FIRST HORIZON NATIONAL CORP
Form 10-Q
November 07, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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. Yes No

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

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

Large accelerated filer	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 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, 2016
Common Stock, $.625 par value	**233,234,592**

Table of Contents

FIRST HORIZON NATIONAL CORPORATION

INDEX

PART I.

FINANCIAL INFORMATION

Item 1. Financial Statements

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

Table of Contents

CONSOLIDATED CONDENSED STATEMENTS OF CONDITION

	First Horizon National Corporation (Unaudited)		
	September 30		December 31
(Dollars in thousands, except per share amounts)	**2016**	2015	2015
Assets:			
Cash and due from banks	**$ 327,639**	$ 256,342	$ 300,811
Federal funds sold	**27,097**	64,438	114,479
Securities purchased under agreements to resell (Note 15)	**802,815**	793,098	615,773
Total cash and cash equivalents	**1,157,551**	1,113,878	1,031,063
Interest-bearing cash	**219,834**	596,689	602,836
Trading securities	**1,320,535**	1,229,180	881,450
Loans held-for-sale (a)	**155,215**	124,308	126,342
Securities available-for-sale (Note 3)	**4,027,594**	3,673,641	3,929,846
Securities held-to-maturity (Note 3)	**14,340**	4,313	14,320
Loans, net of unearned income (Note 4) (b)	**19,555,787**	16,725,492	17,686,502
Less: Allowance for loan losses (Note 5)	**201,557**	210,814	210,242
Total net loans	**19,354,230**	16,514,678	17,476,260
Goodwill (Note 6)	**191,371**	145,932	191,307
Other intangible assets, net (Note 6)	**22,317**	25,624	26,215
Fixed income receivables	**91,997**	83,547	63,660
Premises and equipment, net (September 30, 2016 includes $7.8 million classified as held-for-sale)	**279,178**	269,332	275,619
Real estate acquired by foreclosure (c)	**18,945**	35,332	33,063
Derivative assets (Note 14)	**160,736**	152,548	104,365
Other assets	**1,435,379**	1,417,071	1,436,291
Total assets	**$ 28,449,222**	$ 25,386,073	$ 26,192,637
Liabilities and equity:			
Deposits:			
Savings	**$ 8,753,115**	$ 7,554,338	$ 7,811,191
Time deposits	**732,561**	743,158	788,487
Other interest-bearing deposits	**5,605,734**	4,885,601	5,388,526
Certificates of deposit $100,000 and more	**592,518**	290,738	443,389
Interest-bearing	**15,683,928**	13,473,835	14,431,593
Noninterest-bearing	**5,890,252**	5,391,385	5,535,885
Total deposits	**21,574,180**	18,865,220	19,967,478

Federal funds purchased	**538,284**	520,992	464,166
Securities sold under agreements to repurchase (Note 15)	**341,998**	332,329	338,133
Trading liabilities	**702,226**	788,563	566,019
Other short-term borrowings	**792,736**	99,887	137,861
Term borrowings	**1,065,651**	1,339,940	1,312,677
Fixed income payables	**68,897**	95,346	23,072
Derivative liabilities (Note 14)	**144,829**	140,965	108,339
Other liabilities	**475,839**	622,586	635,306
Total liabilities	**25,704,640**	22,805,828	23,553,051
Equity:			
First Horizon National Corporation Shareholders Equity:			
Preferred stock - Series A, non-cumulative perpetual, no par value, liquidation preference of $100,000 per share - (shares authorized - 1,000; shares issued - 1,000 on September 30, 2016, September 30, 2015, and December 31, 2015)	**95,624**	95,624	95,624
Common stock - $.625 par value (shares authorized - 400,000,000; shares issued - 233,234,592 on September 30, 2016; 234,237,439 on September 30, 2015; and 238,586,637 on December 31, 2015)	**145,772**	146,398	149,117
Capital surplus	**1,376,319**	1,377,731	1,439,303
Undivided profits	**992,264**	841,737	874,303
Accumulated other comprehensive loss, net (Note 8)	**(160,828)**	(176,676)	(214,192)
Total First Horizon National Corporation Shareholders Equity	**2,449,151**	2,284,814	2,344,155
Noncontrolling interest	**295,431**	295,431	295,431
Total equity	**2,744,582**	2,580,245	2,639,586
Total liabilities and equity	**$ 28,449,222**	$ 25,386,073	$ 26,192,637

Certain previously reported amounts have been revised to reflect the retroactive effect of the adoption of ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. See Note 1 - Financial Information for additional information.

See accompanying notes to consolidated condensed financial statements.

(a) September 30, 2016 and 2015 and December 31, 2015 include $17.2 million, $21.7 million and $22.4 million, respectively, of held-for-sale consumer mortgage loans secured by residential real estate in process of foreclosure.

(b) September 30, 2016 and 2015 and December 31, 2015 include $30.3 million, $30.7 million and $29.7 million, respectively, of held-to-maturity consumer mortgage loans secured by residential real estate properties in process of foreclosure.

(c) September 30, 2016 and 2015 and December 31, 2015 include $9.7 million, $15.6 million and $14.6 million, respectively, of foreclosed residential real estate.

4

Table of Contents

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, unless otherwise noted) (Unaudited)	**2016**	2015	**2016**	2015
Interest income:				
Interest and fees on loans	**$ 174,039**	$ 150,555	**$ 495,516**	$ 447,735
Interest on investment securities available-for-sale	**23,655**	23,233	**72,082**	69,355
Interest on investment securities held-to-maturity	**197**	66	**592**	198
Interest on loans held-for-sale	**1,445**	1,311	**3,904**	4,152
Interest on trading securities	**6,793**	8,056	**22,564**	26,108
Interest on other earning assets	**843**	466	**3,354**	1,237
Total interest income	**206,972**	183,687	**598,012**	548,785
Interest expense:				
Interest on deposits:				
Savings	**4,939**	2,785	**13,275**	9,062
Time deposits	**1,117**	1,230	**3,377**	3,986
Other interest-bearing deposits	**2,592**	1,118	**7,422**	3,179
Certificates of deposit $100,000 and more	**1,379**	756	**3,916**	2,468
Interest on trading liabilities	**3,331**	4,258	**11,152**	11,942
Interest on short-term borrowings	**1,254**	664	**3,585**	2,436
Interest on term borrowings	**7,165**	9,314	**21,752**	28,644
Total interest expense	**21,777**	20,125	**64,479**	61,717
Net interest income	**185,195**	163,562	**533,533**	487,068
Provision for loan losses	**4,000**	1,000	**11,000**	8,000
Net interest income after provision for loan losses	**181,195**	162,562	**522,533**	479,068
Noninterest income:				
Fixed income	**71,748**	51,804	**216,638**	169,664
Deposit transactions and cash management	**27,221**	28,911	**81,049**	83,892
Brokerage, management fees and commissions	**10,828**	11,620	**31,908**	35,475
Trust services and investment management	**6,885**	6,590	**20,674**	20,704
Bankcard income	**6,260**	5,561	**18,077**	16,631
Bank-owned life insurance	**3,997**	4,135	**11,129**	10,988
Other service charges	**3,004**	2,968	**8,713**	8,859
Insurance commissions	**1,262**	608	**2,301**	1,858
Equity securities gains/(losses), net (Note 3)	**(200)**	(345)	**(181)**	(61)

Debt securities gains/(losses), net (Note 3)			**1,654**	
All other income and commissions (Note 7)	**17,540**	13,251	**36,402**	37,083
Total noninterest income	**148,545**	125,103	**428,364**	385,093
Adjusted gross income after provision for loan losses	**329,740**	287,665	**950,897**	864,161
Noninterest expense:				
Employee compensation, incentives, and benefits	**145,103**	116,219	**425,624**	375,633
Occupancy	**12,722**	13,282	**38,062**	37,264
Operations services	**10,518**	10,130	**30,939**	29,500
Computer software	**10,400**	11,010	**33,213**	33,292
Equipment rentals, depreciation, and maintenance	**6,085**	7,093	**19,426**	22,296
Advertising and public relations	**6,065**	4,832	**15,519**	13,914
FDIC premium expense	**5,721**	4,529	**15,490**	12,929
Professional fees	**4,859**	5,139	**14,342**	14,063
Legal fees	**4,750**	3,626	**15,520**	11,686
Communications and courier	**3,883**	4,054	**10,672**	11,731
Other insurance and taxes	**2,625**	3,283	**8,952**	10,067
Contract employment and outsourcing	**2,443**	3,414	**7,365**	11,335
Amortization of intangible assets	**1,299**	1,298	**3,898**	3,894
Foreclosed real estate	**815**	431	**125**	1,629
Repurchase and foreclosure provision	**(218)**		**(31,618)**	
All other expense (Note 7)	**16,488**	27,096	**79,778**	220,818
Total noninterest expense	**233,558**	215,436	**687,307**	810,051
Income/(loss) before income taxes	**96,182**	72,229	**263,590**	54,110
Provision/(benefit) for income taxes	**28,547**	8,897	**82,802**	8,226
Net income/(loss)	**$ 67,635**	$ 63,332	**$ 180,788**	$ 45,884
Net income attributable to noncontrolling interest	**2,883**	2,977	**8,586**	8,586
Net income/(loss) attributable to controlling interest	**$ 64,752**	$ 60,355	**$ 172,202**	$ 37,298
Preferred stock dividends	**1,550**	1,550	**4,650**	4,650
Net income/(loss) available to common shareholders	**$ 63,202**	$ 58,805	**$ 167,552**	$ 32,648
Basic earnings/(loss) per share (Note 9)	**$ 0.27**	$ 0.25	**$ 0.72**	$ 0.14
Diluted earnings/(loss) per share (Note 9)	**$ 0.27**	$ 0.25	**$ 0.71**	$ 0.14
Weighted average common shares (Note 9)	**231,856**	233,111	**232,690**	232,910
Diluted average common shares (Note 9)	**234,092**	235,058	**234,775**	234,838
Cash dividends declared per common share	**$ 0.07**	$ 0.06	**$ 0.21**	$ 0.18

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

See accompanying notes to consolidated condensed financial statements.

Table of Contents

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

	First Horizon National Corporation			
	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in thousands) (Unaudited)	**2016**	2015	**2016**	2015
Net income/(loss)	**$ 67,635**	$ 63,332	**$ 180,788**	$ 45,884
Other comprehensive income/(loss), net of tax:				
Net unrealized gains/(losses) on securities available-for-sale	**(7,887)**	15,427	**47,310**	13,331
Net unrealized gains/(losses) on cash flow hedges	**(1,570)**		**3,121**	
Net unrealized gains/(losses) on pension and other postretirement plans	**963**	(3,855)	**2,933**	(1,761)
Other comprehensive income/(loss)	**(8,494)**	11,572	**53,364**	11,570
Comprehensive income/(loss)	**59,141**	74,904	**234,152**	57,454
Comprehensive income attributable to noncontrolling interest	**2,883**	2,977	**8,586**	8,586
Comprehensive income/(loss) attributable to controlling interest	**$ 56,258**	$ 71,927	**$ 225,566**	$ 48,868
Income tax expense/(benefit) of items included in Other comprehensive income/(loss):				
Net unrealized gains/(losses) on securities available-for-sale	**$ (4,902)**	$ 9,548	**$ 29,402**	$ 8,228
Net unrealized gains/(losses) on cash flow hedges	**(975)**		**1,940**	
Net unrealized gains/(losses) on pension and other postretirement plans	**598**	(2,411)	**1,823**	(1,093)

See accompanying notes to consolidated condensed financial statements.

Table of Contents

CONSOLIDATED CONDENSED STATEMENTS OF EQUITY

	First Horizon National Corporation					
	2016			2015		
	Controlling	Noncontrolling		Controlling	Noncontrolling	
ollars in thousands except per share data) (Unaudited)	Interest	Interest	Total	Interest	Interest	Total
ance, January 1	**$ 2,344,155**	**$ 295,431**	**$ 2,639,586**	$ 2,286,159	$ 295,431	$ 2,581,59
t income/(loss)	**172,202**	**8,586**	**180,788**	37,298	8,586	45,88
ner comprehensive income/(loss) (a)	**53,364**		**53,364**	11,570		11,57
mprehensive income/(loss)	**225,566**	**8,586**	**234,152**	48,868	8,586	57,45
sh dividends declared:						
ferred stock ($4,650 per share for the nine months led September 30, 2016 and 2015, respectively)	**(4,650)**		**(4,650)**	(4,650)		(4,65
mmon stock ($.21 and $.18 per share for the nine nths ended September 30, 2016 and 2015, respectively)	**(49,578)**		**(49,578)**	(42,496)		(42,49
mmon stock repurchased (b)	**(96,801)**		**(96,801)**	(20,052)		(20,05
mmon stock issued for:						
ck options and restricted stock - equity awards	**18,710**		**18,710**	6,577		6,57
ck-based compensation expense	**12,378**		**12,378**	9,952		9,95
vidends declared - noncontrolling interest of subsidiary ferred stock		**(8,586)**	**(8,586)**		(8,586)	(8,58
benefit/(benefit reversal) - stock based compensation pense	**(629)**		**(629)**	456		45
lance, September 30	**$ 2,449,151**	**$ 295,431**	**$ 2,744,582**	$ 2,284,814	$ 295,431	$ 2,580,24

See accompanying notes to consolidated condensed financial statements.

(a) Due to the nature of the preferred stock issued by FHN and its subsidiaries, all components of Other comprehensive income/(loss) have been attributed solely to FHN as the controlling interest holder.

(b) 2016 and 2015 include $93.5 million and $15.8 million, respectively, repurchased under share repurchase programs.

Table of Contents

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	First Horizon National Corporation	
	Nine Months Ended September 30	
(Dollars in thousands) (Unaudited)	**2016**	2015
Operating Activities		
Net income/(loss)	**$ 180,788**	$ 45,884
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:		
Provision for loan losses	**11,000**	8,000
Provision/(benefit) for deferred income taxes	**68,100**	19,002
Depreciation and amortization of premises and equipment	**24,032**	27,187
Amortization of intangible assets	**3,898**	3,894
Net other amortization and accretion	**19,536**	11,774
Net (increase)/decrease in derivatives	**1,330**	(5,854)
Repurchase and foreclosure provision	**(31,618)**	
Fair value adjustment to foreclosed real estate	**1,561**	2,366
Litigation and regulatory matters	**25,285**	10,943
Stock-based compensation expense	**12,378**	9,952
(Tax benefit)/benefit reversal - stock based compensation expense	**629**	(456)
Equity securities (gains)/losses, net	**181**	61
Debt securities (gains)/losses, net	**(1,654)**	
Gain on extinguishment of debt		(5,794)
Net (gains)/losses on sale/disposal of fixed assets	**2,519**	(2,461)
Loans held-for-sale:		
Purchases	**(73,404)**	(3,080)
Gross proceeds from settlements and sales	**43,653**	20,387
(Gain)/loss due to fair value adjustments and other	**878**	(330)
Qualified pension plan contribution	**(165,000)**	
Net (increase)/decrease in:		
Trading securities	**(441,205)**	(36,200)
Fixed income receivables	**(28,337)**	(41,059)
Interest receivable	**(2,014)**	1,345
Other assets	**(69,855)**	(88,908)
Net increase/(decrease) in:		
Trading liabilities	**136,207**	194,249
Fixed income payables	**45,825**	77,189
Interest payable	**505**	1,363
Other liabilities	**(24,795)**	(36,823)
Total adjustments	**(440,365)**	166,747
Net cash provided/(used) by operating activities	**(259,577)**	212,631
Investing Activities		
Available-for-sale securities:		

Sales		**1,543**		284
Maturities		**526,112**		506,537
Purchases		**(557,216)**		(609,511)
Premises and equipment:				
Sales		**9,636**		40,369
Purchases		**(41,304)**		(24,945)
Net (increase)/decrease in:				
Loans (a)		**(1,874,562)**		(517,622)
Interests retained from securitizations classified as trading securities		**2,120**		1,411
Interest-bearing cash		**383,002**		1,025,278
Net cash provided/(used) by investing activities		**(1,550,669)**		421,801
Financing Activities				
Common stock:				
Stock options exercised		**18,710**		6,860
Cash dividends paid		**(47,144)**		(39,978)
Repurchase of shares (b)		**(96,801)**		(20,052)
Tax benefit/(benefit reversal) - stock based compensation expense		**(629)**		456
Cash dividends paid - preferred stock - noncontrolling interest		**(8,523)**		(8,555)
Cash dividends paid - Series A preferred stock		**(4,650)**		(4,650)
Term borrowings:				
Issuance		**100**		
Payments/maturities		**(264,599)**		(519,545)
Net increase/(decrease) in:				
Deposits		**1,607,412**		796,781
Short-term borrowings		**732,858**		(803,276)
Net cash provided/(used) by financing activities		**1,936,734**		(591,959)
Net increase/(decrease) in cash and cash equivalents		**126,488**		42,473
Cash and cash equivalents at beginning of period		**1,031,063**		1,071,405
Cash and cash equivalents at end of period	**$**	**1,157,551**	$	1,113,878
Supplemental Disclosures				
Total interest paid	**$**	**63,337**	$	59,609
Total taxes paid		**11,580**		14,896
Total taxes refunded		**3,854**		7,012
Transfer from loans to other real estate owned		**7,291**		9,772

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

See accompanying notes to consolidated condensed financial statements.

(a) 2016 includes $537.4 million UPB of loans acquired from GE Capital.
(b) 2016 and 2015 include $93.5 million and $15.8 million, respectively, repurchased under share repurchase programs.

8

Notes to the Consolidated Condensed Financial Statements (Unaudited)

Note 1 Financial Information

Basis of Accounting. The unaudited interim consolidated condensed financial statements of First Horizon National Corporation (FHN), including its subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States of America and follow general practices within the industries in which it operates. This preparation requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions are based on information available as of the date of the financial statements and could differ from actual results. In the opinion of management, all necessary adjustments have been made for a fair presentation of financial position and results of operations for the periods presented. These adjustments are of a normal recurring nature unless otherwise disclosed in this Quarterly Report on Form 10-Q. The operating results for the interim 2016 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 Exhibit 13 to FHN s Annual Report on Form 10-K for the year ended December 31, 2015.

Summary of Accounting Changes. Effective January 1, 2016, FHN early adopted the provisions of ASU 2016-05, Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships , on a prospective basis. ASU 2016-05 clarifies that a change in the counterparty of a derivative instrument that has been designated as the hedging instrument in an accounting hedge relationship does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. FHN considers the revised guidance to better reflect the nature of hedge accounting relationships by clarifying that, when considered solely, the counterparty is not a critical term in a hedge relationship. Because FHN has applied specific SEC staff guidance for novation (to facilitate central clearing requirements) of derivatives to prior and existing accounting hedge relationships, adoption of ASU 2016-05 had no effect on FHN.

Effective January 1, 2016, FHN early adopted the provisions of ASU 2016-06, Contingent Put and Call Options in Debt Instruments , which resolves diversity in practice for the bifurcation assessment when a contingent put or call option is embedded within a hybrid debt instrument. ASU 2016-06 clarifies that an entity is not required to assess whether the triggering event is related to interest rate or credit risks when performing the bifurcation analysis. FHN s existing bifurcation assessment process conforms to the methodology outlined in ASU 2016-06.

Effective January 1, 2016, FHN adopted the provisions of ASU 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. ASU 2014-12 requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition in determining expense recognition for the award. Thus, compensation cost is recognized over the requisite service period based on the probability of achievement of the performance condition. Expense is adjusted after the requisite service period for changes in the probability of achievement. The adoption of ASU 2014-12 had no effect on FHN.

Effective January 1, 2016, FHN adopted the provisions of ASU 2015-02, Amendments to the Consolidation Analysis. ASU 2015-02 revises current consolidation guidance to modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities. ASU 2015-02 also eliminates the presumption that a general partner should consolidate a limited partnership, revises the consolidation analysis for reporting entities that have fee arrangements and related party relationships with variable interest entities, and provides a scope exception for entities with interests in registered money market funds. FHN has evaluated the provisions of ASU 2015-02 on its consolidation assessments and there was not a significant effect upon adoption.

Effective January 1, 2016, FHN adopted the provisions of ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented as a direct reduction from the carrying value of that debt liability, consistent with debt discounts. ASU 2015-03 requires application on a retrospective basis, with prior periods revised to reflect the effects of adoption. Consistent with prior requirements, FHN previously classified debt issuance costs within Other assets in the Consolidated Condensed Statements of Condition. The adoption of ASU 2015-03 had no effect on FHN s recognition of interest expense. The effects of the retrospective application of the change in presentation of debt issuance costs are summarized in the table below.

(Dollars in thousands)	As of September 30 2015	As of December 31 2015	As of December 31 2014
Increase/(decrease) to previously reported Consolidated Statements of Condition amounts			
Other assets	$ (1,246)	$ (2,499)	$ (2,764)
Term Borrowings	(1,246)	(2,499)	(2,764)

Note 1 Financial Information (Continued)

Accounting Changes Issued but Not Currently Effective

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 does not change revenue recognition for financial instruments. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This is accomplished through a five-step recognition framework involving 1) the identification of contracts with customers, 2) identification of performance obligations, 3) determination of the transaction price, 4) allocation of the transaction price to the performance obligations and 5) recognition of revenue as performance obligations are satisfied. Additionally, qualitative and quantitative information is required for disclosure regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In February 2016, the FASB issued ASU 2016-08, Principal versus Agent Considerations, which provides additional guidance on whether an entity should recognize revenue on a gross or net basis, based on which party controls the specified good or service before that good or service is transferred to a customer. In April 2016, the FASB issued ASU 2016-10, Identifying Performance Obligations and Licensing, which clarifies the original guidance included in ASU 2014-09 for identification of the goods or services provided to customers and enhances the implementation guidance for licensing arrangements. ASU 2016-12, Narrow-Scope Improvements and Practical Expedients, was issued in May 2016 to provide additional guidance for the implementation and application of ASU 2014-09. The effective date of these ASUs has been deferred to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is permitted for annual reporting periods beginning after December 15, 2016, and associated interim periods. Transition to the new requirements may be made by retroactively revising prior financial statements (with certain practical expedients permitted) or by a cumulative effect through retained earnings. If the latter option is selected, additional disclosures are required for comparability. FHN is evaluating the effects of these ASUs on its revenue recognition practices.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern. ASU 2014-15 requires an entity s management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity s ability to continue as a going concern within one year after the date that the financial statements are issued. If such events or conditions exist, additional disclosures are required and management should evaluate whether its plans sufficiently alleviate the substantial doubt. ASU 2014-15 is effective for the annual period ending after December 15, 2016 and all interim and annual periods thereafter. The provisions of ASU 2014-15 are not anticipated to affect FHN.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 makes several revisions to the accounting, presentation and disclosure for financial instruments. Equity investments (except those accounted for under the equity method or those that result in consolidation of the investee) are required to be measured at fair value with changes in fair value recognized in net income. An entity may elect to measure equity investments that do not have readily determinable market values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar instruments from the same issuer. ASU 2016-01 also requires a qualitative impairment review for equity investments without readily determinable fair values, with measurement at fair value required if impairment is determined to exist. For liabilities for which fair value has been elected, ASU 2016-01 revises current accounting to record the portion of fair value changes resulting from instrument-specific credit risk within other comprehensive income rather than earnings. Additionally, ASU 2016-01 clarifies that the need for a valuation allowance on a deferred tax asset related to available-for-sale securities should be assessed in combination with all other deferred tax assets rather than being assessed in isolation. ASU 2016-01 also makes several changes to existing fair value presentation and disclosure requirements, including a provision that all disclosures must use an exit price concept in the determination of fair value. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. FHN is evaluating the impact of ASU 2016-01 on its current accounting and disclosure practices.

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

In transition to ASU 2016-02, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply, which would result in continuing to account for leases that commence before the effective date in accordance with previous requirements (unless the lease is modified) except that lessees are required to recognize a right-of-use

Table of Contents

Note 1 Financial Information (Continued)

asset and a lease liability for all operating leases at each reporting date based on the present value of the remaining minimum rental payments that were tracked and disclosed under previous requirements. ASU 2016-02 also requires expanded qualitative and quantitative disclosures to assess the amount, timing, and uncertainty of cash flows arising from lease arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. FHN is evaluating the impact of ASU 2016-02 on its current accounting and disclosure practices.

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

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

ASU 2016-09 also provides an accounting policy election to recognize forfeitures of awards as they occur rather than the current requirement to estimate forfeitures from inception. Further, ASU 2016-09 permits employers to use a net-settlement feature to withhold taxes on equity compensation awards up to the maximum statutory tax rate without affecting the equity classification of the award. Under current guidance, withholding of equity awards in excess of the minimum statutory requirement results in liability classification for the entire award. The related cash remittance by the employer for employee taxes will be treated as a financing activity in the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Transition to the new guidance will be accomplished through a combination of retrospective, cumulative-effect adjustment to equity and prospective methodologies. FHN currently estimates that adoption of ASU 2016-09 will result in an increase in tax provision in 2017 between $1.0 million and $2.0 million. The effects on earnings per share calculations and elections to account for forfeitures as incurred are not anticipated to be significant.

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

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

The provisions of ASU 2016-13 will be generally adopted through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in the year of adoption. Prospective implementation is required for debt securities for which an other-than-temporary-impairment (OTTI) had been previously recognized. Amounts previously recognized in accumulated other comprehensive income (AOCI) as of the date of adoption that relate to improvements in cash flows expected to be collected will continue to be accreted into income over the remaining life of the asset. Recoveries of amounts previously written off relating to

Table of Contents

Note 1 Financial Information (Continued)

improvements in cash flows after the date of adoption will be recorded in earnings when received. A prospective transition approach will be used for existing PCD assets where, upon adoption, the amortized cost basis will be adjusted to reflect the addition of the allowance for credit losses. Thus, an entity will not be required to reassess its purchased financial assets that exist as of the date of adoption to determine whether they would have met at acquisition the new criteria of more-than insignificant credit deterioration since origination. An entity will accrete the remaining noncredit discount (based on the revised amortized cost basis) into interest income at the effective interest rate at the adoption date.

ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in fiscal years beginning after December 15, 2018. FHN is evaluating the impact of ASU 2016-13 on its current accounting and disclosure practices. Since the CECL methodology encompasses a life of loan requirement for the recognition of credit losses, the estimated amount of such losses will be larger than the estimate of probable incurred losses under current standards. The extent of this difference will be dependent upon economic considerations and loan portfolio characteristics at the time of adoption.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments, which clarifies multiple cash flow presentation issues including providing guidance as to classification on the cash flow statement for certain cash receipts and cash payments where diversity in practice exists. ASU 2016-15 also provides an accounting policy election to classify cash flows from an equity method investee under the cumulative earnings approach or the nature of distribution approach. Finally, ASU 2016-15 provides guidance on the presentation of individual cash flows with characteristics of multiple classifications. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The provisions of ASU 2016-15 should be applied using a retrospective transition method to each period presented. FHN is evaluating the impact of ASU 2016-15 on its current cash flow presentation practices.

Table of Contents

Note 2 Acquisitions and Divestitures

On October 27, 2016, FTN Financial announced its plan to acquire Coastal Securities (Coastal), a national leader in the trading, securitization, and analysis of Small Business Administration (SBA) loans, for approximately $160 million in cash. Based in Houston, TX, Coastal also trades United States Department of Agriculture (USDA) loans and fixed income products and provides municipal underwriting and advisory services to its clients. Coastal s government-guaranteed loan products, combined with FTN Financial s existing SBA trading activities, will establish an additional major product sector for FTN Financial. The transaction, which is subject to regulatory approvals, the affirmative vote of Coastal Financial Holdings, Inc. (CFH) shareholders and other customary closing conditions, is expected to close in early 2017.

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

On October 2, 2015, FHN completed its acquisition of TrustAtlantic Financial Corporation (TrustAtlantic Financial or TAF), and its wholly-owned bank subsidiary TrustAtlantic Bank (TAB), for an aggregate of 5,093,657 shares of FHN common stock and $23.9 million in cash in a transaction valued at $96.7 million. Prior to the acquisition TAB had five branches located in Raleigh, Cary and Greenville, North Carolina. In relation to the acquisition, FHN acquired approximately $400 million in assets, including approximately $282 million in loans, and assumed approximately $344 million of TAB deposits. FHN recorded $45.4 million in goodwill associated with the acquisition, representing the excess of acquisition consideration over the estimated fair value of net assets acquired.

See Note 2 Acquisitions and Divestitures in the Notes to Consolidated Financial Statements on Form 10-K for the year ended December 31, 2015, for additional information about the TAF acquisition.

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

Table of Contents

Note 3 Investment Securities

The following tables summarize FHN s investment securities on September 30, 2016 and 2015:

	September 30, 2016			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
U.S. treasuries	$ 100	$	$	$ 100
Government agency issued mortgage-backed securities (MBS)	1,877,496	62,910	(49)	1,940,357
Government agency issued collateralized mortgage obligations (CMO)	1,881,795	21,457	(2,108)	1,901,144
Equity and other (a)	185,992	1		185,993
Total securities available-for-sale (b)	**$ 3,945,383**	**$ 84,368**	**$ (2,157)**	**$ 4,027,594**
Securities held-to-maturity:				
States and municipalities	$ 4,340	$ 400	$	$ 4,740
Corporate bonds	10,000	302		10,302
Total securities held-to-maturity	**$ 14,340**	**$ 702**	**$**	**$ 15,042**

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

	September 30, 2015			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
U.S. treasuries	$ 100	$	$	$ 100
Government agency issued MBS	914,878	31,773	(700)	945,951
Government agency issued CMO	2,514,362	30,281	(9,207)	2,535,436
Other U.S. government agencies	1,443	3		1,446
States and municipalities	9,155			9,155
Equity and other (a)	182,014		(461)	181,553
Total securities available-for-sale (b)	$ 3,621,952	$ 62,057	$ (10,368)	$ 3,673,641

Securities held-to-maturity:				
States and municipalities	$ 4,313	$ 1,091	$	$ 5,404
Total securities held-to-maturity	$ 4,313	$ 1,091	$	$ 5,404

(a) Includes restricted investments in FHLB-Cincinnati stock of $87.9 million and FRB stock of $65.8 million. The remainder is money market, mutual funds, and cost method investments.

(b) Includes $2.9 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes.

Table of Contents

Note 3 Investment Securities (Continued)

The amortized cost and fair value by contractual maturity for the available-for-sale and held-to-maturity securities portfolios on September 30, 2016 are provided below:

	Held-to-Maturity		Available-for-Sale	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$	$	$ 100	$ 100
After 1 year; within 5 years				
After 5 years; within 10 years	10,000	10,302		
After 10 years	4,340	4,740		
Subtotal	14,340	15,042	100	100
Government agency issued MBS and CMO (a)			3,759,291	3,841,501
Equity and other			185,992	185,993
Total	**$ 14,340**	**$ 15,042**	**$ 3,945,383**	**$ 4,027,594**

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

The table below provides information on gross gains and gross losses from available-for-sale investment securities for the three and nine months ended September 30:

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in thousands)	**2016**	2015	**2016**	2015
Gross gains on sales of securities	**$**	$	**$ 3,999**	$ 284
Gross (losses) on sales of securities			**(2,326)**	
Net gain/(loss) on sales of securities (a)			**1,673**	284
Net OTTI recorded (b)	**(200)**	(345)	**(200)**	(345)
Total securities gain/(loss), net	**$ (200)**	$ (345)	**$ 1,473**	$ (61)

(a)

There were no sales proceeds for the three months ended September 30, 2016 and 2015; cash proceeds for the nine months ended September 30, 2016 and 2015 were $1.5 million and $.3 million, respectively. Nine months ended September 30, 2016 includes a $1.7 million gain from an exchange of approximately $294 million of AFS debt securities.

(b) OTTI recorded is related to equity securities.

Table of Contents

Note 3 Investment Securities (Continued)

The following tables provide information on investments within the available-for-sale portfolio that had unrealized losses as of September 30, 2016 and 2015:

	As of September 30, 2016					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government agency issued CMO	$ 320,282	$ (631)	$ 142,060	$ (1,477)	$ 462,342	$ (2,108)
Government agency issued MBS	38,477	(49)			38,477	(49)
Total temporarily impaired securities	**$ 358,759**	**$ (680)**	**$ 142,060**	**$ (1,477)**	**$ 500,819**	**$ (2,157)**

	As of September 30, 2015					
	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	$ 370,165	$ (1,487)	$ 435,331	$ (7,720)	$ 805,496	$ (9,207)
Government agency issued MBS	69,997	(242)	32,538	(458)	102,535	(700)
Total debt securities	440,162	(1,729)	467,869	(8,178)	908,031	(9,907)
Equity			630	(461)	630	(461)
Total temporarily impaired securities	$ 440,162	$ (1,729)	$ 468,499	$ (8,639)	$ 908,661	$ (10,368)

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

Table of Contents

Note 4 Loans

The following table provides the balance of loans by portfolio segment as of September 30, 2016 and 2015, and December 31, 2015:

	September 30		December 31
(Dollars in thousands)	**2016**	2015	2015
Commercial:			
Commercial, financial, and industrial	**$ 12,118,298**	$ 9,610,295	$ 10,436,390
Commercial real estate	**2,065,595**	1,488,044	1,674,935
Consumer:			
Consumer real estate (a)	**4,578,371**	4,813,936	4,766,518
Permanent mortgage	**436,100**	463,893	454,123
Credit card & other	**357,423**	349,324	354,536
Loans, net of unearned income	**$ 19,555,787**	$ 16,725,492	$ 17,686,502
Allowance for loan losses	**201,557**	210,814	210,242
Total net loans	**$ 19,354,230**	$ 16,514,678	$ 17,476,260

(a) Balances as of September 30, 2016 and 2015, and December 31, 2015, include $38.5 million, $59.3 million, and $52.8 million of restricted real estate loans, respectively. See Note 13 - Variable Interest Entities for additional information.

COMPONENTS OF THE LOAN PORTFOLIO

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

Concentrations

FHN has a concentration of residential real estate loans (26 percent of total loans), the majority of which is in the consumer real estate segment (23 percent of total loans). Loans to finance and insurance companies total $2.3 billion

(19 percent of the C&I portfolio, or 12 percent of the total loans). FHN had loans to mortgage companies totaling $2.5 billion (20 percent of the C&I segment, or 13 percent of total loans) as of September 30, 2016. As a result, 39 percent of the C&I segment was sensitive to impacts on the financial services industry.

Acquisition

On September 16, 2016, FHN completed its acquisition of restaurant franchise loans from GE Capital. The acquisition included $537.4 million in unpaid principal balance of loans.

On October 2, 2015, FHN completed its acquisition of TAF, and its wholly-owned bank subsidiary TAB. The acquisition included $298.1 million in unpaid principal balance of loans with a fair value of $281.9 million.

Generally, the fair value for the acquired loans is estimated using a discounted cash flow analysis with significant unobservable inputs (Level 3) including adjustments for expected credit losses, prepayment speeds, current market rates for similar loans, and an adjustment for investor-required yield given product-type and various risk characteristics.

At each acquisition, FHN designated certain loans as PCI with the remaining loans accounted for under ASC 310-20, Nonrefundable Fees and Other Costs. For loans accounted for under ASC 310-20, the difference between each loan s book value and the estimated fair value at the time of the acquisition will be accreted into interest income over its remaining contractual life and the subsequent accounting and reporting will be similar to a loan in FHN s originated portfolio.

Table of Contents

Note 4 Loans (Continued)

Purchased Credit-Impaired Loans

The following table reflects FHN s contractually required payment receivable, cash flows expected to be collected and the fair value of PCI loans at the acquisition date of September 16, 2016.

(Dollars in thousands)	September 16, 2016
Contractually required payments including interest	$ 40,143
Less: nonaccretable difference	(1,030)
Cash flows expected to be collected	39,113
Less: accretable yield	(2,883)
Fair value of loans acquired	**$ 36,230**

The following table presents a rollforward of the accretable yield for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30		Nine Months Ended September 30	
(Dollars in thousands)	**2016**	2015	**2016**	2015
Balance, beginning of period	**$ 6,171**	$ 8,348	**$ 8,542**	$ 14,714
Additions	**2,883**		**2,883**	
Accretion	**(837)**	(1,037)	**(2,984)**	(5,985)
Adjustment for payoffs	**(179)**	(835)	**(4,408)**	(2,931)
Adjustment for charge-offs			**(674)**	
Increase in accretable yield (a)	**686**	500	**5,398**	1,178
Other			**(33)**	
Balance, end of period	**$ 8,724**	$ 6,976	**$ 8,724**	$ 6,976

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

At September 30, 2016, the ALLL related to PCI loans was $1.2 million compared to $2.9 million at September 30, 2015. A loan loss provision expense of $.3 million was recognized during the three months ended September 30, 2016, as compared to $.1 million recognized during the three months ended September 30, 2015. The PCI provision was not material for the nine months ended September 30, 2016, and was a provision credit of $.4 million for the nine months ended September 30, 2015.

The following table reflects the outstanding principal balance and carrying amounts of the acquired PCI loans as of September 30, 2016 and 2015, and December 31, 2015:

	September 30, 2016		September 30, 2015		December 31, 2015	
(Dollars in thousands)	**Carrying value**	**Unpaid balance**	Carrying value	Unpaid balance	Carrying value	Unpaid balance
Commercial, financial and industrial	**$ 46,189**	**$ 47,882**	$ 4,767	$ 5,353	$ 16,063	$ 18,573
Commercial real estate	**8,661**	**11,340**	17,998	21,138	19,929	25,504
Consumer real estate	**1,233**	**1,733**	1,968	2,636	3,672	4,533
Credit card and other	**51**	**65**	6	10	52	76
Total	**$ 56,134**	**$ 61,020**	$ 24,739	$ 29,137	$ 39,716	$ 48,686

Table of Contents

Note 4 Loans (Continued)

Impaired Loans

The following tables provide information at September 30, 2016 and 2015, by class related to individually impaired loans and consumer TDRs, regardless of accrual status. Recorded investment is defined as the amount of the investment in a loan, before valuation allowance but which does reflect any direct write-down of the investment. For purposes of this disclosure, PCI loans and net LOCOM have been excluded.

	September 30, 2016			Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
(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	$ 13,127	$ 20,666	$	$ 13,708	$	$ 12,088	$
Income CRE				1,234		2,057	
Total	$ 13,127	$ 20,666	$	$ 14,942	$	$ 14,145	$
Consumer:							
HELOC (a)	$ 11,359	$ 24,541	$	$ 11,273	$	$ 11,100	$
R/E installment loans (a)	4,084	5,094		4,158		4,333	
Permanent mortgage (a)	4,279	6,654		4,280		4,292	
Total	$ 19,722	$ 36,289	$	$ 19,711	$	$ 19,725	$
Impaired loans with related allowance recorded:							
Commercial:							
General C&I	$ 32,982	$ 34,915	$ 4,262	$ 33,433	$ 289	$ 29,896	$ 668
TRUPS	3,242	3,700	925	3,258		3,291	
Income CRE	1,968	2,246	113	3,211	15	4,376	55
Residential CRE	1,334	1,803	103	1,355	5	1,376	17
Total	$ 39,526	$ 42,664	$ 5,403	$ 41,257	$ 309	$ 38,939	$ 740
Consumer:							
HELOC	$ 86,967	$ 89,500	$ 15,769	$ 87,919	$ 546	$ 88,266	$ 1,527
R/E installment loans	56,499	57,686	13,692	57,775	357	58,890	1,019
Permanent mortgage	89,792	102,355	14,611	90,697	544	92,716	1,602

Credit card & other	**340**	**340**	**139**	**348**	**4**	**353**	**10**
Total	**$ 233,598**	**$ 249,881**	**$ 44,211**	**$ 236,739**	**$ 1,451**	**$ 240,225**	**$ 4,158**
Total commercial	**$ 52,653**	**$ 63,330**	**$ 5,403**	**$ 56,199**	**$ 309**	**$ 53,084**	**$ 740**
Total consumer	**$ 253,320**	**$ 286,170**	**$ 44,211**	**$ 256,450**	**$ 1,451**	**$ 259,950**	**$ 4,158**
Total impaired loans	**$ 305,973**	**$ 349,500**	**$ 49,614**	**$ 312,649**	**$ 1,760**	**$ 313,034**	**$ 4,898**

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

Table of Contents

Note 4 Loans (Continued)

	September 30, 2015			Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
(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	$ 5,586	$ 7,266	$	$ 8,994	$	$ 11,202	$
Income CRE	2,468	9,389		3,328		4,631	
Residential CRE						191	
Total	$ 8,054	$ 16,655	$	$ 12,322	$	$ 16,024	$
Consumer:							
HELOC (a)	$ 11,000	$ 28,486	$	$ 11,788	$	$ 12,455	$
R/E installment loans (a)	4,404	5,756		4,682		4,696	
Permanent mortgage (a)	5,983	8,255		6,193		6,743	
Total	$ 21,387	$ 42,497	$	$ 22,663	$	$ 23,894	$
Impaired loans with related allowance recorded:							
Commercial:							
General C&I	$ 21,319	$ 25,515	$ 846	$ 25,934	$ 238	$ 24,702	$ 727
TRUPS	13,369	13,700	5,310	13,384		13,414	
Income CRE	6,424	7,709	496	6,606	32	6,962	95
Residential CRE	1,417	1,886	91	1,468	6	1,512	19
Total	$ 42,529	$ 48,810	$ 6,743	$ 47,392	$ 276	$ 46,590	$ 841
Consumer:							
HELOC	$ 89,199	$ 91,382	$ 17,200	$ 88,245	$ 474	$ 86,359	$ 1,383
R/E installment loans	65,465	66,431	16,718	66,367	352	68,274	1,010
Permanent mortgage	99,071	111,683	15,696	99,913	613	102,341	1,841
Credit card & other	380	380	168	399	3	453	11
Total	$ 254,115	$ 269,876	$ 49,782	$ 254,924	$ 1,442	$ 257,427	$ 4,245
Total commercial	$ 50,583	$ 65,465	$ 6,743	$ 59,714	$ 276	$ 62,614	$ 841
Total consumer	$ 275,502	$ 312,373	$ 49,782	$ 277,587	$ 1,442	$ 281,321	$ 4,245
Total impaired loans	$ 326,085	$ 377,838	$ 56,525	$ 337,301	$ 1,718	$ 343,935	$ 5,086

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

Asset Quality Indicators

FHN employs a dual grade commercial risk grading methodology to assign an estimate for the probability of default (PD) and the loss given default (LGD) for each commercial loan using factors specific to various industry, portfolio, or product segments that result in a rank ordering of risk and the assignment of grades PD 1 to PD 16. Each PD grade corresponds to an estimated one-year default probability percentage; a PD 1 has the lowest expected default probability, and probabilities increase as grades progress down the scale. PD 1 through PD 12 are pass grades. PD grades 13-16 correspond to the regulatory-defined categories of special mention (13), substandard (14), doubtful (15), and loss (16). Pass loan grades are required to be reassessed annually or earlier whenever there has been a material change in the financial condition of the borrower or risk characteristics of the relationship. All commercial loans over $1 million and certain commercial loans over $500,000 that are graded 13 or worse are reassessed on a quarterly basis. 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. See Note 5 - Allowance for Loan Losses for further discussion on the credit grading system.

Table of Contents

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, 2016 and 2015:

	September 30, 2016							
(Dollars in thousands)	**General C&I**	**Loans to Mortgage Companies**	**TRUPS (a)**	**Income CRE**	**Residential CRE**	**Total**	**Percentage of Total**	**Allowance for Loan Losses**
PD Grade:								
1	**$ 475,708**	**$**	**$**	**$ 1,109**	**$**	**$ 476,817**	**3%**	**$ 85**
2	**689,620**			**11,586**	**91**	**701,297**	**5**	**332**
3	**445,832**	**645,764**		**133,661**		**1,225,257**	**9**	**298**
4	**924,003**	**409,470**		**230,460**		**1,563,933**	**11**	**1,001**
5	**1,148,228**	**286,413**		**299,750**	**561**	**1,734,952**	**12**	**6,330**
6	**1,417,978**	**762,294**		**297,287**	**13,145**	**2,490,704**	**18**	**10,367**
7	**1,431,070**	**209,511**		**479,531**	**3,286**	**2,123,398**	**15**	**13,302**
8	**995,678**	**93,661**		**321,942**	**4,174**	**1,415,455**	**10**	**23,930**
9	**634,142**	**32,537**		**105,274**	**4,079**	**776,032**	**5**	**14,419**
10	**367,947**	**40,099**		**57,528**	**12,708**	**478,282**	**3**	**8,401**
11	**218,754**			**24,245**	**4,532**	**247,531**	**2**	**6,229**
12	**118,425**			**12,678**	**6,701**	**137,804**	**1**	**4,290**
13	**216,314**		**304,527**	**8,990**	**135**	**529,966**	**4**	**7,262**
14,15,16	**154,412**	**70**		**18,207**	**1,441**	**174,130**	**1**	**16,804**
Collectively evaluated for impairment	**9,238,111**	**2,479,819**	**304,527**	**2,002,248**	**50,853**	**14,075,558**	**99**	**113,050**
Individually evaluated for impairment	**46,109**		**3,242**	**1,968**	**1,334**	**52,653**		**5,403**
Purchased credit-impaired loans	**46,490**			**8,758**	**434**	**55,682**	**1**	**833**
Total commercial loans	**$ 9,330,710**	**$ 2,479,819**	**$ 307,769**	**$ 2,012,974**	**$ 52,621**	**$ 14,183,893**	**100%**	**$ 119,286**

	September 30, 2015							
(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	$ 529,836	$	$	$ 707	$	$ 530,543	5%	$ 127

2	590,614			10,835	126	601,575	5	322
3	453,831	327,776		90,588		872,195	8	311
4	822,515	315,061		110,165	302	1,248,043	11	949
5	1,190,085	239,391		234,729	7,015	1,671,220	15	6,901
6	1,201,553	350,401		347,740	2,793	1,902,487	17	10,630
7	1,278,443	98,262		354,457	4,670	1,735,832	16	13,891
8	747,760	18,189		150,375	561	916,885	8	13,953
9	377,998	26,240		42,995	2,212	449,445	4	8,310
10	188,711			30,515	89	219,315	2	4,635
11	186,974			28,004	747	215,725	2	5,861
12	80,836			9,095	516	90,447	1	2,975
13	112,423		305,382	3,600	260	421,665	4	4,256
14,15,16	123,345			23,195	1,277	147,817	1	14,533
Collectively evaluated for impairment	7,884,924	1,375,320	305,382	1,437,000	20,568	11,023,194	99	87,654
Individually evaluated for impairment	26,904		12,755	8,892	1,417	49,968	1	6,743
Purchased credit-impaired loans	5,010			18,533	1,634	25,177		2,414
Total commercial loans	$ 7,916,838	$ 1,375,320	$ 318,137	$ 1,464,425	$ 23,619	$ 11,098,339	100%	$ 96,811

(a) Balances as of September 30, 2016 and 2015, presented net of $25.5 million and $26.2 million, respectively, in lower of cost or market (LOCOM) valuation adjustment. Based on the underlying structure of the notes, the highest possible internal grade is 13 .

21

Table of Contents

Note 4 Loans (Continued)

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

The following table reflects the percentage of balances outstanding by average, refreshed FICO scores for the HELOC, real estate installment, and permanent mortgage classes of loans as of September 30, 2016 and 2015:

	September 30, 2016			September 30, 2015		
	HELOC	**R/E Installment Loans**	**Permanent Mortgage**	HELOC	R/E Installment Loans	Permanent Mortgage
FICO score greater than or equal to 740	**56.3%**	**68.7%**	**43.6%**	55.4%	67.6%	43.1%
FICO score 720-739	**8.9**	**9.1**	**9.5**	8.8	8.1	9.2
FICO score 700-719	**8.8**	**7.1**	**11.9**	9.2	7.9	10.0
FICO score 660-699	**13.2**	**8.8**	**16.5**	12.9	8.8	16.8
FICO score 620-659	**5.9**	**3.4**	**8.7**	6.5	4.1	8.4
FICO score less than 620 (a)	**6.9**	**2.9**	**9.8**	7.2	3.5	12.5
Total	**100.0%**	**100.0%**	**100.0%**	100.0%	100.0%	100.0%

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

Nonaccrual and Past Due Loans

The following table reflects accruing and non-accruing loans by class on September 30, 2016:

	Accruing				**Non-Accruing**				
(Dollars in thousands)	**Current**	**30-89 Days Past Due**	**90+ Days Past Due**	**Total Accruing**	**Current**	**30-89 Days Past Due**	**90+ Days Past Due**	**Total Non-Accruing**	**Total Loans**
Commercial (C&I):									
General C&I	$ 9,253,922	$ 3,570	$ 96	**$ 9,257,588**	$ 9,897	$ 2,440	$ 14,295	**$ 26,632**	**$ 9,284,220**
Loans to mortgage companies	2,478,708	1,041		**2,479,749**			70	**70**	**2,479,819**

TRUPS (a)	304,527			**304,527**			3,242	**3,242**	**307,769**
Purchased credit-impaired loans	45,311	711	468	**46,490**					**46,490**
Total commercial (C&I)	12,082,468	5,322	564	**12,088,354**	9,897	2,440	17,607	**29,944**	**12,118,298**
Commercial real estate:									
Income CRE	2,000,553	1,071		**2,001,624**	113	468	2,011	**2,592**	**2,004,216**
Residential CRE	50,221	1,141		**51,362**			825	**825**	**52,187**
Purchased credit-impaired loans	7,697	390	1,105	**9,192**					**9,192**
Total commercial real estate	2,058,471	2,602	1,105	**2,062,178**	113	468	2,836	**3,417**	**2,065,595**
Consumer real estate:									
HELOC	1,693,312	16,054	10,031	**1,719,397**	50,377	4,101	10,126	**64,604**	**1,784,001**
R/E installment loans	2,754,910	9,932	3,129	**2,767,971**	19,251	2,319	3,263	**24,833**	**2,792,804**
Purchased credit-impaired loans	1,315		251	**1,566**					**1,566**
Total consumer real estate	4,449,537	25,986	13,411	**4,488,934**	69,628	6,420	13,389	**89,437**	**4,578,371**
Permanent mortgage	396,285	4,331	6,380	**406,996**	11,113	3,867	14,124	**29,104**	**436,100**
Credit card & other:									
Credit card	186,482	1,464	1,230	**189,176**					**189,176**
Other	167,015	843	190	**168,048**			148	**148**	**168,196**
Purchased credit-impaired loans	51			**51**					**51**
Total credit card & other	353,548	2,307	1,420	**357,275**			148	**148**	**357,423**
Total loans, net of unearned income	$ 19,340,309	$ 40,548	$ 22,880	**$ 19,403,737**	$ 90,751	$ 13,195	$ 48,104	**$ 152,050**	**$ 19,555,787**

(a) Total TRUPS includes LOCOM valuation adjustment of $25.5 million.

Table of Contents

Note 4 Loans (Continued)

The following table reflects accruing and non-accruing loans by class on September 30, 2015:

	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	$ 7,888,633	$ 6,095	$ 349	**$ 7,895,077**	$ 5,359	$ 1,553	$ 9,839	**$ 16,751**	**$ 7,911,828**
Loans to mortgage companies	1,373,103	2,102		**1,375,205**			115	**115**	**1,375,320**
TRUPS (a)	305,382			**305,382**			12,755	**12,755**	**318,137**
Purchased credit-impaired loans	4,705		305	**5,010**					**5,010**
Total commercial (C&I)	9,571,823	8,197	654	**9,580,674**	5,359	1,553	22,709	**29,621**	**9,610,295**
Commercial real estate:									
Income CRE	1,435,395	2,394		**1,437,789**	914		7,189	**8,103**	**1,445,892**
Residential CRE	21,905	80		**21,985**					**21,985**
Purchased credit-impaired loans	16,172	3,845	150	**20,167**					**20,167**
Total commercial real estate	1,473,472	6,319	150	**1,479,941**	914		7,189	**8,103**	**1,488,044**
Consumer real estate:									
HELOC	2,056,044	19,459	10,146	**2,085,649**	63,667	5,150	9,126	**77,943**	**2,163,592**
R/E installment loans	2,599,513	11,423	3,211	**2,614,147**	26,293	2,174	5,258	**33,725**	**2,647,872**
Purchased credit-impaired loans	2,383		89	**2,472**					**2,472**
Total consumer real estate	4,657,940	30,882	13,446	**4,702,268**	89,960	7,324	14,384	**111,668**	**4,813,936**
Permanent mortgage	420,727	4,051	5,270	**430,048**	14,044	3,228	16,573	**33,845**	**463,893**
Credit card & other:									
Credit card	187,770	2,049	1,171	**190,990**					**190,990**

Other	156,664	718	202	**157,584**			743	**743**	**158,327**
Purchased credit-impaired loans	7			**7**					**7**
Total credit card & other	344,441	2,767	1,373	**348,581**			743	**743**	**349,324**
Total loans, net of unearned income	$ 16,468,403	$ 52,216	$ 20,893	**$ 16,541,512**	$ 110,277	$ 12,105	$ 61,598	**$ 183,980**	**$ 16,725,492**

(a) Total TRUPS includes LOCOM valuation adjustment of $26.2 million.

Troubled Debt Restructurings

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

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

For all classes within the commercial portfolio segment, TDRs are typically modified through forbearance agreements (generally 6 to 12 months). Forbearance agreements could include reduced interest rates, reduced payments, release of guarantor, or entering into short sale agreements. FHN s proprietary modification programs for consumer loans are generally structured using parameters of U.S. government-sponsored programs such as Home Affordable Modification Program (HAMP). Within the HELOC and R/E installment loans classes of the consumer portfolio segment, TDRs are typically modified by reducing the interest rate (in increments of 25 basis points to a minimum of 1 percent for up to 5 years) and a possible maturity date extension to reach an affordable housing debt ratio. After 5 years, the interest rate generally returns to the original interest rate prior to modification; for certain modifications, the modified interest rate increases 2 percent per year until the original interest rate prior to modification is achieved. Permanent mortgage TDRs are typically modified by reducing the interest rate (in increments of 25 basis points to a minimum of 2 percent for up to 5 years) and a possible maturity date extension to reach an affordable housing debt ratio. After 5 years, the interest rate steps up 1 percent every year until it reaches the Federal Home Loan Mortgage Corporation Weekly Survey Rate cap. Contractual maturities

Table of Contents

Note 4 Loans (Continued)

may be extended to 40 years on permanent mortgages and to 30 years for consumer real estate loans. Within the credit card class of the consumer portfolio segment, TDRs are typically modified through either a short-term credit card hardship program or a longer-term credit card workout program. In the credit card hardship program, borrowers may be granted rate and payment reductions for 6 months to 1 year. In the credit card workout program, customers are granted a rate reduction to 0 percent and term extensions for up to 5 years to pay off the remaining balance.

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

On September 30, 2016 and 2015, FHN had $289.6 million and $304.7 million portfolio loans classified as TDRs, respectively. For TDRs in the loan portfolio, FHN had loan loss reserves of $48.7 million and $51.2 million, or 17 percent as of September 30, 2016 and 2015. Additionally, $71.2 million and $72.6 million of loans held-for-sale as of September 30, 2016 and 2015, respectively, were classified as TDRs.

Table of Contents

Note 4 Loans (Continued)

The following tables reflect portfolio loans that were classified as TDRs during the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
(Dollars in thousands)	**Number**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**	**Number**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**
Commercial (C&I):						
General C&I	**2**	**$ 419**	**$ 419**	**7**	**$ 20,302**	**$ 19,194**
Total commercial (C&I)	**2**	**419**	**419**	**7**	**20,302**	**19,194**
Commercial real estate:						
Income CRE	**1**	**100**	**99**	**1**	**100**	**99**
Total commercial real estate	**1**	**100**	**99**	**1**	**100**	**99**
Consumer real estate:						
HELOC	**48**	**5,720**	**5,573**	**200**	**18,418**	**18,189**
R/E installment loans	**10**	**345**	**337**	**44**	**4,569**	**4,846**
Total consumer real estate	**58**	**6,065**	**5,910**	**244**	**22,987**	**23,035**
Permanent mortgage	**2**	**710**	**704**	**6**	**1,551**	**1,544**
Credit card & other	**10**	**45**	**44**	**15**	**66**	**64**
Total troubled debt restructurings	**73**	**$ 7,339**	**$ 7,176**	**273**	**$ 45,006**	**$ 43,936**

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
(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		$	$	2	$ 1,388	$ 1,325
Total commercial (C&I)				2	1,388	1,325
Commercial real estate:						

Income CRE									
Total commercial real estate									
Consumer real estate:									
HELOC	56		6,918		6,820	158		17,882		17,674
R/E installment loans	20		988		974	58		4,254		4,267
Total consumer real estate	76		7,906		7,794	216		22,136		21,941
Permanent mortgage						6		2,039		2,054
Credit card & other	3		11		10	15		59		56
Total troubled debt restructurings	79	$	7,917	$	7,804	239	$	25,622	$	25,376

Table of Contents

Note 4 Loans (Continued)

The following tables present TDRs which re-defaulted during the three and nine months ended September 30, 2016 and 2015, and as to which the modification occurred 12 months or less prior to the re-default. For purposes of this disclosure, FHN generally defines payment default as 30 or more days past due.

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2016	
(Dollars in thousands)	**Number**	**Recorded Investment**	**Number**	**Recorded Investment**
Commercial real estate:				
Residential CRE		$		$