A) first lien mortgage loans, to private investors through 80 proprietary securitization trusts under the First Horizon (FH) name. Securitized loans generally were sold indirectly to investors as interests, commonly known as certificates, in trusts or other vehicles. The certificates were sold to a variety of investors, including GSEs in some cases, through securities offerings under a prospectus or other offering documents. In most cases, the certificates were tiered into different risk classes, with junior classes exposed to trust losses first and senior classes exposed only after junior classes were exhausted. Unlike servicing on loans sold to GSEs, FHN still services substantially all of the remaining loans sold through FH proprietary securitizations. As of September 30, 2012, the remaining UPB in active FH proprietary securitizations from 2005-2007 was $8.9 billion consisting of $5.9 billion Alt-A mortgage loans and $3.0 billion Jumbo mortgage loans. Representations and warranties were made to the trustee for the benefit of investors. As such, FHN has exposure for repurchase of loans arising from claims that FHN breached its representations and warranties made at closing, and exposure for investment rescission or damages arising from claims by investors that the offering documents under which the loans were securitized were materially deficient. As of September 30, 2012, the repurchase request pipeline contained no repurchase requests related to FH first lien proprietary mortgage securitizations based on representations and warranties.

Unlike loans sold to GSEs, contractual representations and warranties for FH proprietary first lien mortgage securitizations do not include specific representations regarding the absence of other-party fraud or negligence in the underwriting or origination of the mortgage loans. Securitization documents typically provide the investors with a right to request that the trustee investigate and initiate repurchase of a mortgage loan if FHN breached certain representations and warranties made at the time the securitization closed and such breach materially and adversely affects the interests of the investors in such mortgage loan. The securitization documents do not require the trustee to make an investigation into the facts or matters stated in any investor request or notice unless requested in writing to do so by the holders of certificates evidencing not less than 25 percent of the voting rights allocated to each class of certificates. The certificate holders may also be required to indemnify the trustee for its costs related to investigations made in connection with repurchase actions. FHN has no knowledge of any investor requests to the trustee of an FH proprietary mortgage securitization to investigate mortgage loans for possible breach of representations and warranties. GSEs were among the purchasers of certificates in FH securitizations. As such, they are entitled to the benefits of the same representations and warranties as other investors. However, the GSEs, acting through their conservator under federal law, are permitted to undertake, independently of other investors, reviews of FHN s mortgage loan origination and servicing files. Such reviews are commenced using a subpoena process. If, because of such reviews, the GSEs determine there has been a breach of a representation or warranty that has had a material and adverse affect on the interests of the investors in any mortgage loan, the GSEs may seek enforcement of a repurchase obligation against FHN. Certain other government entities have asserted a similar right of review not generally available to other investors. As discussed in more detail below, FHN has received several such subpoenas.

In addition, the FH securitization trustee generally may initiate a loan review, without prior official action by investors, for the purpose of determining compliance with applicable representations and warranties with respect to any or all of the active FH securitizations. If non-compliance is discovered, the trustee may seek repurchase or other relief. At September 30, 2012, FHN s trustee had made no claims against FHN and no litigation by the trustee was pending against FHN. Accordingly, FHN is not able to estimate any liability for this risk. FHN similarly is not able to estimate a range of reasonably possible losses associated with this risk, and no such amounts are included in the aggregate range discussed above. Those inabilities are due to significant uncertainties regarding: the absence of claims made; the nature and outcome of any claims process or related settlement discussions; the outcome of litigation if litigation is pursued; the identity and value of assets that FHN may be required to repurchase to the extent asset repurchase is sought; and the lack of precedent claims.

Also unlike loans sold to the GSEs through nonrecourse whole loan sales, interests in securitized loans were sold as securities under prospectuses or other offering documents subject to the disclosure requirements of applicable federal and state securities laws. As an alternative to pursuing a claim for breach of representations and warranties through the trustee as mentioned above, investors could pursue (and in certain cases mentioned below, are pursuing) a claim alleging that the prospectus or other disclosure documents were deficient by containing materially false or misleading information or by omitting material information. Claims for such disclosure deficiencies typically could be brought under applicable federal or state securities statutes, and the statutory remedies typically could include rescission of the investment or monetary damages measured in relation to the original investment made. Any such statutory claim would be subject to applicable limitation periods and other statutory defenses. If a plaintiff properly made and proved its allegations, the plaintiff might attempt to claim that damages could include loss of market value on the investment even if there were little or no credit loss in the underlying loans. Claims based on alleged disclosure deficiencies also could be brought as traditional fraud or negligence claims with a wider scope of damages possible. Each investor could bring such a claim individually, without acting through the trustee to pursue a claim for breach of representations and warranties, and investors could attempt joint claims or attempt to pursue claims on a class-action basis. Claims of this sort are likely to be resolved in a litigation context in most cases, unlike most of the GSE repurchase requests. The analysis of loss content and establishment of appropriate liabilities in those cases would follow principles and practices associated with litigation matters, including an analysis of available procedural and substantive defenses in each particular case, a determination whether material loss is probable, and (if so) an estimation of the amount of ultimate loss, if any can be estimated. FHN expects most litigation claims to take much longer to resolve than repurchase requests typically have taken.

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Note 9 - Contingencies and Other Disclosures (Continued)

Monoline insurance is a form of credit enhancement provided to a securitization by an insurer not affiliated with FHN. Subject to the terms and conditions of the policy, the insurer guarantees payments of accrued interest and principal due to the investors. None of the FH proprietary first lien securitizations involved the use of monoline insurance for the benefit of all classes of security holders. In certain limited situations, insurance was provided for a specific senior retail class of holders within an individual securitization. The only insured certificate more recent than 2004, from 2005, covered $25.0 million of original certificate balance. The trustee statement dated September 25, 2012 reported to FHN that the remaining outstanding certificate balance for the class was $23.8 million. FHN understands that some monoline insurers have commenced lawsuits against others in the industry seeking to rescind policies of this sort due to alleged misrepresentations as to the quality of the loan portfolio insured. FHN has not received notice of a lawsuit from the monoline insurers of the senior retail level class.

Certain government entities acting on behalf of several purchasers of FH branded and other securitizations have subpoenaed information from FHN and others. In 2009 FHN was subpoenaed by the federal regulator of credit unions, the National Credit Union Administration (NCUA), related to securitization investments by certain federal credit unions. There has been little communication with FHN associated with this matter since 2010. FHN has been subpoenaed by the FHFA acting as conservator for Fannie Mae and Freddie Mac related to securitization investments by those institutions. In addition, the FHLB of San Francisco has subpoenaed FHN for purposes of a loan origination review related to certain of its securitization investments. Collectively, the NCUA, FHFA and FHLB of San Francisco subpoenas seek information concerning a number of FH first lien securitizations and a FH HELOC securitization during the years 2005 and 2006. In addition, the FDIC, acting on behalf of certain failed banks, has also subpoenaed FHN related to FH securitization investments by those institutions. The FDIC and FHLB San Francisco subpoenas also concern loans sold by FHN to non-Agency purchasers on a whole-loan basis which were included by those purchasers in non-FH securitizations. The FDIC subpoena fails to identify the specific investments made by the failed banks. Other than the dollar amounts of those investments which are the subject of the FDIC s active litigation as receiver for Colonial Bank, FHN has limited information on the loans under review or the dollar amounts invested in the FDIC subpoenas and the FHLB San Francisco subpoena. The FDIC subpoena overlaps partially, and the FHFA subpoena overlaps substantially with the ongoing litigation matters mentioned above under Litigation - Loss Contingencies.

These subpoenas relate to ongoing reviews which ultimately could result in claims against FHN. The original and current (as of the September 25, 2012 trust statements) combined first lien certificate balances of the related FH securitizations in which the credit unions invested, were $321.6 million and $139.7 million, respectively. The original and current (as of the September 25, 2012 trust statements) HELOC certificate balances of the related FH HELOC securitization in which the credit unions invested was $299.8 million and $102.1 million. The original and current certificate balances of the FH securitizations in which the FHLB SF invested are $601.1 million and $197.8 million respectively. There are limitations as to FHN s knowledge of the amount of investments made that are subject to the FDIC subpoena. As mentioned above, FHN does not know which pools or what portions of those pools the institutions represented by the FDIC purchased. Since the reviews at this time are neither repurchase claims nor litigation, the associated loans are not considered part of the repurchase pipeline.

Other First Horizon Branded Proprietary Securitizations

FHN also originated and sold home equity lines and second lien loans through certain FH proprietary securitization trusts, most of which related to HELOC loans. As of September 30, 2012, only three of those securitizations, all HELOC, remain active; the rest have been retired as a result of clean-up calls exercised by FHN. Each remaining trust issued notes backed by these loans and publicly offered the asset-backed notes to investors pursuant to a prospectus. The Trustee statements dated September 25, 2012, reported that the cumulative original and current outstanding note balances of the FH HELOC securitizations were $961.8 million and $388.9 million, respectively.