

FIRST HORIZON NATIONAL CORP  
Form 10-K  
February 28, 2012

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D. C. 20549

**FORM 10-K**

**S ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2011

- or -

**£ TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**  
For the Transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **001-15185**

**FIRST HORIZON NATIONAL CORPORATION**  
(Exact name of registrant as specified in its charter)

**TENNESSEE**  
(State or other jurisdiction of  
incorporation or organization)

**62-0803242**  
(I.R.S. Employer  
Identification Number)

**165 Madison Avenue, Memphis, Tennessee**  
(Address of principal executive offices)

**38103**  
(Zip Code)

Registrant's telephone number, including area code: **901-523-4444**  
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class  
\_\_\_\_\_

Name of Exchange on which Registered  
\_\_\_\_\_

**\$.625 Par Value Common Capital Stock**

**New York Stock Exchange, Inc.**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
 YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
 YES  NO

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer     Accelerated Filer     Non-Accelerated Filer     Smaller Reporting Company  
(Do not check if 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

At June 30, 2011, the aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates of the registrant was approximately \$2.5 billion.

At January 31, 2012, the registrant had 256,394,438 shares of common stock outstanding.

### DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the 2011 Annual Report to shareholders    Parts I, II, and IV

Portions of Proxy Statement to be furnished to shareholders in connection with Annual Meeting of Shareholders scheduled for April 17, 2012    Part III

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**PART I**

Note on Page Number References

In this report, references to specific pages in the Corporation's 2011 Annual Report to shareholders, or to specific pages of its consolidated financial statements or the notes thereto, relate to page numbers appearing in Exhibit 13 to this report. The Exhibit 13 page numbers do not necessarily correspond to page numbers appearing in the printed 2011 Annual Report to shareholders.

**ITEM 1**  
**BUSINESS**

General Overview.

First Horizon National Corporation (the Corporation, FHN, we, or us) is a Tennessee corporation headquartered in Memphis, Tennessee and incorporated in 1968. We are registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and are a financial holding company under the provisions of the Gramm-Leach-Bliley Act. At December 31, 2011, the Corporation had total consolidated assets of \$24.8 billion and ranked 1<sup>st</sup> in terms of total assets among Tennessee-headquartered bank holding companies.

We provide diversified financial services primarily through our principal subsidiary, First Tennessee Bank National Association (the Bank or FTBNA), and its subsidiaries. Financial results of operations are reported through segments based on financial accounting and reporting principles rather than the legal structure of the Bank and other subsidiaries. In first quarter 2010, we revised our operating segments to better align with our strategic direction, representing a renewed focus on our regional banking franchise and capital markets business. At year-end 2011 FHN has four business segments: regional banking, capital markets, corporate, and non-strategic.

The regional banking segment offers financial products and services, including traditional lending and deposit taking, to retail and commercial customers in Tennessee and surrounding markets. Regional banking provides investments, financial planning, trust services and asset management, credit card, cash management, and first lien mortgage originations within the Tennessee footprint. Additionally, the regional banking segment includes correspondent banking which provides credit, depository, and other banking related services to other financial institutions.

The capital markets segment consists of fixed income sales, trading, and strategies for institutional clients in the U.S. and abroad, as well as loan sales, portfolio advisory, and derivative sales.

The corporate segment consists of gains on the extinguishment of debt, unallocated corporate expenses, expense on subordinated debt issuances and preferred stock, bank-owned life insurance, unallocated interest income associated with excess equity, net impact of raising incremental capital, revenue and expense associated with deferred compensation plans, funds management, low income housing investment activities, and various charges related to restructuring, repositioning, and efficiency.

The nonstrategic segment consists of the wind-down national consumer lending activities, legacy mortgage banking elements including servicing fees, and the associated ancillary revenues and expenses related to these businesses. Non-strategic also includes the wind-down trust preferred loan portfolio and exited businesses along with the associated restructuring, repositioning, and efficiency charges.

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The approximate percentage of consolidated revenues (for this purpose, the sum of net interest income and noninterest income) and consolidated expenses ascribed to each of our segments for the past three years is set forth below. During that period the Regional Banking segment's share of total revenues has grown while its share of total expenses has remained relatively flat. Correspondingly, during that period the share of revenues provided by Non-Strategic and, to a lesser extent, Capital Markets has fallen while their share of expenses remained relatively flat.

### REVENUE AND EXPENSE MIX ASSOCIATED WITH BUSINESS SEGMENTS

	Revenues			Expenses		
	2011	2010	2009	2011	2010	2009
Regional Banking	56%	51%	43%	44%	45%	42%
Capital Markets	25%	27%	32%	25%	24%	25%
Corporate	5%	4%	4%	8%	5%	6%
Non-Strategic	14%	18%	21%	23%	26%	27%

Financial and other additional information concerning our segments including information concerning assets, revenues, and financial results appears in the response to Item 7 of Part II hereof and Note 21 to the Consolidated Financial Statements contained in our 2011 Annual Report to Shareholders. During 2011 approximately 53% of our consolidated revenues were provided by fee and other noninterest income and approximately 47% of revenues were provided by net interest income. As a financial holding company, the Corporation coordinates the financial resources of the consolidated enterprise and maintains systems of financial, operational and administrative control intended to coordinate selected policies and activities, including as described in Item 9A of Part II hereto.

The Bank is a national banking association with principal offices in Memphis, Tennessee. It received its charter in 1864. During 2011 through its various business lines, including consolidated subsidiaries, the Bank generated gross revenue (net interest income plus noninterest income) of approximately \$1.5 billion and contributed the majority of our consolidated revenue from continuing operations. At December 31, 2011, the Bank had \$24.6 billion in total assets, \$16.4 billion in total deposits, and \$16.0 billion in total net loans. Among Tennessee headquartered banks, the Bank ranked 1<sup>st</sup> in Tennessee deposit market share at June 30, 2011.

At December 31, 2011, the Corporation's subsidiaries had over 200 business locations in 17 U.S. states, Hong Kong, and Tokyo, excluding off-premises ATMs. Almost all of those locations were bank financial centers and FTN Financial offices.

At December 31, 2011, the Bank had 183 branch locations in four states: 172 branches in the major metropolitan areas of Tennessee discussed in the Competition section beginning on page 16 of this report; 2 branches in northwestern Georgia; 7 branches in northwestern Mississippi; and 2 branches in North Carolina.

FTN Financial products and services, at December 31, 2011, were offered through 18 offices in total, including 16 offices in 14 states plus an office in each of Hong Kong and Tokyo.

At December 31, 2011, we provided the following services through our subsidiaries:

general banking services for consumers, businesses, financial institutions, and governments

through FTN Financial fixed income sales and trading; underwriting of bank-eligible securities and other fixed-income securities eligible for underwriting by financial subsidiaries; loan sales; advisory services; and derivative sales

discount brokerage and full-service brokerage

correspondent banking

transaction processing nationwide check clearing services and remittance processing

trust, fiduciary, and agency services

credit card products

equipment finance

investment and financial advisory services

mutual fund sales as agent

retail insurance sales as agent

mortgage banking services

Over the past six years we have undergone substantial changes. Prior to 2008 our principal businesses were in the areas of regional banking, capital markets, and home mortgage. Our regional banking footprint was in the major Tennessee-based market areas. Our capital markets business, which had primarily institutional customers, was nationwide in scope. We had home mortgage offices across the U.S. and were using those offices to expand our banking business. We had opened over 30 bank branches more than 15% of our total branches at that time in selected mortgage markets; we made home equity loans through our mortgage offices; and we made commercial loans in many mortgage markets, mostly to homebuilders. We refer to these mortgage-driven activities outside of our regional banking markets as our national businesses.

Starting in 2007 the economic environment began to worsen significantly, especially in terms of residential real estate transactions and values. That environment became a recession in 2008 and 2009 which in many respects continues to impact the U.S. economy today. In 2007 we began to change our strategy substantially. During this time we focused on enhancing our credit management processes, improving our efficiency, redirecting resources to support and build our regional banking and capital markets businesses, and eliminating through sale or closure those business units which no longer fit our strategy, and those efforts are continuing today. By the end of 2008 most of our national businesses had been sold or closed, including our mortgage businesses outside of Tennessee, our national lending businesses, and all of our national bank branches. We raised significant amounts of equity capital twice in 2008, once by selling common stock in the public markets and later by selling preferred stock and a common stock warrant to the U.S. Treasury. In 2008 and 2009 our loan loss expense climbed to very high levels. In 2010 we raised additional common equity capital as well as senior debt capital while retiring the U.S. Treasury's preferred stock. During the years 2008-2011 we have retired debt, grown deposits, and become less leveraged.

These actions have changed our company in substantial ways. At the end of 2011 we are a smaller company in terms of assets and liabilities than we were in 2006, with a different business mix and strategic focus. We still hold a substantial amount of legacy national assets, mostly in the form of retail and commercial loans, and our efficiency and other re-focus efforts are continuing. The following table provides selected data concerning our revenues, assets, liabilities, and shareholders' equity for the past six years.

**SELECTED CONSOLIDATED REVENUE, ASSET, LIABILITY, AND EQUITY DATA\****(Dollars in millions; financial condition data shown as of December 31)*

	2011	2010	2009	2008	2007	2006
Net interest income	\$ 700.8	\$ 730.8	\$ 776.5	\$ 895.1	\$ 940.6	\$ 996.9
Provision for loan losses	44.0	270.0	880.0	1,080.0	272.8	83.1
Noninterest income	786.0	932.7	1,234.4	1,438.3	783.9	1,056.3
Total assets	24,789.4	24,699.0	26,068.7	31,022.0	37,015.5	37,918.3
Total deposits	16,213.0	15,208.2	14,867.2	14,241.8	17,032.3	20,213.2
Total term borrowings	2,481.7	3,228.1	2,891.1	4,767.7	6,828.4	5,836.4
Total liabilities	22,104.7	22,020.9	22,766.2	27,447.3	34,584.6	35,160.6
Preferred Stock Series CPP			798.7	782.7		
Total Shareholders' Equity	2,684.6	2,678.0	3,302.5	3,574.6	2,430.9	2,757.7

\* Certain previously reported items have been reclassified to agree with current presentation.

Other General Information.

An element of our business strategy is to consider acquisitions and divestitures that would enhance long-term shareholder value. Acquisitions and divestitures which closed during the past three years are described in Note 2 to the Consolidated Financial Statements, which information is incorporated into this Item 1 by this reference.

All of the Corporation's operating subsidiaries at December 31, 2011 are listed in Exhibit 21. The Bank has filed notice with the Comptroller of the Currency ( Comptroller or OCC ) as a government securities broker/dealer. The FTN Financial Capital Markets division of the Bank is registered with the Securities and Exchange Commission ( SEC ) as a municipal securities dealer. The Bank is supervised and regulated as described below. Martin and Company, Inc., First Tennessee Advisory Services, Inc., and First Tennessee Brokerage, Inc. are registered with the SEC as investment advisers. Hickory Venture Capital Corporation is licensed as a Small Business Investment Company. First Tennessee Brokerage, Inc., and FTN Financial Securities Corp. are registered as broker-dealers with the SEC and all states where they conduct business for which registration is required. First Tennessee Insurance Services, Inc., First Horizon Insurance Services, Inc., and First Horizon Insurance Agency, Inc. are licensed as insurance agencies in all states where they do business for which licensing is required. FT Reinsurance Company is licensed by the state of South Carolina as a captive insurance company. FTN Financial Securities Corp., First Horizon Insurance Services, Inc., First Tennessee Insurance Services, Inc., and First Horizon Insurance Agency, Inc. are financial subsidiaries under the Gramm-Leach-Bliley Act. First Tennessee Brokerage, Inc. is licensed as an insurance agency in the states where it does business for which licensing is required for the sale of annuity products. FTN Financial Asia, Ltd. is a subsidiary based in Hong Kong. FTN Financial Asia, Ltd. is registered to carry on a Type I regulated activity (Dealing in Securities) with the Securities and Futures Commission in Hong Kong, and its Tokyo, Japan office is registered with the Kanto Local Finance Bureau as a Type-I Financial Instruments Business pursuant to the Financial Instruments and Exchange Law of Japan. First Horizon Insurance Agency, Inc. is inactive.

Expenditures for research and development activities were not material in any of the last three fiscal years ended December 31, 2011.

Neither the Corporation nor any of its significant subsidiaries is dependent upon a single customer or very few customers.

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We do not experience material seasonality. We do experience a degree of seasonal variation in certain revenues and expenses. Historically, these variations have somewhat increased certain expenses and somewhat diminished certain revenues principally in the first quarter of each year for the Regional Banking and Capital Markets segments.

At December 31, 2011, the Corporation and its subsidiaries had 4,809 employees, or 4,728 full-time-equivalent employees, not including contract labor for certain services.

For additional information on the business of the Corporation, refer to the Management's Discussion and Analysis of Financial Condition and Results of Operations, Glossary, and Acronyms sections contained in pages 3 through 79 of the Corporation's 2011 Annual Report to Shareholders, which sections are incorporated herein by reference.

The Corporation's current internet address is [www.fhnc.com](http://www.fhnc.com). In the Investor Relations section of its internet website, under the Financial Information SEC Filings pull-down tab, the Corporation makes available free of charge its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and amendments thereto as soon as reasonably practicable after the Corporation files such material with, or furnishes such material to, the Securities and Exchange Commission. Additional information regarding materials available on the Corporation's website is provided in Item 10 of this report beginning on page 45.

### Supervision and Regulation

The following summary sets forth certain of the material elements of the regulatory framework applicable to bank holding companies and financial holding companies and their subsidiaries and to companies engaged in securities and insurance activities and provides certain specific information about the Corporation. The bank regulatory framework is intended primarily for the protection of depositors and the Federal Deposit Insurance Fund and not for the protection of security holders. In addition, certain activities of the Corporation and its subsidiaries are subject to various securities and insurance laws and are regulated by the Securities and Exchange Commission and the state insurance departments of the states in which they operate. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by express reference to each of the particular statutory and regulatory provisions. A change in applicable statutes, regulations or regulatory policy may have a material effect on the business of the Corporation.

#### *General*

The Corporation is a bank holding company and financial holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the "BHCA"), and is registered with the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The Corporation is subject to the regulation and supervision of and examination by the Federal Reserve under the BHCA. The Corporation is required to file with the Federal Reserve annual reports and such additional information as the Federal Reserve may require pursuant to the BHCA.

Under the BHCA, prior to March 13, 2000, bank holding companies could not in general directly or indirectly acquire the ownership or control of more than 5% of the voting shares or substantially all of the assets of any company, including a bank, without the prior approval of the Federal Reserve, and a bank holding company and its subsidiaries were generally limited to engaging in banking and activities found by the Federal Reserve to be so closely related to banking as to be a proper incident thereto. Since March 13, 2000, eligible bank holding companies that elect to become financial holding companies may affiliate with

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securities firms and insurance companies and engage in activities that are financial in nature generally without the prior approval of the Federal Reserve. See Gramm-Leach-Bliley Act below.

In addition, the BHCA permits the Federal Reserve to approve an application by a bank holding company to acquire a bank located outside the acquirer's principal state of operations without regard to whether the transaction is prohibited under state law. See Interstate Banking and Branching Legislation. The Tennessee Bank Structure Act of 1974, among other things, prohibits (subject to certain exceptions) a bank holding company from acquiring a bank for which the home state is Tennessee (a Tennessee bank) if, upon consummation, the company would directly or indirectly control 30% or more of the total deposits in insured depository institutions in Tennessee. As of June 30, 2011, the Corporation estimates that it held approximately 13% of such deposits. Subject to certain exceptions, the Tennessee Bank Structure Act prohibits a bank holding company from acquiring a bank in Tennessee which has been in operation for less than three years. Tennessee law permits a Tennessee bank to establish branches in any county in Tennessee. See also Interstate Banking and Branching Legislation below.

The Bank is a national banking association subject to regulation, examination and supervision by the Comptroller as its primary federal regulator. The Bank is insured by, and subject to regulation by, the Federal Deposit Insurance Corporation (the FDIC) and is subject to regulation in certain respects by the Consumer Financial Protection Bureau (the Bureau). The Bank is also subject to various requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be granted and the interest that may be charged thereon and limitations on the types of investments that may be made, activities that may be engaged in, and types of services that may be offered. Various consumer laws and regulations also affect the operations of the Bank. In addition to the impact of regulation, commercial banks are affected significantly by the actions of the Federal Reserve as it attempts to control the money supply and credit availability in order to influence the economy. Also, the Bank and certain of its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with extensions of credit, leases or sales of property, or furnishing products or services.

### *Payment of Dividends*

The Corporation is a legal entity separate and distinct from its banking and other subsidiaries. The principal source of cash flow of the Corporation, including cash flow to pay dividends on its stock or principal (premium, if any) and interest on debt securities, is dividends from the Bank. There are statutory and regulatory limitations on the payment of dividends by the Bank to the Corporation, as well as by the Corporation to its shareholders.

As a national bank, the Bank is required by federal law to obtain the prior approval of the Comptroller for the payment of cash dividends if the total of all dividends declared by the board of directors of the Bank in any year will exceed the total of (i) its net profits (as defined and interpreted by regulation) for that year plus (ii) the retained net profits (as defined and interpreted by regulation) for the preceding two years, less any required transfers to surplus. A national bank also can pay dividends only to the extent that retained net profits (including the portion transferred to surplus) exceed bad debts (as defined by regulation).

If, in the opinion of the applicable federal bank regulatory authority, a depository institution or a holding company is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the depository institution or holding company, could include the payment of dividends), such authority may require that such institution or holding company cease and desist from such practice. The federal banking agencies have indicated that paying dividends that deplete a depository institution's or holding company's capital base to an inadequate level would be such an unsafe and unsound banking practice. Moreover, the Federal Reserve, the Comptroller, and the FDIC have issued policy



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statements which provide that bank holding companies and insured depository institutions generally should pay cash dividends only out of current operating earnings.

In addition, under the Federal Deposit Insurance Act ( FDIA ), an FDIC-insured depository institution may not make any capital distributions (including the payment of dividends) or pay any management fees to its holding company or pay any dividend if it is undercapitalized or if such payment would cause it to become undercapitalized.

At December 31, 2011 and at January 1, 2012, under dividend restrictions imposed under applicable federal laws as outlined above, the Bank could not legally declare cash dividends on the Bank's common or preferred stock without obtaining regulatory approval. The application of those restrictions to the Bank is discussed in more detail under the heading Liquidity Management in the Management's Discussion and Analysis of Financial Condition and Results of Operations section beginning on page 51 of the Corporation's 2011 Annual Report to Shareholders, which section is incorporated herein by reference. As mentioned in that section, the Bank has requested OCC approval to declare dividends on the Bank's outstanding preferred stock payable in April 2012.

Under Tennessee law, the Corporation is not permitted to pay cash dividends if, after giving effect to such payment, it would not be able to pay its debts as they become due in the usual course of business or the Corporation's total assets would be less than the sum of its total liabilities plus any amounts needed to satisfy any preferential rights if the Corporation was dissolving. In addition, in deciding whether or not to declare a dividend of any particular size, the Corporation's Board must consider the Corporation's current and prospective capital, liquidity, and other needs.

The payment of cash dividends by the Corporation and the Bank also may be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines and debt covenants. Furthermore, the Federal Reserve and the OCC have issued policy statements generally requiring insured banks and bank holding companies only to pay dividends out of current operating earnings. The Federal Reserve has released a supervisory letter advising bank holding companies, among other things, that as a general matter a bank holding company should inform the Federal Reserve and should eliminate, defer or significantly reduce its dividends if (i) the bank holding company's net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) the bank holding company's prospective rate of earnings is not consistent with the bank holding company's capital needs and overall current and prospective financial condition; or (iii) the bank holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

In 2008 the Corporation discontinued paying a quarterly cash dividend to its common stockholders and began distributing a dividend payable in shares of common stock. In 2010 the Corporation returned to profitability, but preferred stock payments to the Treasury in connection with the TARP program significantly exceeded those earnings. In January 2011 the Corporation, having exited the TARP program, resumed a cash dividend at the rate of one cent per share, substantially lower than the rate prior to 2008.

### *Transactions with Affiliates*

There are various legal restrictions on the extent to which the Corporation and its nonbank subsidiaries (including for purposes of this paragraph, in certain situations, subsidiaries of the Bank) can borrow or otherwise obtain credit from the Bank. There are also legal restrictions on the Bank's purchases of or investments in the securities of and purchases of assets from the Corporation and its nonbank subsidiaries, the Bank's loans or extensions of credit to third parties collateralized by the securities or obligations of the Corporation and its nonbank subsidiaries, the issuance of guaranties, acceptances and letters of credit on behalf of the Corporation and its nonbank subsidiaries, and certain bank transactions with the Corporation and its nonbank subsidiaries, or with respect to which the Corporation

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and its nonbank subsidiaries act as agent, participate or have a financial interest. The Bank (including for purposes of this paragraph all subsidiaries of the Bank) generally may not extend credit to the Corporation or to any other affiliate (other than another subsidiary bank and certain exempted affiliates) in an amount which exceeds 10% of the Bank's capital stock and surplus and may not extend credit in the aggregate to all such affiliates in an amount which exceeds 20% of its capital stock and surplus. Further, there are legal requirements as to the type, amount and quality of collateral which must secure such extensions of credit by the Bank to the Corporation or to such other affiliates. Extensions of credit and other transactions between the Bank and the Corporation or such other affiliates must be on terms and under circumstances, including credit standards, that are substantially the same or at least as favorable to the Bank as those prevailing at the time for comparable transactions with non-affiliated companies.

### *Capital Adequacy*

The Federal Reserve has adopted risk-based capital guidelines for bank holding companies. The minimum guideline for the ratio of total capital ( Total Capital ) to risk-weighted assets (including certain off-balance-sheet items, such as standby letters of credit) is 8%, and the minimum ratio of Tier 1 Capital (defined below) to risk-weighted assets is 4%. At least half of the Total Capital must be composed of common stock, minority interests in the equity accounts of consolidated subsidiaries, non-cumulative perpetual preferred stock and a limited amount of cumulative perpetual preferred stock and trust preferred securities, less any amounts of goodwill, other intangible assets, and other items that are required to be deducted ( Tier 1 Capital ). The remainder may consist of qualifying subordinated debt, certain types of mandatory convertible securities and perpetual debt, other preferred stock and a limited amount of loan loss reserves. At December 31, 2011, the Corporation's consolidated Total Capital and Tier 1 Capital ratios were 17.99% and 14.23%, respectively.

The Federal Reserve Board, the FDIC, and the OCC have adopted rules to incorporate market and interest-rate risk components into their risk-based capital standards and that explicitly identify concentration of credit risk and certain risks arising from non-traditional activities, and the management of such risks, as important factors to consider in assessing an institution's overall capital adequacy. Under the market risk requirements, capital is allocated to support the amount of market risk related to a financial institution's ongoing trading activities for banks with relatively large trading activities. Institutions are able to satisfy any related additional capital requirement, in part, by issuing short-term subordinated debt that qualifies as Tier 3 capital. Based on present practices and activity levels, the Corporation believes that these trading-related market risk rules have no significant impact on the Corporation's ability to meet regulatory capital requirements.

In addition, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum ratio of Tier 1 Capital to quarterly average assets, less goodwill and certain other intangible assets (the Leverage Ratio ), of 3% for bank holding companies that meet certain specific criteria, including having the highest regulatory rating. All other bank holding companies generally are required to maintain a Leverage Ratio of at least 3%, plus an additional cushion of 100 to 200 basis points. The Corporation's Leverage Ratio at December 31, 2011 was 11.41%. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the Federal Reserve has indicated that it will consider a tangible Tier 1 Capital leverage ratio (deducting all intangibles) and other indicia of capital strength in evaluating proposals for expansion or new activities.

The Bank is subject to risk-based and leverage capital requirements similar to those described above adopted by the Comptroller. The Corporation believes that the Bank was in compliance with applicable

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minimum capital requirements as of December 31, 2011. Neither the Corporation nor the Bank has been advised by any federal banking agency of any specific minimum Leverage Ratio requirement applicable to it.

During 2009, the U.S. Department of the Treasury, the Federal Reserve Board, the FDIC, and the OCC initiated a capital assessment program. Under the program, the capital needs of selected major U.S. banking institutions were evaluated for resilience under economic stress. That program, coupled with the Dodd-Frank legislation discussed below, have led to a proposal in late 2011 by the Federal Reserve Board of specific standards intended to strengthen the financial position of the largest U.S. financial institutions (having assets over \$50 billion) along with those other institutions deemed systemically important. The standards deal with seven areas: risk-based capital and leverage; liquidity; single-counterparty credit limits; risk management; annual stress tests (with public disclosure of the results); debt to equity ratio limits; and early remediation requirements. Of those seven areas, the Federal Reserve Board indicated that two, the new risk management and stress testing regulations, would apply to institutions (such as the Corporation) with \$10 billion of assets. The OCC recently proposed its own stress testing rules for national banks with \$10 billion of assets, such as the Bank. Also, it is at least possible that other of these large-institution regulations, over time, will be applied in various ways to mid-sized and smaller institutions by the regulatory agencies. In other words, these standards could evolve to apply in some form to all or nearly all U.S. banks and holding companies, with different versions applying to different institutions based on size or other key factors. When adopted, these standards will revise and supplement the bright-line numerical tests mentioned above in this section.

Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC, and to certain restrictions on its business and in certain circumstances to the appointment of a conservator or receiver. See Prompt Corrective Action beginning on page 10 of this report for additional information.

In 1999, the Basel Committee on Banking Supervision launched its efforts to develop an improved international capital adequacy framework by issuing its proposals to revise the 1988 Capital Accord, sometimes known as Basel I. In June 2004, the Basel Committee issued a new capital framework (Basel II) which consisted of minimum capital requirements, a supervisory review process, and the effective use of market discipline.

In September 2006 the U.S. regulators published a revised Notice of Proposed Rulemaking (NPR) for Basel II. The Final Rule on Advanced Capital Adequacy Framework - Basel II took effect in the U.S. in 2008. The Final Rule currently applies only to certain core banks with total assets of \$250 billion or more, but allows non-core banks to opt-in. Under the Final Rules the Bank is considered to be a non-core bank. For those non-core banks that do not opt in, an NPR was issued in December 2006, known as Basel IA, which proposed certain revisions to the Basel I capital rules. In July 2008 the agencies issued a supplemental NPR. At year-end 2011, the 2006 and 2008 NPRs remain unimplemented. If implemented, the net effect of these NPRs would allow non-core banks the option of adopting the Standardized Approach of the Basel II Framework or remaining under the Basel I framework.

In 2010 international banking industry regulators largely agreed upon significant changes in the regulation of capital required to be held by banks and their holding companies to support their businesses. The new international rules, known as Basel III, generally increase the capital required to be held and narrow the types of instruments which will qualify as providing appropriate capital. Among other things, Basel III establishes these minimum ratios: common equity to risk weighted assets of 4.5%; Tier 1 capital of 6%; and total capital of 8%. Basel III additionally requires banks to hold a 2.5% countercyclical buffer added to each of those ordinary minimum ratios during certain periods determined by regulators from time to

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time. The Basel III requirements are complex and will be phased in over many years, generally from 2013 to 2018.

The Basel III rules do not apply to U.S. banks or holding companies automatically. Among other things, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ( DF Act ) requires U.S. regulators to reform the system under which the safety and soundness of banks and other financial institutions, individually and systemically, are regulated. That reform effort will include the regulation of capital. It is not known to what extent the U.S. regulators will incorporate elements of Basel III into the reformed U.S. regulatory system, but it is expected that the U.S. reforms will include an increase in capital requirements and a narrowing of what qualifies as appropriate capital.

### *Holding Company Structure and Support of Subsidiary Banks*

Because the Corporation is a holding company, its right to participate in the assets of any subsidiary upon the latter's liquidation or reorganization will be subject to the prior claims of the subsidiary's creditors (including depositors in the case of the Bank) except to the extent that the Corporation may itself be a creditor with recognized claims against the subsidiary. In addition, depositors of a bank, and the FDIC as their subrogee, would be entitled to priority over the creditors in the event of liquidation of a bank subsidiary.

Under Federal Reserve policy the Corporation is expected to act as a source of financial strength to, and to commit resources to support, the Bank. This support may be required at times when, absent such Federal Reserve policy, the Corporation may not be inclined to provide it. In addition, any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

### *Cross-Guarantee Liability*

Under the FDIA, a depository institution insured by the FDIC can be held liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC in connection with (i) the default of a commonly controlled FDIC-insured depository institution or (ii) any assistance provided by the FDIC to any commonly controlled FDIC-insured depository institution in danger of default. Default is defined generally as the appointment of a conservator or receiver and in danger of default is defined generally as the existence of certain conditions indicating that a default is likely to occur in the absence of regulatory assistance. The FDIC's claim for damages is superior to claims of shareholders of the insured depository institution or its holding company but is subordinate to claims of depositors, secured creditors and holders of subordinated debt (other than affiliates) of the commonly controlled insured depository institution. The Bank is currently the only depository institution owned by the Corporation. In the event that the Corporation established or acquired another depository institution, any loss suffered by the FDIC in respect of one subsidiary bank would likely result in assertion of the cross-guarantee provisions, the assessment of such estimated losses against the Corporation's other subsidiary bank(s), and a potential loss of the Corporation's investment in such subsidiary bank.

### *Prompt Corrective Action*

The FDIA requires, among other things, the federal banking regulators to take prompt corrective action in respect of FDIC-insured depository institutions that do not meet minimum capital requirements. Under the FDIA, insured depository institutions are divided into five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Under applicable regulations, an institution is defined to be well capitalized if it maintains

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a Leverage Ratio of at least 5%, a Tier 1 Capital ratio of at least 6% and a Total Capital ratio of at least 10% and is not subject to a directive, order, or written agreement to meet and maintain specific capital levels. An institution is defined to be adequately capitalized if it meets all of its minimum capital requirements as described above. An institution will be considered undercapitalized if it fails to meet any minimum required measure; significantly undercapitalized if it has a Total Risk-Based Capital ratio of less than 6%, a Tier 1 Risk-Based Capital ratio of less than 3%, or a Leverage Ratio of less than 3%; and critically undercapitalized if it fails to maintain a level of tangible equity equal to at least 2% of total assets. An institution may be deemed to be in a capitalization category that is lower than is indicated by its actual capital position if it receives an unsatisfactory examination rating.

The FDIA generally prohibits an FDIC-insured depository institution from making any capital distribution (including payment of dividends) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. Undercapitalized depository institutions are subject to restrictions on borrowing from the Federal Reserve System. In addition, undercapitalized depository institutions are subject to growth limitations and are required to submit capital restoration plans. An insured depository institution's holding company must guarantee the capital plan, up to an amount equal to the lesser of 5% of the depository institution's assets at the time it becomes undercapitalized or the amount of the capital deficiency when the institution fails to comply with the plan, for the plan to be accepted by the applicable federal regulatory authority. The federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized depository institutions are subject to appointment of a receiver or conservator, generally within 90 days of the date on which they become critically undercapitalized.

At December 31, 2011, the Bank had sufficient capital to qualify as well capitalized under the regulatory capital requirements discussed above. As noted under the caption *Capital Adequacy* beginning on page 8 of this report, it is expected that significant changes to those requirements will be implemented in the future.

### *Interstate Banking and Branching Legislation*

After the enactment of the DF Act, federal law allows a national bank to establish and operate a *de novo* branch in states other than the bank's home state if the law of the bank's home state would permit establishment of the branch if the bank were chartered in that state, subject to standard regulatory review and approval requirements. Federal law also allows a national bank to acquire an existing branch in a state in which the bank is not headquartered and does not maintain a branch if the OCC approves the branch or acquisition, and if the law of the state in which the branch is located or to be located would permit the establishment of the branch if the bank were chartered by that state.

Additionally, the DF Act created a number of regulatory requirements for interstate merger and acquisition activity, including the following: the acquiring bank must be well-capitalized and well-managed; concentration limits on liabilities and deposits may not be exceeded; and regulators must assess the transaction for incremental systemic risk.

Once a bank has established branches in a state through an interstate merger transaction or through *de novo* branching, the bank may then establish and acquire additional branches within that state to the same extent that a state chartered bank is allowed to establish or acquire branches within the state.

*Gramm-Leach-Bliley Act*

The Gramm-Leach-Bliley Act of 1999 ( GLB Act ) repealed or modified a number of significant provisions of then-current laws, including the Glass-Steagall Act and the Bank Holding Company Act of 1956, which imposed restrictions on banking organizations' ability to engage in certain types of activities. The GLB Act generally allows bank holding companies such as the Corporation broad authority to engage in activities that are financial in nature or incidental to such a financial activity, including insurance underwriting and brokerage; merchant banking; securities underwriting, dealing and market-making; real estate development; and such additional activities as the Federal Reserve in consultation with the Secretary of the Treasury determines to be financial in nature or incidental thereto. A bank holding company may engage in these activities directly or through subsidiaries by qualifying as a financial holding company. To qualify, a bank holding company must file an initial declaration with the Federal Reserve, certifying that all of its subsidiary depository institutions are well-managed and well-capitalized. The GLB Act also permits national banks such as the Bank to engage in certain of these activities through financial subsidiaries. To control or hold an interest in a financial subsidiary, a national bank must meet the following requirements:

- (1) the national bank must receive approval from the Comptroller for the financial subsidiary to engage in the activities;
- (2) the national bank and its depository institution affiliates must each be well-capitalized and well-managed;
- (3) the aggregate consolidated total assets of all of the national bank's financial subsidiaries must not exceed 45% of the national bank's consolidated total assets or, if less, \$50 billion;
- (4) the national bank must have in place adequate policies and procedures to identify and manage financial and operational risks and to preserve the separate identities and limited liability of the national bank and the financial subsidiary; and
- (5) if the financial subsidiary will engage in principal transactions and the national bank is one of the one hundred largest banks, the national bank must have outstanding at least one issue of unsecured long-term debt that is currently rated in one of the three highest investment grade rating categories (or if in the second fifty largest banks, an alternative requirement is that the national bank has a current long-term issuer credit rating within the three highest investment grade rating categories). If this fifth requirement ceases to be met after a national bank controls or holds an interest in a financial subsidiary, the bank cannot invest additional capital in that subsidiary until the requirement again is met.

No new financial activity may be commenced under the GLB Act unless the national bank and all of its depository institution affiliates have at least satisfactory CRA ratings. Certain restrictions apply if the bank holding company or the national bank fails to continue to meet one or more of the requirements listed above. In addition, the GLB Act contains a number of other provisions that may affect the Bank's operations, including functional regulation of the Bank's securities operations by the SEC and the Bank's insurance operations by the states and limitations on the use and disclosure to third parties of customer information. At December 31, 2011, the Corporation is a financial holding company and the Bank has a number of financial subsidiaries, as discussed in Other General Information beginning on page 4 of this report.

*Dodd-Frank Act*

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ( DF Act ) was enacted on July 21, 2010. The DF Act made a substantial number of significant changes to how financial services companies are regulated. Most of the most sweeping changes in the DF Act are not complete or specific but instead authorize potentially expansive new regulations to be issued in the future, possibly over several years. Overall, the Corporation expects that the DF Act and its regulations are likely to increase the Corporation's regulatory compliance and certain other costs significantly, and they are likely to constrain operations and revenues in some respects, perhaps significantly in some areas.

Provisions or topics of the DF Act and the regulatory regimes which will arise under it that the Corporation anticipates will be key to the Corporation and the Bank are:

The DF Act requires capital, leverage, and other financial strength requirements to be re-examined by regulators and made counter-cyclical. Current proposals in response to this are discussed in the Capital Adequacy section beginning on page 8 of this report. It is likely that this effort will result in new capital, leverage, risk management, and other standards for the Corporation and the Bank. Among other things, those new standards could result in restrictions on the payment of cash dividends and on the repurchase of shares, and could require us to hold more capital in relatively unproductive investments to support a given level of productive business assets.

The DF Act excluded certain items, including trust preferred securities, from Tier 1 capital of financial institutions having assets of \$15 billion or more. A direct effect of this exclusion will be to remove \$200 million of currently outstanding long-term securities from the Corporation's Tier 1 capital after a phase-in period has passed.

The Financial Stability Oversight Council ( Council ) was created which oversees financial industry regulators and regulation in certain areas, especially relating to the areas of risk and stability.

The DF Act established the Consumer Financial Protection Bureau ( Bureau ). The Bureau has expansive regulatory authority over consumer products and practices in the financial services industry, including the authority to define deceptive practices and centralize consumer complaints.

Regulations under the DF Act's so-called Durbin Amendment went into effect in the fourth quarter of 2011. They severely cap the interchange fees which banks charge merchants for debit card transactions, and are expected to reduce the Bank's fee income by approximately \$4-5 million per quarter. The Bank has adjusted certain fee structures and taken other steps designed to mitigate the effects of this lost income, as have many other banks; that adjustment process will continue in 2012.

The DF Act created a new registration regime for municipal securities advisors, along with new fiduciary duties.

The DF Act authorized the regulatory imposition of fiduciary duties on retail securities brokers and restrictions on such brokers from including arbitration clauses in customer agreements.

The DF Act imposed new duties on mortgage lenders, including a duty to determine the borrower's ability to repay the loan, and imposed a requirement on mortgage securitizers to retain a minimum level of economic interest in securitized pools of certain mortgage types and to make certain periodic reports which will be public.

The DF Act, in the so-called Volcker Amendment, substantially restricted so-called proprietary trading and investments in hedge funds or private equity funds. Regulations implementing Volcker proposed in 2011 have generated a degree of controversy within the industry and politically. Adoption could force companies, including the Bank, to cease certain activities and to divest certain businesses or assets. Nevertheless, final rules could be adopted in 2012.

Under the DF Act deposit insurance costs are likely to increase. This is discussed further under the caption *FDIC Insurance Assessments; DIFA* beginning on page 14 of this report.

The DF Act authorized the establishment of a new regulatory framework for the derivatives markets.

The list above is not exhaustive. It reflects the Corporation's current assessment of the DF Act provisions that are reasonably possible to have a substantial impact in the future. It is possible that at least some other areas unexpectedly will become significant to the Corporation or the Bank as the regulatory processes unfold.

*FDIC Insurance Assessments; DIFA*

The Deposit Insurance Fund ( *DIF* ) was formed in March 2006 when the FDIC merged the Bank Insurance Fund with the Savings Association Insurance Fund pursuant to the the Federal Deposit Insurance Reform Act of 2005 ( *2005 Reform Act* ). Prior to 2008, the FDIC insurance premium charged on bank deposits insured by the DIF varied depending on the institution's risk classification, based on capital and supervisory risk factors. Beginning in 2008 new risk category and DIF premium structures became effective. The new rate ranges were based on four new Risk Categories that in turn were based on asset size as well as capital, supervisory, credit, and other risk factors. Somewhat different factors were used for institutions in different situations. Within the range for a given Risk Category, the rate applicable to any particular institution is determined by the FDIC according to formal guidelines. In 2008, rates for institutions ranged from 5 to 43 basis points of U.S. deposits.

During 2008 and 2009, losses from bank failures significantly diminished the DIF. Late in 2008 the FDIC announced a multi-year restoration plan for the DIF which included an increase in deposit insurance premium rates of 7 basis points across all rate categories, effective for the first quarter of 2009. In June 2009 the FDIC imposed an emergency 20-basis-point special assessment. In November 2009 the FDIC required banks to pre-pay three years of premiums in 2009. Early in 2010 the FDIC announced an initiative to link deposit insurance premium rates to the risks associated with a bank's employee compensation structures. In July 2010 the DF Act was passed, requiring the FDIC to further reform funding for the DIF and mandating several changes, most notably that insurance premiums be based on an institution's consolidated assets net of tangible capital rather than on its insured deposit base. The FDIC adopted a new assessment system beginning in April 2011 which created a new rate grid structure. In the grid, base rates will range from 5 to 35 basis points annually, and fully adjusted rates will range from 2.5 to 45 basis points annually. Key factors in the grid include: the institution's risk category (I to IV); whether the institution is deemed large and highly complex; whether the institution qualifies for an unsecured debt adjustment; and whether the institution is burdened with a brokered deposit adjustment.

The Deposit Insurance Funds Act of 1996 ( *DIFA* ) provides for assessments to be imposed on insured depository institutions with respect to deposits insured by the DIF to pay for the cost of Financing Corporation ( *FICO* ) bonds. All banks are assessed to pay the interest due on FICO bonds. The FICO assessment cost to the Corporation on an annual basis is immaterial.

Under the FDIA, insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by a federal bank regulatory agency.



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### *Depositor Preference*

Federal law provides that deposits and certain claims for administrative expenses and employee compensation against an insured depository institution would be afforded a priority over other general unsecured claims against such an institution, including federal funds and letters of credit, in the liquidation or other resolution of such an institution by any receiver.

### *Securities Regulation*

Certain of the Corporation's subsidiaries are subject to various securities laws and regulations and capital adequacy requirements promulgated by the regulatory and exchange authorities of the jurisdictions in which they operate.

The Corporation's registered broker-dealer subsidiaries are subject to the SEC's net capital rule, Rule 15c3-1. That rule requires the maintenance of minimum net capital and limits the ability of the broker-dealer to transfer large amounts of capital to a parent company or affiliate. Compliance with the rule could limit operations that require intensive use of capital, such as underwriting and trading.

Certain of the Corporation's subsidiaries are registered investment advisers which are regulated under the Investment Advisers Act of 1940. Advisory contracts with clients automatically terminate under these laws upon an assignment of the contract by the investment adviser unless appropriate consents are obtained.

### *Insurance Activities*

Subsidiaries of the Corporation sell various types of insurance as agent in a number of the states. Insurance activities are subject to regulation by the states in which such business is transacted. Although most of such regulation focuses on insurance companies and their insurance products, insurance agents and their activities are also subject to regulation by the states, including, among other things, licensing and marketing and sales practices.

### *Compensation and Risk Management*

In 2010 the Federal Reserve, OCC, and other agencies issued guidance to regulated banks and holding companies intended to ensure that incentive compensation arrangements at financial organizations take into account risk and are consistent with safe and sound practices. The guidance is based on three key principles calling for incentive compensation plans to: appropriately balance risks and rewards; be compatible with effective controls and risk management; and be backed up by strong corporate governance. In response the Corporation has adopted an enhanced risk management process for assessing risk in incentive compensation plans. Among other things, the Corporation has moved several key incentive programs away from a revenues approach in favor of a net profit approach, and has adopted mandatory deferral features for other key programs.

### Effect of Governmental Policies.

The Bank is affected by the policies of regulatory authorities, including the Federal Reserve System and the Comptroller. An important function of the Federal Reserve System is to regulate the national money supply.

Among the instruments of monetary policy used by the Federal Reserve are: purchases and sales of U.S. Government securities in the marketplace; changes in the discount rate, which is the rate any depository

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institution must pay to borrow from the Federal Reserve; changes in the reserve requirements of depository institutions; and, indirectly, changes in the federal funds rate, which is the rate at which depository institutions lend balances to each other overnight. These instruments are intended to influence economic and monetary growth, interest rate levels, and inflation.

The monetary policies of the Federal Reserve System and other governmental policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future. Because of changing conditions in the national and international economy and in the money markets, as well as the result of actions by monetary and fiscal authorities, it is not possible to predict with certainty future changes in interest rates, deposit levels, loan demand, or the business and results of operations of the Corporation and the Bank, or whether changing economic conditions will have a positive or negative effect on operations and earnings.

### Proposals.

Various bills are from time to time introduced in the United States Congress and the Tennessee General Assembly and other state legislatures, and regulations are proposed by the regulatory agencies which could affect the business of the Corporation and its subsidiaries. An example of recent legislation calling for substantial new regulatory measures is discussed under Dodd-Frank Act beginning on page 13 of this report. It cannot be predicted whether or in what form any particular proposals will be adopted or the extent to which the business of the Corporation and its subsidiaries may be affected thereby.

### Competition.

The Corporation and its subsidiaries face substantial competition in all aspects of the businesses in which they engage from national and state banks located in our Tennessee markets and large out-of-state and non-U.S. banks as well as from savings and loan associations, credit unions, other financial institutions, consumer finance companies, trust companies, investment counseling firms, money market and other mutual funds, insurance companies and agencies, securities firms, mortgage banking companies, and others.

Our traditional regional banking business primarily competes in the major market areas associated with Tennessee: western Tennessee around Memphis; middle Tennessee around Nashville; and eastern Tennessee around Knoxville, Chattanooga, and the tri-cities area of Johnson City, Bristol, and Kingsport along with communities in Virginia and North Carolina. Our regional banking business serves both retail and commercial customers. Key competitors in those markets include Regions Bank, SunTrust Bank, Wells Fargo Bank N.A., Bank of America N.A., and Pinnacle National Bank, among many others including many community banks.

Our capital markets business serves institutional customers broadly segregated into depositories (including banks, thrifts and credit unions) and non-depositories (including money managers, insurance companies, public funds, pension funds and hedge funds). Both customer segments are widely dispersed geographically, and we have many competitors within both segments including major U.S. and international securities firms as well as numerous regional and local firms.

In the past three years certain financial companies or their affiliates that traditionally were not banks have converted to bank status and have been able to compete more directly with the Bank for deposits and other traditional banking services and products. Those companies include investment banks, brokerage firms, insurance company affiliates, and the financing company associated with an automobile manufacturer. For additional information on the competitive position of the Corporation and the Bank, refer to the General subsection above of this Item 1. Also, refer to the subsections entitled Supervision and Regulation and Effect of Governmental Policies, both of which are relevant to an analysis of the Corporation's

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competitors. Due to the intense competition in the financial services industry, the Corporation makes no representation that its competitive position has remained constant, nor can it predict whether its position will change in the future.

### Sources and Availability of Funds.

Specific reference is made to the Management's Discussion and Analysis of Financial Condition and Results of Operations, Glossary, and Acronyms sections, including the subsection entitled Liquidity Management, contained in pages 3 through 79 (including pages 51 through 54) of the Corporation's 2011 Annual Report to Shareholders, which sections are incorporated herein by reference.

### Non-U.S. Operations.

Our non-U.S. operations are not material.

### Statistical Information Required by Guide 3.

The statistical information required to be displayed under Item I pursuant to Guide 3, Statistical Disclosure by Bank Holding Companies, of the Exchange Act Industry Guides is incorporated herein by reference to the Consolidated Financial Statements and the notes thereto and the Management's Discussion and Analysis of Financial Condition and Results of Operations, Glossary, and Acronyms sections set forth at pages 3 through 79 of the Corporation's 2011 Annual Report to Shareholders. Certain information not contained in the 2011 Annual Report to Shareholders, but required by Guide 3, is contained in the tables immediately following:

FIRST HORIZON NATIONAL CORPORATION  
ADDITIONAL GUIDE 3 STATISTICAL INFORMATION  
ON DECEMBER 31  
(Unaudited)

#### **Investment Portfolio**

*(Dollars in thousands)*

	2011	2010	2009
Government agency issued mortgage-backed securities & collateralized mortgage obligations	\$ 2,768,171	\$ 2,638,698	\$ 2,189,507
U.S. Treasuries	40,121	87,444	48,129
Other U.S. Government agencies*	15,951	53,226	118,145
States and municipalities	18,070	26,015	44,400
Other	223,959	226,547	294,287
Total	\$ 3,066,272	\$ 3,031,930	\$ 2,694,468

\* Includes securities issued by government sponsored entities which are not backed by the full faith and credit of the U.S. Government.

**Loan Portfolio***(Dollars in thousands)*

	2011	2010	2009	2008	2007
<b>Commercial:</b>					
Commercial, financial and industrial	\$ 8,014,927	\$ 7,338,155	\$ 7,149,784	\$ 7,819,455	\$ 7,120,118
Commercial real estate:					
Income CRE	1,257,497	1,406,646	1,774,123	1,988,017	1,976,690
Residential CRE	120,913	263,878	639,826	1,288,435	2,091,676
<b>Total Commercial</b>	<b>9,393,337</b>	<b>9,008,679</b>	<b>9,563,733</b>	<b>11,095,907</b>	<b>11,188,484</b>
<b>Retail:</b>					
Consumer real estate	5,291,364	5,617,619	6,931,435	7,749,368	8,047,492
Permanent mortgage	787,597	1,086,859	1,085,668	1,126,784	510,420
One-time close residential construction	2,358	19,276	229,487	980,798	2,008,289
Credit card and other	281,693	292,649	313,561	325,333	348,831
Restricted real estate loans*	640,778	757,491	N/A	N/A	N/A
<b>Total</b>	<b>\$ 16,397,127</b>	<b>\$ 16,782,573</b>	<b>\$ 18,123,884</b>	<b>\$ 21,278,190</b>	<b>\$ 22,103,516</b>

\* Prior to 1Q10, amount was included in Commercial Real Estate.

**Short-Term Borrowings***(Dollars in thousands)*

	2011	2010	2009
Federal funds purchased and securities sold under agreements to repurchase	\$ 1,887,052	\$ 2,114,908	\$ 2,874,353
Trading liabilities	347,285	361,920	293,387
Other short-term borrowings	172,550	180,735	761,758
<b>Total</b>	<b>\$ 2,406,887</b>	<b>\$ 2,657,563</b>	<b>\$ 3,929,498</b>

**Maturities of Certificates of Deposit \$100,000 and more on December 31, 2011**

<i>(Dollars in thousands)</i>	0-3 Months	3-6 Months	6-12 Months	Over 12 Months	Total
Certificates of deposit \$100,000 and more	\$ 144,056	\$ 91,292	\$ 225,726	\$ 147,444	\$ 608,518

**Contractual Maturities of Commercial Loans on December 31, 2011**

<i>(Dollars in thousands)</i>	Within 1 Year	After 1 Year Within 5 Years	After 5 Years	Total
Commercial, financial and industrial	\$ 3,635,928	\$ 3,213,897	\$ 1,165,102	\$ 8,014,927
Commercial real estate	527,233	708,057	143,120	1,378,410
<b>Total</b>	<b>\$ 4,163,161</b>	<b>\$ 3,921,954</b>	<b>\$ 1,308,222</b>	<b>\$ 9,393,337</b>

For maturities over one year:

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Interest rates - floating	\$	2,894,282	\$	612,712	\$	3,506,994
Interest rates - fixed		1,027,672		695,510		1,723,182
<hr/>						
Total	\$	3,921,954	\$	1,308,222	\$	5,230,176
<hr/>						

ITEM 1A  
RISK FACTORS

This Item outlines specific risks that could affect the ability of our various businesses to compete, change our risk profile, or materially impact our financial results and condition. Our operating environment continues to evolve and new risks continue to emerge. To address that challenge we have a risk management governance structure that oversees processes for monitoring evolving risks and oversees various initiatives designed to manage and control our potential exposure.

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The following discussion highlights risks which could impact us in material ways by causing our future results to differ materially from our past results, by causing future results to differ materially from current expectations, or by causing material changes in our financial condition. In this Item we have outlined risks that we believe are important to us at the present time. However, other risks may prove to be important in the future, and new risks may emerge at any time. We cannot predict with certainty all potential developments which could materially affect our financial performance or condition.

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<u>Forward-Looking Statements</u>			

This report, including materials incorporated into it, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our beliefs, plans, goals, expectations, and estimates. Forward-looking statements are statements that are not a representation of historical information but rather are related to future operations, strategies, financial results or other developments. The words believe, expect, anticipate, intend, estimate, should, is likely, will, going forward, and other expressions of future events and trends identify forward-looking statements.

Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, operational, economic and competitive uncertainties and contingencies, many of which are beyond our control, and many of which, with respect to future business decisions and actions (including acquisitions and divestitures), are subject to change. Examples of uncertainties and contingencies include, among other important factors: global, general, and local economic and business conditions, including economic recession or depression; the level and length of deterioration in the residential housing and commercial real estate markets; potential requirements for First Horizon to repurchase previously sold or securitized mortgages or securities based on such mortgages; potential claims relating to the foreclosure process; expectations of and actual timing and amount of interest rate movements, including the slope of the yield curve, which can have a significant impact on a financial services institution; market and monetary fluctuations, including fluctuations in mortgage markets; inflation or deflation; customer, investor, regulatory, and legislative responses to any or all of these conditions; the financial condition of borrowers and other counterparties; competition within and outside the financial services industry; geopolitical developments including possible terrorist activity; natural disasters; effectiveness and cost-efficiency of our hedging practices; technological changes; fraud, theft, or other incursions through conventional, electronic, or other means; demand for our product offerings; new products and services in the industries in which we operate; and critical accounting estimates. Other factors are those inherent in originating, selling, servicing, and holding loans and loan-based assets including prepayment risks, pricing concessions, fluctuation in U.S. housing and other real estate prices, fluctuation of collateral values, and changes in customer profiles. Additionally, the actions of the Securities

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and Exchange Commission (SEC), the Financial Accounting Standards Board (FASB), the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Federal Reserve), Financial Industry Regulatory Authority (FINRA), Federal Deposit Insurance Corporation (FDIC), the Consumer Financial Protection Bureau (Bureau), the Financial Stability Oversight Council (Council), and other regulators; regulatory, administrative, and judicial proceedings and changes in laws and regulations applicable to us; and our success in executing our business plans and strategies and managing the risks involved in the foregoing, could cause actual results to differ, perhaps materially, from those contemplated by the forward-looking statements.

We assume no obligation to update or revise, whether as a result of new information, future events, or otherwise, any forward-looking statements that are made in this report or in any other statement, release, report, or filing from time to time. Actual results could differ and expectations could change, possibly materially, because of one or more factors, including those factors listed above or presented below, in other sections of this report, or in material incorporated by reference into this report. Readers of this report should carefully consider the factors discussed in this Item below, among others, in evaluating forward-looking statements and assessing our prospects.

### Competition Risks

We compete with other financial services companies for customers. Our primary areas of competition include: retail and commercial deposits and bank loans, wealth management, personal or consumer loans including home mortgages and lines of credit, capital markets products and services, and other consumer and business financial products and services. Our competitors in these areas include national, state, and non-US banks, savings and loan associations, credit unions, consumer finance companies, trust companies, investment counseling firms, money market and other mutual funds, insurance companies and agencies, securities firms, mortgage banking companies, hedge funds, and other financial services companies that serve the markets which we serve. Some competitors are banks, subject to the same regulatory regime as we are, while others are not banks and in many cases experience a significantly different or reduced degree of regulation. We expect that competition will continue to grow more intense with respect to most of our products and services. Heightened competition tends to put downward pressure on revenues from affected items, upward pressure on marketing and other promotional costs, or both. For additional information regarding competition for customers, refer to the Competition heading of Part I, Item 1 beginning on page 16 of this report.

We compete for financial capital. See Financing, Funding, and Liquidity Risks beginning on page 34 of this report for additional information concerning those risks.

We also compete to acquire and retain the human capital we need to thrive. The primary tools we use to attract and retain talent are: salaries; commission, incentive, and retention compensation programs; retirement benefits; change in control severance benefits; health and other welfare benefits; and our corporate culture. To the extent we are unable to use these tools effectively, we face the risk that, over time, our best talent will leave us and we will be unable to replace those persons effectively.

### Risk From Economic Downturns and Changes

Delinquencies and credit losses generally increase during economic downturns due to an increase in liquidity problems for customers and downward pressure on collateral values. Likewise, demand for loans (at a given level of creditworthiness), deposit and other products, and financial services may decline during an economic downturn, and may be adversely affected by other national, regional, or local economic factors that impact demand for loans and other financial products and services. Such factors include, for example, changes in interest rates, real estate prices, or expectations concerning rates or prices. Accordingly, an

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economic downturn or other adverse economic change (local, regional, national, or global) can hurt our financial performance in the form of higher loan losses, lower loan production levels, lower deposit levels, and lower fees from transactions and services.

Since 2007, our operating results have been adversely affected by such a weakness in the economy, especially in real estate markets and commercial lending. In 2011 we continued to experience overall credit quality improvement, but with volatility from quarter to quarter in some portfolios and (by historical norms) loss reserves that continued to be elevated. Although we expect those overall and specific trends to continue into 2012, that expectation depends upon a continued mild economic recovery, among other things, which may not occur. If the strength of the U.S. economy in general and the strength of the local economies in which we conduct operations in particular decline, that could result in, among other things, a deterioration in credit quality with corresponding adverse effects on our loan portfolio and loan loss provision.

### Risks Associated with Domestic and Foreign Monetary Events

In recent years the U.S. Federal Reserve has implemented a series of domestic monetary initiatives in response to economic conditions. Several of these have emphasized so-called quantitative easing strategies and were known by names such as QE1, QE2, and Operation Twist. More recently the Federal Reserve provided dollars to the European central bank through currency swap arrangements. Other significant monetary strategies, including a QE3, could be implemented in the future. Such strategies can, and often are intended to, domestically affect the money supply, inflation and interest rates, and the shape of the yield curve. Risks associated with interest rates and the yield curve are discussed in this Item under the caption Interest Rate and Yield Curve Risks beginning on page 36 of this report. Such strategies also can affect the U.S. and world-wide financial systems in ways that may be difficult to predict.

During 2011 and continuing into 2012 the economic and political situation in Europe has become uncertain due in part to monetary and financial stresses. Although we have little direct exposure to Euro-denominated assets or to European debt, in the future major adverse events in Europe could have a substantial indirect adverse impact upon us. Key potential events which could have such an impact include (i) sovereign debt default (default by one or more European governments in their borrowings), (ii) European bank and/or corporate debt default, (iii) market and other liquidity disruptions, and, if stresses become especially severe, (iv) the collapse of the European Union as a coherent economic group and/or the collapse of its currency, the Euro. Such events could impact us because the U.S. financial system is linked in many ways to the European financial system, particularly through the larger U.S. institutions and the Federal Reserve. Also, European and American markets are substantially linked so that, for example, a liquidity freeze-up in Europe could quickly impact liquidity for us in U.S. markets. The methods by which such events could adversely affect us are highly varied, but broadly include the following: an increase in our cost of borrowed funds or, in a worst case, the unavailability of borrowed funds through conventional markets; impacts upon our hedging and other counterparties, especially those which have European business relationships or hold Euro assets; impacts upon our customers, especially those which have European business relationships or hold Euro assets; impacts upon the U.S. economy, especially in the areas of employment rates, real estate values, interest rates, and inflation/deflation rates; and impacts upon us from our regulatory environment, which can change substantially and unpredictably from possible political response to major financial disruptions.

### Growth and Disposition Risks

Every organization faces risks associated with growth. Our growth from 2003 to 2007 resulted primarily from a combination of: our expansion strategy in banking based on our mortgage operations; acquisition of customers from competitors that have merged with each other; and targeted non-bank business acquisitions. In 2007 and 2008 we modified our strategy in response to substantial and rapid changes in



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business conditions. As a result, in 2008 we sold our national mortgage platforms, closed our national specialty lending operations, and renewed our emphasis on financial services in our traditional Tennessee-based markets. Since 2008, and continuing in 2011, we have continued to sell or close units which have not performed or which do not complement our strategy.

Although our current strategy is expected to evolve as business conditions continue to change, at present our strategy's primary components are to invest capital and other resources in our retail/commercial banking business and in our capital markets business. In any case growth is expected to be coordinated with a focus on stronger and more stable returns on capital. Our growth in the past has been primarily organic rather than through substantial acquisitions, and in recent years we have expanded organically into contiguous markets with characteristics similar to our traditional ones. In the future, we may also rely on acquisitions if appropriate opportunities, within or outside of our current markets, present themselves. We believe that the successful execution of our strategy depends upon a number of key elements, including:

- our ability to attract and retain banking customers in our regional banking market areas;
- in our capital markets business, our ability to maintain or strengthen our existing customer relationships while at the same time identifying and successfully executing upon opportunities to provide new or existing products and services to new or existing customers in the US and overseas;
- our ability to develop and retain profitable customer relationships while expanding or enhancing our existing information processing, technology, and other operational infrastructures effectively and efficiently;
- our ability to manage the liquidity and capital requirements associated with organic growth; and
- our ability to manage any operational, cultural, liquidity, or capital risks associated with growth through purchases.

We have in place strategies designed to achieve those elements that are significant to us at present. Our challenge is to execute those strategies and adjust them, or adopt new strategies, as conditions change.

To the extent we engage in bank or non-bank business acquisitions, we face various risks associated with that practice, including:

- our ability to identify, analyze, and correctly assess the execution, contingency, and other risks in the acquisition and to price the transaction appropriately;
- our ability to integrate the acquired company into our operations quickly and cost-effectively;
- our ability to integrate the franchise value of the acquired company with our own; and,
- our ability to retain core customers and key employees of the acquired company.

At times a company must consider exiting businesses or units that no longer fit into management's plans for the future. We have made several exit moves in recent years and could make others again as we continue to adapt to a changing business and regulatory environment. Key risks associated with exiting a business include:

- our ability to price a sale transaction appropriately and otherwise negotiate acceptable terms;
- our ability to identify and implement key customer, technology systems, and other transition actions to avoid or minimize negative effects on retained businesses;
- our ability to assess and manage any loss of synergies that the exited business had with our retained businesses; and
- our ability to manage capital, liquidity, and other challenges that may arise in the event of an exit that results in significant cash expenditures or a financial loss.

Risks Related to Exited Businesses

In 2008 we sold or closed our national mortgage and national specialty lending businesses. However, we retain as assets many of the loans that those businesses created. Most of those loans are secured by residential or other real estate situated across the U.S. We also retain a substantial portion of the mortgage servicing rights that we previously serviced, we continue to maintain hedge positions that we obtain to manage certain risks related to those retained servicing rights, and we retain the risk of liability to parties with whom we made contracts in the course of operating those businesses. These legacy assets and positions continue to impose risks on us. Key risks include:

We have experienced elevated losses related to claims that we did not comply with contractual or other legal requirements when we sold or securitized mortgage loans. Losses at elevated levels may continue for some time to come. Additional information concerning this risk appears in *Legacy Mortgage Business Risks* beginning on page 23 of this report.

We could be subject to claims that foreclosures and other servicing-related actions taken by us, or on our behalf, were done improperly. Additional information concerning this risk appears in *Legacy Mortgage Business Risks* beginning on page 23 of this report.

The retail and commercial loans on our books from our former national specialty lending business have experienced significantly higher default and loss rates compared to pre-recession years. For example, due to declining home values, home loans secured on a second-lien basis in a significant number of cases have little or no collateral value to cover the loan if it defaults. Accordingly, a default on such a loan today will result in a much higher loss severity than would have resulted shortly after the loan was originated. The incidence of counterparty loss on hedges, swaps, and other such instruments associated with mortgage servicing rights may rise as those counterparties experience financial stress or failure.

Other trends adverse to us may emerge from these legacy assets and positions as counterparties are stressed by economic conditions, both domestic and global, and of course some of these impacts apply to continuing businesses. Over time those losses and risks related to legacy items should diminish since those exited businesses will not generate new loans and new contracts, but it is not possible to predict when that may occur.

Legacy Mortgage Business Risks

*Repurchase and Similar Exposures*

Like many other financial institutions that originated and sold significant amounts of mortgage loans, we have experienced elevated exposure to repurchase obligations from entities which purchased mortgages and mortgage-backed securities from us. Prior to August 2008, we originated loans through our legacy mortgage business, primarily first lien home loans, with the intention of selling them. A substantial majority of such loans were sold to government-sponsored enterprises ( GSEs ) and other purchasers without recourse as to credit defaults by the borrowers. Two primary types of these non-recourse sales occurred: so-called whole loan sales to GSEs and others; and sales through securitizations. Whole loan sales were primarily to GSEs but also to other purchasers; in those cases we contracted with the buyers directly. The securities issued in the securitizations were backed by the loans sold and were sold to many types of investors including GSEs and federal home loan banks; in those cases we have contractual relationships with the trustees holding the loans, and we provided investors with information at the time of sale in the form of offering documents. In some cases the whole loans sold by us were securitized by the purchaser; we contracted with our purchaser but have no relationship with the securitization trustee or the investors. In

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some cases the loans or securities were insured, as mentioned below, and in those cases we contracted with the insurers. As described below, we retain risk of loss in connection with each of those past relationships, and that risk varies greatly with the type of relationship.

From 2005 through 2008, we originated and sold \$69.5 billion original principal amount of first lien mortgage loans to GSEs in whole-loan sales. Although additional GSE whole-loan sales occurred in earlier years, a substantial majority of GSE repurchase requests (discussed below) have come from the 2005-8 period. In addition, from 2000 through 2007, we securitized \$47.0 billion original principal amount of first lien mortgage loans. During that period we also securitized \$2.5 billion original principal amount of HELOC and second-lien loans without recourse in proprietary transactions ( HELOC securitizations ).

Whole-loan purchasers have increased their efforts to seek to require loan sellers to repurchase those loans or to reimburse purchasers for losses related to those loans when losses are incurred due to actual or alleged failure to strictly conform to the purchase contract representations or warranties. A substantial majority of our whole loan sales were to GSEs. The representations and warranties generally are broader for whole loans sold to the GSEs than they are for the loans sold in proprietary securitizations. GSE representations and warranties claims typically include claims that loans had missing or insufficient file documentation or that loans were obtained through fraud by borrowers or other third parties such as appraisers. As a result, we face pressure from GSE and other whole-loan purchasers to repurchase those loans or to make the purchaser whole, and we face expenses to administer and defend against such claims.

For loans sold in proprietary securitizations we have exposure for investment rescission or damages arising from legal claims that the offering documents under which the loans were securitized were materially deficient. At year-end 2011 we were a defendant in a total of four such lawsuits, but others might be brought in the future. There is also potential repurchase exposure and rescission risk associated with the proprietary securitizations under the contracts with trustees through which the securitizations were created. The repurchase process is more difficult for securitization investors than it is for GSEs in whole loan sales, and at year-end no such requests had been received with respect to first-lien mortgage securitizations. At December 31, 2011, based on applicable accounting guidance associated with litigation, we had no reserve for potential losses associated with private first-lien mortgage securitizations.

The HELOC securitizations are credit enhanced, or wrapped, by a monoline insurance company. Contractual representations and warranties were made to the monoline insurers, and we have received repurchase requests from a monoline insurer based on those contractual provisions. A monoline insurer for some of these securitizations has become insolvent, and we are unable to estimate what, if any, loss exposure that insolvency may create for us. Because of interests we retained, the loans held in our HELOC securitizations generally are recognized on our balance sheet as restricted assets. Loss content for those loans is evaluated and recognized on our financial statements quarterly within the Allowance for Loan Losses. As a result, if we were to repurchase securitized HELOC loans the event likely would have little immediate impact on our income statement. At December 31, 2011, based on the information available and applicable accounting guidance, we had no reserve for potential losses associated with private HELOC securitizations other than the reserve within the Allowance for Loan Losses.

A significant portion of the loans we sold to GSEs, and some of the loans in proprietary securitizations, were required to have private mortgage insurance ( MI ). We have received MI cancellation notices from the insurers which wrote these policies based on claims of fraud or misrepresentations relating to the insured loans. To date a majority of MI cancellations have involved loans sold to GSEs. Although unresolved MI cancellation notices are not formal repurchase requests, we include these in the active repurchase request pipeline when analyzing and estimating loss content in relation to the loans sold to GSEs. One MI insurer involved with loans we sold reportedly has become insolvent. We do not expect its failure to

create new exposure for us, but it will increase the amount of our loss associated with any related repurchases.

Our reserve for repurchase losses is assessed quarterly. Although not all loans repurchased are in arrears or default, as a practical matter many have been. As a result, loss recognition for repurchased loans as a group has been much higher than for consumer loans typically held in our portfolio. Also, although we re-evaluate our reserves for repurchase losses each quarter, evaluations of that sort necessarily are estimates and there remains a risk that the reserves will not be adequate.

Our ability to predict repurchase losses is adversely affected by both the absence of significant historical precedent for repurchase requests of this scope and our lack of visibility into current loan information for the majority of the loans that we sold to GSEs. As a result of the sale of our national mortgage banking business in the third quarter of 2008 and later sales of mortgage servicing rights, we no longer service the majority of the loans that we sold to GSEs and therefore no longer have visibility into current loan information. Those facts increase the risk that our reserves may not reflect our actual ultimate loss.

While the vast majority of claims made to date relate to whole-loan sales to GSEs, claims have been made with respect to other purchasers and investors. The number of repurchase requests, MI cancellation notices, or lawsuits may increase materially over time. An increase in the volume of such claims beyond what we are currently experiencing, or an increase in the loss rate we experience upon resolution of these claims, could adversely affect our financial condition and results of operations. Also, starting in 2012 we will be required to periodically report on repurchase demands and related activities.

Additional information concerning risks related to our former mortgage businesses and our management of them, all of which is incorporated into this Item 1A by this reference, is set forth under the captions Repurchase Obligations, Off-Balance Sheet Arrangements, and Other Contractual Obligations beginning on page 54, Repurchase and Foreclosure Liability beginning on page 60, and Repurchase and Foreclosure Liability beginning on page 69 of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2011 Annual Report to Shareholders, which is part of the material from that Report that has been incorporated by reference into Item 7 of Part II of this report.

#### *Mortgage Foreclosure Risks*

State and federal officials and regulators have announced and commenced inquiries and investigations into the procedures followed by mortgage servicing companies and banks in completing affidavits relating to foreclosures and into the authority of the servicer to foreclose if assignments of legal interests in the mortgage loans have not been properly recorded. The attorneys general of all 50 states concluded a joint investigation of foreclosure practices across the industry and proposed significant changes in servicing practices related to foreclosures and substantial penalties. On February 9, 2012, the Justice Department announced that the federal government and attorneys general of 49 states (the state of Oklahoma reached a separate agreement) had reached a \$25 billion settlement agreement with five of the largest servicers to address mortgage loan servicing and foreclosure abuses. We are not a party to this settlement and our subservicer has advised us that it has not been involved in recent discussions. Press reports indicate that other subservicers may be approached to participate in the settlement. Further, President Obama has recently established a mortgage fraud task force to investigate mortgage related issues with its primary focus on mortgage-backed securities and press reports indicate that civil investigative demands have been issued to a number of servicers. Additional state or federal inquiries or investigations may be commenced. We cannot predict the ultimate outcome of these inquiries and investigations or the impact that they could have on our financial condition, results of operations, or business.

The Office of the Comptroller of the Currency ( OCC ) has issued supervisory guidance regarding consumer foreclosure practices applicable to national banks, including our Bank. The guidance draws upon

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industry regulators' recent experience with 14 large mortgage servicing companies. The guidance requires our Bank to conduct a self-assessment of its past and present foreclosure practices and submit a report to the OCC regarding its outcome. The guidance also requires our Bank to monitor its first-lien mortgage servicer and servicing vendors, to follow certain governance practices, and to take corrective action regarding any deficiencies or weaknesses uncovered in the assessment. Corrective action includes remediation for customers who have experienced financial harm as a result of such deficiencies. The ultimate financial impact to our Bank of this assessment and remediation process is unknown.

We are aware that some local and state government agencies have begun to assert claims against mortgage owners, trustees, and servicers related generally to maintenance of foreclosed and other properties, including in some cases properties which we own or with which we are otherwise involved. The number and scope of such claims may increase significantly as more foreclosures are completed across the U.S. in circumstances where, for market or other reasons, the property is not sold immediately to an unrelated third party.

Additional information concerning foreclosure-related risks and our management of them, all of which is incorporated into this Item 1A by this reference, is set forth under the captions "Repurchase and Foreclosure Liability" beginning on page 60, "Foreclosure Practices" beginning on page 65, and "Repurchase and Foreclosure Liability" beginning on page 69 of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2011 Annual Report to Shareholders, which is part of the material from that Report that has been incorporated by reference into Item 7 of Part II of this report.

### Reputation Risks

Our ability to conduct and grow our businesses, and to obtain and retain customers, is highly dependent upon external perceptions of our business practices and our financial stability. Our reputation is, therefore, a key asset for us. Our reputation is affected principally by our own practices and how those practices are perceived and understood by others. Adverse perceptions regarding the practices of our competitors, or our industry as a whole, also may adversely impact our reputation. In addition, negative perceptions relating to parties with whom we have important relationships may adversely impact our reputation. Senior management oversees processes for reputation risk monitoring, assessment, and management.

Damage to our reputation could hinder our ability to access the capital markets or otherwise impact our liquidity, could hamper our ability to attract new customers and retain existing ones, could impact the market value of our stock, could create or aggravate regulatory difficulties, and could undermine our ability to attract and retain talented employees, among other things. Adverse impacts on our reputation, or the reputation of our industry, may also result in greater regulatory and/or legislative scrutiny, which may lead to laws or regulations that change or constrain our business or operations. Events that result in damage to our reputation also may increase our litigation risk.

### Credit Risks

We face the risk that our customers may not repay their loans and that the realizable value of collateral may be insufficient to avoid a charge-off. We also face risks that other counterparties, in a wide range of situations, may fail to honor their obligations to pay us. In our business some level of credit charge-offs is unavoidable and overall levels of credit charge-offs can vary over time. Since 2007 our credit charge-offs, especially related to lending, increased to historically high levels. Although in the past two years our credit charge-offs have retreated somewhat resulting in a substantial reduction in provision expense in 2011, at year-end 2011 credit reserves remain elevated by historical norms.

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Our ability to manage credit risks depends primarily upon our ability to assess the creditworthiness of loan customers and other counterparties and the value of any collateral, including real estate. We manage lending credit risk by attempting to diversify our loan portfolio, by managing its granularity, and by recording and managing an allowance for loan losses based on the factors mentioned above and in accordance with applicable accounting rules. We also record loan charge-offs in accordance with accounting and regulatory guidelines and rules. As indicated in this Item under the caption Accounting Risks beginning on page 37 of this report, these guidelines and rules could change and cause provision expense or charge-offs to increase, or to be recognized on an accelerated basis, for reasons related or unrelated to the underlying performance of our portfolio. Moreover, the SEC could take accounting positions applicable to our holding company that may be inconsistent with those taken by the OCC or other regulators for the Bank. We manage other counterparty credit risk in a variety of ways, some of which are discussed in other parts of this Item 1A and all of which have as a primary goal the avoidance having too much risk concentrated with any one counterparty.

A significant challenge for us is to keep the credit and other models and approaches we use to originate and manage loans updated to take into account changes in the competitive environment, in real estate prices and other collateral values, and in the economy, among other things, based on our experience originating loans and servicing loan portfolios. In recent years we have changed our models and approaches based on changes in circumstances, and we will continue to do so as conditions change. At times those changes have had significant impacts upon our reported financial results and condition. In addition, we use those models and approaches to manage our loan portfolios and lending businesses. To the extent our models and approaches are not consistent with underlying real-world conditions, our management decisions could be misguided or otherwise adversely affected with substantial adverse consequences to us. Additional information concerning credit risks and our management of them is set forth under the captions Credit Risk Management beginning on page 48 and Allowance for Loan Losses beginning on page 67 of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2011 Annual Report to Shareholders, which is part of the material from that Report that has been incorporated by reference into Item 7 of Part II of this report.

### Operational Risks

Our ability to conduct and grow our businesses is dependent in part upon our ability to create and maintain an appropriate operational and organizational infrastructure, manage expenses, and recruit and retain personnel with the ability to manage a complex business. Operational risk can arise in many ways, including: errors related to failed or inadequate physical, operational, information technology, or other processes; faulty or disabled computer or other technology systems; fraud, theft, physical security breaches, electronic data and related security breaches, or other criminal conduct by employees or third parties; and exposure to other external events. Inadequacies may present themselves in a myriad of ways, and actions taken to manage one risk may be ineffective against others. For example, information technology systems may be insufficiently redundant to withstand a fire, incursion, or other major casualty, and they may be insufficiently adaptable to new business conditions or opportunities. Efforts to make such systems more robust may also make them less adaptable, and vice-versa.

One of the foregoing risks that has become particularly important to financial institutions involves electronic systems security. A serious electronic security breach can cause significant damage and at the same time be difficult to detect even after it occurs. Among other things, that damage can occur due to outright theft of funds, fraud or identity theft perpetrated on customers, or adverse publicity associated with the breach and its potential effects. Perpetrators potentially can be employees, customers, and certain vendors, all of whom legitimately have access to some portion of our systems, as well as outsiders with no legitimate access. Because of the potentially very serious consequences associated with these risks, our

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electronic systems and their upgrades address internal and external security concerns to a higher degree than might be true of many companies in other industries, and our systems have to comply with applicable banking and other regulations pertaining to bank safety and customer protection. Although many of our defenses are systemic and highly technical, others are much older and more basic. In particular, periodically we train all our employees to recognize red flags associated with fraud, theft, and other electronic crimes, and we train our customers as well through regular and episodic security-oriented communications. We expect our systems and the regulatory requirements to continue to evolve as technology and criminal techniques also continue to evolve.

In addition, we outsource some of our operational functions to third parties. Those third parties may experience similar errors or disruptions that could adversely impact us and over which we may have limited control and, in some cases, limited ability to quickly obtain an alternate vendor. To the extent we increase our reliance on third party vendors to perform or assist operational functions, the challenge of managing the associated risks becomes more difficult.

For example, in 2008 we sold our national mortgage origination and servicing platforms. We retained significant servicing right assets, however, and we continue to originate mortgage products in our regional banking markets in and around Tennessee. Of practical necessity, we have outsourced our servicing functions, and we have outsourced many key roles in the Tennessee-based mortgage origination process to a third party. In 2011 we transferred our servicing relationship from the 2008 purchaser of our platform to a new vendor. The complexity and significant cost of that change illustrate the risks and costs associated with any change in those vendors which provide detailed and substantial services to us. Managing the operational, compliance, reputational, liability, and other risks associated with this level of outsourcing in those business areas is an ongoing challenge for us.

Failure to build and maintain the necessary operational infrastructure, failure of that infrastructure to perform its functions, or failure of our disaster preparedness plans if primary infrastructure components suffer damage, can lead to risk of loss of service to customers, legal actions, and noncompliance with applicable laws or regulatory standards. Operational risk is specifically managed through internal monitoring, measurement, and assessment by line management and oversight of processes by top management, and by maintaining systems to adhere to regulatory guidance. Additional information concerning operational risks and our management of them appears under the caption *Operational Risk Management* beginning on page 48 of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2011 Annual Report to Shareholders, which is part of the material from that Report that has been incorporated by reference into Item 7 of Part II of this report.

### Service Risks

We engage in a wide range of activities in which we provide services to customers. These activities create risk of claims against us that the services were provided in a manner that harmed the customer or a third party, or were contrary to applicable laws or rules. These activities include fiduciary, custodial, depository, funds management, and advisory services, among others. We manage these risks primarily through training programs, compliance programs, and supervision processes.

### Regulatory, Legislative, and Legal Risks

We operate in a heavily regulated industry. The regulatory environment has been changing more rapidly in recent years, and the regulatory burdens generally have been increasing, as a result of recent events affecting traditional banking, mortgage banking, and financial markets generally. Heightened levels of regulatory change are likely to continue for at least the next several years.

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We are subject to many banking, deposit, insurance, securities brokerage and underwriting, and consumer lending regulations in addition to the rules applicable to all companies publicly traded in the U.S. securities markets and, in particular, on the New York Stock Exchange. Failure to comply with applicable regulations could result in financial, structural, and operational penalties. In addition, efforts to comply with applicable regulations may increase our costs and/or limit our ability to pursue certain business opportunities. See *Supervision and Regulation* in Item 1 of this report, beginning on page 5, for additional information concerning financial industry regulations. Federal and state regulations significantly limit the types of activities in which we, as a financial institution, may engage. In addition, we are subject to a wide array of other regulations that govern other aspects of how we conduct our business, such as in the areas of employment and intellectual property. Federal and state legislative and regulatory authorities increasingly consider changing these regulations or adopting new ones. Such actions could further limit the amount of interest or fees we can charge, could further restrict our ability to collect loans or realize on collateral, could affect the terms or profitability of the products and services we offer, or could materially affect us in other ways. Additional federal and state consumer protection regulations also could expand the privacy protections afforded to customers of financial institutions, restricting our ability to share or receive customer information and increasing our costs.

The following paragraphs highlight certain specific important risk areas related to legal matters currently. These paragraphs do not describe these risks exhaustively, and they do not describe all legal risks that we face currently. Moreover, the importance of specific risks will grow or diminish as circumstances change.

### *Regulatory and Other Pressures Related to Operating Results*

The Bank is required to maintain certain regulatory capital levels and ratios, as discussed under the caption *Capital Adequacy* beginning on page 8 of this report. If the Bank's financial losses from recent years past were to resume, or if the regulatory requirements were to increase, then at some point the Bank's ability to meet those requirements could be adversely affected. Those effects would be made worse if the regulatory requirements become more stringent, as is expected.

Pressure to maintain appropriate capital levels and address business needs in a weak economy may lead to actions that could be dilutive or otherwise adverse to our shareholders, at least in the short term. Such actions that have occurred in the past three years include the elimination of our common cash dividend (which was reinstated at one cent per share in January 2011), two sales of our common stock and the issuance of a common stock warrant, and a contraction of our balance sheet (involving sales or other dispositions of assets or businesses) at times when market values were depressed. Further such actions could occur.

### *Recent Legislation: Dodd-Frank Act*

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ( *DF Act* ) was enacted on July 21, 2010. The DF Act made a substantial number of significant changes to how financial services companies are regulated. Additional information concerning the DF Act is provided in the section captioned *Dodd-Frank Act* beginning on page 13 of this report, which section is incorporated by reference into this Item 1A.

Many of the most sweeping changes in the DF Act are not complete or specific but instead authorize potentially expansive new regulations to be issued in the future. At this time it is not known how the DF Act and the regulations that eventually will be adopted under it will affect the financial services industry in general or our company in particular, and it could be several years before all the impacts are known. Although it is not possible to summarize in any detail the effects of this legislation, one likely overall impact



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upon us will be to increase our regulatory compliance and certain other costs significantly. In addition, it is possible that our operations and associated revenues will be constrained in some respects, perhaps significantly in some areas. Areas covered by the DF Act which presently appear likely to present the greatest risks to us are mentioned below:

Due to the scope of the new regulations authorized, it is likely that our compliance costs will rise appreciably over the next several years, and a substantial portion of that increase likely will be permanent.

Final regulations under the DF Act's so-called Durbin Amendment were issued in 2011. Effective October 1, they severely capped the interchange fees which banks are able to charge merchants for debit card transactions. The cap represents a substantial reduction compared to the rates that prevailed in the market previously.

A new regulatory agency has been created: the Consumer Financial Protection Bureau, or Bureau. The Bureau has substantial authority over our consumer finance products and services, and therefore is likely to have a substantial impact on our retail financial services businesses. Although presently unknown, the Bureau's rules could conflict with, and possibly override, our Bank's primary regulator in consumer matters. Since the Bureau's mission is not focused upon the safety and soundness of our Bank, conflicts of that sort could be significantly adverse to us. The Bureau's rule-making authority is extensive, including such things as setting terms and conditions on consumer products and services and defining deceptive practices. The Bureau's rules could substantially reduce revenues, increase costs and risks, and otherwise make our consumer products and services less profitable or unprofitable. In early 2012 the Bureau began issuing proposed rules; however, the manner in which the Bureau's chief was appointed has called the legal status of those rules into question so that there remains substantial uncertainty regarding how the Bureau ultimately will impact us.

The DF Act's new municipal advisor registration regime could adversely affect our capital markets and other activities with municipal customers.

The Board of Governors of the Federal Reserve System, among other agencies, in 2011 issued a proposal to implement the DF Act's so-called Volcker provisions. The proposal would prohibit financial services companies from engaging in proprietary trading activities and from investing in and sponsoring hedge funds and private equity funds. Key definitions under the proposal are broad so that the proposal would regulate a wide range of activities. The proposal is far reaching and likely to impact the business operations of many if not most U.S. financial companies. Although at this time the impacts upon us remain highly uncertain, it is possible that the rule, when final, will require us to divest assets or curtail or close business operations. Such actions could have material adverse financial consequences as a result of immediate impacts such as losses realized on sale or closure, and ongoing impacts such as diminished sources of revenues and earnings.

The DF Act is likely to substantially increase our deposit insurance costs. The assessment rate is expected to increase, at least temporarily, and the base upon which the assessment is made has been expanded from insured deposits to include all consolidated assets less tangible capital.

The DF Act's new requirements on mortgage lenders and securitizers could adversely impact our ability to conduct mortgage lending activities, and similarly could impact mortgage-lending banks which are customers of ours.

Regulators, including the Federal Reserve, the OCC, and the FDIC, have been given expansive authority to regulate compensation and many other matters throughout our company in connection with enhanced risk regulation functions. If new regulations in this area are severe, they could adversely impact our ability to attract or retain key employees and could make some business activities impractical for banks and bank holding companies.

The DF Act has excluded certain items, including trust preferred securities, from Tier 1 capital of financial institutions having assets of \$15 billion or more. A direct effect of this exclusion will be to remove \$200 million of currently outstanding securities from our Tier 1 capital after a phase-out period has passed.

The DF Act requires the financial regulators to adopt new capital and liquidity standards for institutions having more than \$50 billion of assets, which would not include us. The OCC, among other agencies, has proposed stress-testing guidance that would be applicable to us. These changes are expected to be final in 2012. Although the guidance is not intended to implement capital and liquidity requirement changes under the DF Act, it is likely to be coordinated with that effort. Increases in capital and liquidity requirements could increase dilution of common shareholders by requiring stock to be issued and remain outstanding, and could constrain revenues by restricting the amount of capital which can be loaned to customers or put to other highly productive uses.

In 2011 the Securities and Exchange Commission ( SEC ) adopted final rules implementing a whistleblower bounty provision of the DF Act. Although it is unknown how this rule will impact us in the future, eventually it is likely to increase our costs of dealing with certain types of employment disputes and it could weaken the effectiveness of our compliance and ethics hotline and other internal reporting processes.

New regulations under the DF Act governing derivatives could adversely affect certain activities of our capital markets business.

There is a risk that the burden of many of the increased compliance costs could be uneven over the industry in terms of the impact to each institution's efficiency ratio (the ratio of costs to revenues), leaving some institutions disadvantaged relative to others. Uneven outcomes could arise because: larger institutions may be able to bear some of the new costs more efficiently due to economies of scale; some new burdens do not apply to smaller institutions at all or are intended to impact community banks much less than regional, national, or international banks; and, there is a risk of unintended impacts. Uneven impact may be inevitable because in most cases each new burden will apply only to a narrow range of activities, institutions have differing mixes of business activities, and the various burdens will be unequal from one activity to the next.

*Recent Legislation: Healthcare*

In 2010 a sweeping healthcare reform law was enacted. Many of the most significant provisions of this legislation depend upon substantial, and as yet unknown, regulations and other rules, and the application of many provisions are to be phased in over several years, with significant provisions taking effect in 2013. Also, the legal validity of the law has been challenged in federal court and the U.S. Supreme Court is expected to decide those questions in the summer of 2012. Accordingly, the overall impact of the law upon us will not be known for some time. However, assuming the law is upheld, at this time it appears likely that the new law will increase our costs and there is a significant risk that the increases over time will be substantial.

*Federal and State Regulatory Jurisdiction*

For many years the OCC took the position that it was the exclusive regulator of various aspects of national banks or their operating subsidiaries. This position allowed national banks to operate under one set of rules in many important respects. In the past three years that position has been impacted by two events. In its 2009 decision known as *Cuomo v. Clearing House Association L.L.C.*, the U.S. Supreme Court determined that the OCC does not have the exclusive ability to enforce certain state and local laws applicable to certain business activities of national banks which are not pre-empted by federal law. *Cuomo* holds that the National Bank Act allows states to enforce non-pre-empted laws through judicial proceedings against

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national banks. In 2010 the DF Act codified the *Cuomo* holding and created the Consumer Financial Protection Bureau, which has certain regulatory powers over national banks in consumer matters. In 2011, acting under the DF Act, the OCC conformed its pre-emption rule to *Cuomo* and the requirements of the DF Act regarding visitorial powers and pre-emption standards.

In general, a weakening of federal pre-emption tends to increase our compliance and operational costs and risks, and can increase them substantially. Most states and some communities have in place various laws pertaining to lending and other business activities conducted by banks, some of which may not be pre-empted by federal law. Dealing with potential state and local enforcement activity relating to non-pre-empted laws would, at a minimum, increase the compliance costs for national banks that have multi-state operations or a multi-state customer base.

### *Litigation Risks*

We face litigation risks from customers, employees, vendors, contractual parties, and other persons, either singly or in class actions, and from federal or state regulators. We manage those risks through internal controls, personnel training, insurance, litigation management, our compliance and ethics processes, and other means. However, the commencement, outcome, and magnitude of litigation cannot be predicted or controlled with certainty.

Since 2008 the risks of certain types of litigation have increased. For us, the most notable of those types are (i) lender liability claims, (ii) claims involving other types of distressed counterparties, including investors in mortgage securities sold prior to 2008, (iii) claims based on declines in our stock price, and (iv) a new type of lender tort claim. The risk from the first two types has increased primarily because borrowers and other contractual counterparties have experienced financial stress, in many cases resulting in an attempt to obtain funds or relief from a solvent party (us). We expect that this heightened risk level will not abate until after economic conditions, including residential real estate values, substantially improve. The elevated risk associated with type (iii) largely is a result of our volatile stock price performance, and eventually should fall back to ordinary levels if volatility in our stock price moderates.

Regarding type (iv), some local governments or agencies have claimed that certain lenders in their communities have created a public nuisance, engaged in predatory or discriminatory lending, or otherwise are liable for the alleged consequences of inappropriate consumer lending, especially home mortgage lending. Lender tort claims of this sort, where alleged damages are measured on a statistical and/or city-wide basis, create litigation costs immediately and create a risk of significant litigation losses for those lenders which are named as defendants in them. Moreover, claims of this sort adversely alter the business climate and raise the costs and risks for all lenders, both in the communities involved and in similar communities across the country.

### Risks of Expense Control

Expenses and other costs directly affect our earnings. Our ability to successfully manage expenses is important to our long-term survival and prosperity. Many factors can influence the amount of our expenses, as well as how quickly they grow. As our businesses change, either by expansion or contraction, additional expenses can arise from asset purchases, structural reorganization, evolving business strategies, and changing regulations, among other things. We manage expense growth and risk through a variety of means, including selectively outsourcing or multi-sourcing various functions and procurement coordination and processes, and through an expense management committee.

### Geographic Risks

Our capital markets business is national in scope, and our capital markets division has a business presence in selected Asian markets. Also, we continue to hold substantial assets across the U.S. originated under our now-discontinued national lending businesses. However, our traditional banking business remains grounded in, and depends upon, the major Tennessee markets. As a result, although some of our business operations and assets are exposed to geographically broad risks, to a significant degree our banking business is exposed to economic, regulatory, natural disaster, and other risks that primarily impact Tennessee and neighboring states where we do our traditional banking business. In other words, if the Tennessee region experiences adversity not shared by other parts of the country, we are likely to experience adversity to a degree not shared by those competitors which have a broader footprint.

### Non-U.S. Operations Risks

We have two capital markets offices outside of the United States, in Hong Kong and Tokyo. Opening and operating non-U.S. offices creates a number of risks. Specific risks associated with any non-U.S. presence include: the risk that taxes, licenses, fees, prohibitions, and other barriers and constraints may be created or increased by the U.S. or other countries that would impact our ability to operate overseas profitably or at all; the risk that our assets and operations in a particular country could be nationalized in whole or part without adequate compensation; the risk that currency exchange rates could move unfavorably so as to diminish or destroy the U.S. dollar value of assets, or to enlarge the U.S. dollar value of liabilities, denominated in those currencies; the risk that legal recourse against foreign counterparties may be limited in unexpected ways; risks and costs associated with U.S. banking and other regulation of non-U.S. business activities; and the risk that political or cultural preferences in a particular host country might become antagonistic to U.S. companies. Our ability to manage those and other risks will depend upon a number of factors, including: our ability to recognize and anticipate differences in cultural and other expectations applicable to customers, employees, regulators, vendors, and other business partners and counterparties; our ability to recognize and act upon opportunities and constraints peculiar to the countries and cultures in which our offices operate; our ability to recognize and manage any exchange rate risks to which we are exposed; and our ability to anticipate the stability of or changes in the political, legal, and monetary systems of the countries in which our offices operate.

### Insurance

We use insurance to manage a number of risks, including damage or destruction of property, legal and other liability, and certain types of credit risks. Not all such risks are insured, in any given insured situation our insurance may be inadequate to cover all loss, and many risks we face are uninsurable. For those risks that are insured, we also face the risks that the insurer may default on its obligations or that the insurer may refuse to honor them. We treat the former risk as a type of credit risk, which we manage by reviewing the insurers that we use and by striving to use more than one insurer when practical. The risk of refusal, whether due to honest disagreement or bad faith, is inherent in any contractual situation.

A portion of our retail loan portfolio involves mortgage default insurance. If a default insurer were to experience a significant credit downgrade or were to become insolvent, that could adversely affect the carrying value of loans insured by that company, which could result in an immediate increase in our loan loss provision or write-down of the carrying value of those loans on our balance sheet and, in either case, a corresponding impact on our financial results. In recent years events of this sort have happened. If many default insurers were to experience downgrades or insolvency at the same time, the risk of a financial impact would be amplified and the disruption to the default insurance industry could curtail our ability to originate new loans that need such insurance, which could result in a loss of business for us.

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In addition, we own certain bank-owned life insurance policies as assets on our books. Some of those policies are general account and others are separate account. The general account policies are subject to the risk that the carrier might experience a significant downgrade or become insolvent. The separate account policies are less susceptible to carrier risk, but do carry the risk of value fluctuations in securities which underlie those policies. Both risks are managed through periodic reviews of the carriers and the underlying security values. However, particularly for the general account policies, our ability to liquidate a policy in anticipation of an adverse carrier event is significantly limited by applicable insurance contracts and regulations as well as by a substantial tax penalty which could be levied upon early policy termination.

### Financing, Funding, and Liquidity Risks

Management of liquidity and related risks is a key function for our business. Additional information concerning liquidity risk management is set forth under the caption Liquidity Management beginning on page 51 of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2011 Annual Report to Shareholders, which is part of the material from that Report that has been incorporated by reference into Item 7 of Part II of this report.

In general, the costs of our funding directly impact our costs of doing business and, therefore, can positively or negatively affect our financial results. Our funding requirements in 2011 were met principally by deposits and by financing from other financial institutions. Historically we also depended upon financing from private institutional investors by means of the capital markets. In 2008 and 2009 we were not able to utilize the private markets economically, but late in 2010 we issued and sold \$500 million of senior notes in an underwritten offering which remain outstanding at year-end 2011. The recent past illustrates, however, the risk that capital markets may become unavailable for reasons beyond our control. Deposits traditionally have provided our most affordable funds, and in 2010 and 2011 our deposits trended upward despite the low-interest-rate environment. However, deposit trends can shift with economic conditions; if the economy improves, deposit levels in our Bank might fall as depositors become more comfortable with risk and seek higher returns in other vehicles.

A number of more general factors could make such funding more difficult, more expensive, or unavailable on affordable terms, including, but not limited to, our financial results, organizational or political changes, adverse impacts on our reputation, changes in the activities of our business partners, disruptions in the capital markets, specific events that adversely impact the financial services industry, counterparty availability, changes affecting our loan portfolio or other assets, changes affecting our corporate and regulatory structure, interest rate fluctuations, ratings agency actions, general economic conditions, and the legal, regulatory, accounting, and tax environments governing our funding transactions. In addition, our ability to raise funds is strongly affected by the general state of the U.S. and world economies and financial markets as well as the policies and capabilities of the U.S. government and its agencies, and may become or remain increasingly difficult due to economic and other factors beyond our control.

Events affecting interest rates, markets, and other factors may adversely affect the demand for our services in our capital markets business. As a result, disruptions in those areas may adversely impact our earnings in that business unit as well. For instance, market disruptions in 2007 significantly reduced the demand for certain of our capital markets products and services.

Rating agencies assign credit ratings to issuers and their debt. In that role, agencies directly affect the availability and cost of our funding. The Corporation and the Bank currently receive ratings from several rating entities for unsecured borrowings. A rating below investment grade typically reduces availability and

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increases the cost of market-based funding. A debt rating of Baa3 or higher by Moody's Investors Service, or BBB- or higher by Standard & Poor's and Fitch Ratings, is considered investment grade for many purposes. At December 31, 2011, all three rating agencies rated the unsecured senior debt of the Corporation and the Bank as investment grade, although we were at or near the lowest levels of that grade. To the extent that in the future we depend on institutional borrowing and the capital markets for funding and capital, we could experience reduced liquidity and increased cost of funding if our debt ratings were lowered further, particularly if lowered below investment grade. In addition, other actions by ratings agencies can create uncertainty about our ratings in the future and thus can adversely affect the cost and availability of funding, including placing us on negative outlook or on watchlist. Please note that a credit rating is not a recommendation to buy, sell, or hold securities, is subject to revision or withdrawal at any time, and should be evaluated independently of any other rating.

In addition to the direct liquidity risks noted above, reductions in our credit ratings could allow counterparties to terminate and immediately force us to settle certain derivatives agreements, and could force us to provide additional collateral with respect to certain derivatives agreements. Additional information concerning those matters is provided under the caption *Derivative Instruments* within Note 25 to our financial statements, beginning on page 176 of our 2011 Annual Report to Shareholders, which is part of the material from that Report that has been incorporated by reference into Item 15 of Part IV of this report.

Certain regulatory laws or rules establish minimum capital levels or define risk-weighting for capital, regulate deposit insurance, and govern related funding matters for banks. Those laws or rules could be changed in a manner that could increase our overall cost of capital and thus reduce our earnings. Significant changes are expected in the next year or two, as mentioned in the next two paragraphs.

International banking industry regulators have largely agreed upon significant changes in the regulation of capital required to be held by banks and their holding companies to support their businesses. The new international rules, known as *Basel III*, generally increase the capital required to be held, narrow the types of instruments which will qualify as providing appropriate capital, and tighten liquidity requirements. The *Basel III* requirements are complex and will be phased in over many years.

The *Basel III* rules do not apply to U.S. banks or holding companies automatically. Among other things, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ( *DF Act* ) requires U.S. regulators to reform the system under which the safety and soundness of banks and other financial institutions, individually and systemically, are regulated. That reform effort will include the regulation of capital. It is not known to what extent the U.S. regulators will incorporate elements of *Basel III* into the reformed U.S. regulatory system, but for 2012 it is expected that the U.S. reforms will include an increase in capital requirements and a narrowing of what qualifies as appropriate capital. Although such reforms are likely to impact the very largest institutions more substantially, we could be impacted as well.

One likely effect of a significant tightening of our capital requirements would be to increase our cost of capital, among other things. Any permanent significant increase in our cost of capital could have significant adverse impacts on the profitability of many of our products, the types of products we could offer profitably, our overall profitability, and our overall growth opportunities, among other things. Although most financial institutions would be affected, these business impacts could be felt unevenly, depending upon the business and product mix of each institution. Other potential effects could include less ability to pay cash dividends and repurchase our common shares, higher dilution of common shareholders, and a higher risk that we might fall below regulatory capital thresholds in an adverse economic cycle.

Interest Rate and Yield Curve Risks

A significant portion of our business involves borrowing and lending money. Accordingly, changes in interest rates directly impact our revenues and expenses, and potentially could expand or compress our net interest margin. We actively manage our balance sheet to control the risks of a reduction in net interest margin brought about by ordinary fluctuations in rates. Additional information concerning those risks and our management of them appears under the caption Interest Rate Risk Management beginning on page 49 of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2011 Annual Report to Shareholders, which is part of the material from that Report that has been incorporated by reference into Item 7 of Part II of this report, and under the caption Interest Rate Risk Management within Note 25 to our financial statements, beginning on page 179 of our 2011 Annual Report to Shareholders, which is part of the material from the Report that has been incorporated by reference into Item 15 of Part IV of this report.

Our mortgage servicing rights (MSR) portfolio is affected by changes in interest rates. Although we sold our mortgage servicing platform in 2008, at present we still retain substantial MSR assets. The value of MSR assets declines when the underlying loans are refinanced, otherwise paid early, or charged off. Generally, when interest rates increase, the value of MSR generally increases, and when rates decline the value of MSR tends to decline. However, those general tendencies do not result in concrete outcomes in all circumstances; for example, a decrease in interest rates does not always result in a predictable increase in refinancings because other factors may blunt loan demand or curtail credit availability. Additional information concerning those risks and our management of them appears under the caption Mortgage Servicing Rights and Other Retained Interests beginning on page 67 of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2011 Annual Report to Shareholders, which is part of the material from that Report that has been incorporated by reference into Item 7 of Part II of this report.

We face the risks associated with movements in the yield curve. The yield curve simply shows the interest rates applicable to short and long term debt. The curve is steep when short-term rates are much lower than long-term rates; it is flat when short-term rates are nearly equal to long-term rates; and it is inverted when short-term rates exceed long-term rates. Historically, the yield curve normally is positively sloped. However, the yield curve can be relatively flat or inverted for short or even protracted periods. A flat or inverted yield curve tends to decrease net interest margin, which would adversely impact our lending businesses, and it tends to reduce demand for long-term debt securities, which would adversely impact the revenues of our capital markets business. A prolonged inversion of the yield curve historically is so uncommon that it is difficult to predict all the effects that such a market condition is reasonably likely to create.

Expectations by the market regarding the direction of future interest rate movements, particularly long-term rates, can impact the demand for long-term debt which in turn can impact the revenues of our capital markets business. That risk is most apparent during times when strong expectations have not yet been reflected in market rates, or when expectations are especially weak or uncertain.

Securities Inventories and Market Risks

Our capital markets business buys and sells various types of securities for its institutional customers. In the course of that business we hold inventory positions and are exposed to certain risks of market fluctuations. In addition, we are exposed to credit risk and interest rate risk associated with debt securities. We manage the risks of holding inventories of securities through certain policies and procedures, including hedging activities related to certain interest rate risks. Additional information concerning those risks and our management of them appears under the caption Market Risk Management beginning on page 47 of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2011 Annual Report to Shareholders, which is part of the material from that Report that has been

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incorporated by reference into Item 7 of Part II of this report, and in the *Credit Risks* discussion beginning on page 26 of this report.

In addition, we earn fees and other income related to our brokerage business and our management of assets for customers. Declines, disruptions, or precipitous changes in markets or market prices can adversely affect those revenue sources.

We have exposure to risks related to securities markets in other respects as well. We have a number of assets and obligations that are linked, directly or indirectly, to major securities markets. Significant changes in market performance can have a material impact upon our assets, liabilities, and financial results.

A major example of that linkage is our obligation to fund our pension plan so that it may satisfy benefit claims in the future. Our pension funding obligations generally depend upon actuarial estimates of benefits claims and actuarial estimates of future plan asset values. To a substantial extent the pension plan invests its assets in marketable securities. Our obligations to fund the plan can diminish substantially if the plan's investments perform well, and can grow substantially if those investments perform poorly. Changes in those obligations generally translate into positive or negative changes in our pension expense, which in turn affects our financial performance. Although our obligations and expenses relative to the plan can be affected by many other things, including changes in our participating employee population and changes to the plan itself, declines in market performance in recent years have tended to increase our obligations to fund the pension plan, and that tendency is likely to continue to be felt over the next several years. We announced in 2009 that we will implement a freeze of new benefits after 2012, and we changed the asset allocation investment strategy; although we expect these changes to moderate future volatility in this area, risk of some level of volatility is unavoidable. That risk of volatility would be amplified if certain actuarial assumptions change adversely, especially the discount rate used to estimate the adequacy of assets to cover projected benefits, or if the accounting rules regarding pension liability estimates change adversely.

### Hedge Risks

In the normal course of our businesses, including (among others) banking, capital markets, and legacy mortgage servicing, we attempt to create partial or full economic hedges of various, though not all, financial risks. Our hedging activities are discussed in more detail in various places under the following captions of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our 2011 Annual Report to Shareholders, which is part of the material from that Report that has been incorporated by reference into Item 7 of Part II of this report: *Risk Management*, beginning on page 46; and, *Critical Accounting Policies*, beginning on page 66. Hedging creates certain risks for us, including the risk that the other party to the hedge transaction will fail to perform (counterparty risk, which is a type of credit risk), and the risk that the hedge will not fully protect us from loss as intended (hedge failure risk). Unexpected counterparty failure or hedge failure could have a significant adverse effect on our liquidity and earnings.

### Accounting Risks

#### *Uncertainties in Estimates*

The preparation of our consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make significant estimates that affect the financial statements. Three of our most critical estimates are: the level of the allowance for credit losses; the level of repurchase, make-whole, and foreclosure reserves; and the valuation of mortgage servicing rights. However, other estimates occasionally become highly significant, especially in volatile situations such as litigation and other loss contingency matters. Estimates are made at specific points in time; as actual events unfold, estimates are



adjusted accordingly. Due to the inherent nature of these estimates, it is possible that, at some time in the future, we may significantly increase the allowance for credit losses and/or sustain credit losses that are significantly higher than the provided allowance, or we may recognize a significant provision for impairment of our goodwill or other assets, or we may recognize a significant decline in the fair value of our mortgage servicing rights, or we may make some other adjustment that will differ materially from the estimates that we make today. For additional information concerning the sensitivity of these estimates, refer to *Critical Accounting Policies* beginning on page 66 of the *Management's Discussion and Analysis of Financial Condition and Results of Operations* section of our 2011 Annual Report to Shareholders.

#### *Changes to Rules and Practices*

In addition, accounting rules and practices change over time. Changes in accounting rules can significantly affect how we record and report assets, liabilities, revenues, expenses, and earnings. Although such changes generally affect all companies in a given industry, in practice changes sometimes have a disparate impact due to differences in the circumstances or business operations of companies within the same industry. For example, in late 2011 U.S. and international accounting standards boards reached an accord which would substantially change how we recognize loss associated with loans. The new standards, which are not in final form and may not become effective for several years, are intended to accelerate recognition of loan loss. Final adoption of these new standards could adversely affect our provision for loan loss expense, at least initially, and could make certain loan products less attractive.

#### Risks of Holding our Common Stock

##### *Holding Company Dividends*

Historically the Corporation has depended upon common dividends from the Bank for cash to fund common dividends paid to the Corporation's shareholders. However, because Bank dividends to the Corporation exceeded the Bank's net income over the two year period of 2010-2011, regulatory constraints may prevent the Bank from declaring and paying dividends to the Corporation in 2012 without regulatory approval. Also, we are required to provide financial support to the Bank. Additional information concerning those regulatory restrictions on the Bank is discussed in more detail under the heading *Liquidity Management* in the *Management's Discussion and Analysis of Financial Condition and Results of Operations* section beginning on page 51 of our 2011 Annual Report to Shareholders, which section is incorporated herein by reference.

Furthermore, the Federal Reserve and the OCC have issued policy statements generally requiring insured banks and bank holding companies only to pay dividends out of current operating earnings. The Federal Reserve has released a supervisory letter advising bank holding companies, among other things, that as a general matter a bank holding company should inform the Federal Reserve and should eliminate, defer or significantly reduce its dividends if (i) the bank holding company's net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) the bank holding company's prospective rate of earnings is not consistent with the bank holding company's capital needs and overall current and prospective financial condition; or (iii) the bank holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. As mentioned above, at present the capital requirements applicable to us are expected to change and it is not clear what those changes will entail.

In 2008 the Corporation discontinued paying a quarterly cash dividend to its common stockholders and began distributing a dividend payable in shares of common stock. In 2010 the Corporation returned to profitability, but preferred stock dividends to the Treasury in connection with the TARP program significantly exceeded those earnings. In January 2011 the Corporation, having exited the TARP program, resumed a cash dividend at the rate of one cent per share, substantially lower than the rate prior to 2008. For

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the reasons mentioned above, our dividend rate may remain muted until our earnings are stronger and it becomes clearer how the capital requirements applicable to us will change.

### *Dilution Potential*

We may decide to raise additional funds through public or private debt or equity financings to fund our operations, to increase our capital, or to expand. If we raise funds by issuing equity securities or instruments that are convertible into equity securities, the percentage ownership of our current stockholders will be reduced, the new equity securities may have rights and preferences superior to those of the common stock, and additional issuances could be at sales price which is dilutive to current stockholders. We may also issue equity securities directly as consideration for acquisitions we may make that could be dilutive to current stockholders.

### *Anti-takeover Provisions*

Provisions of Tennessee law, and certain provisions of our charter and bylaws, could make it more difficult for a third party to acquire control of us or could have the effect of discouraging a third party from attempting to acquire control of us. These provisions could make it more difficult for a third party to acquire us even if an acquisition might be at a price attractive to many of our stockholders.

### ITEM 1B UNRESOLVED STAFF COMMENTS

Not applicable.

### ITEM 2 PROPERTIES

The Corporation has no properties that it considers materially important to its financial statements.

### ITEM 3 LEGAL PROCEEDINGS

The Contingencies section from Note 18 to the Consolidated Financial Statements appearing on pages 132-141 of the Corporation's 2011 Annual Report to Shareholders is incorporated herein by reference.

### ITEM 4 [Reserved]

### SUPPLEMENTAL PART I INFORMATION

#### Executive Officers of the Registrant

The following is a list of executive officers of the Corporation, along with certain supplemental information, all presented as of January 31, 2012. The executive officers generally are appointed at the April meeting of the Corporation's Board of Directors following the annual meeting of shareholders for a term of one year and until their successors are elected and qualified.

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Name and Age	Current (Year First Elected to Office) and Recent Offices and Positions
John M. Daniel Age: 57	<p>Executive Vice President Chief Human Resources Officer of the Corporation and the Bank (2006)</p> <p>From January 2001 to September 2006, Mr. Daniel was Executive Vice President in charge of Human Resources for Regions Financial Corporation.</p>
Jeff L. Fleming Age: 50	<p>Executive Vice President Chief Accounting Officer of the Corporation and the Bank (2012); principal accounting officer</p> <p>Mr. Fleming became Chief Accounting Officer on January 1, 2012. He first joined the Corporation in the Accounting Division in 1984. From 2010 to 2011 he was Executive Vice President Corporate Controller, from 2008 to 2010 he was Senior Vice President Corporate Controller and from 2004 to 2008 he was Senior Vice President Director of Corporate Accounting of the Corporation and the Bank.</p>
Gregory D. Jardine Age: 56	<p>Executive Vice President Chief Credit Officer of the Corporation and the Bank (2010)</p> <p>From October 2009 until May 2010, Mr. Jardine was Executive Vice President of the Corporation and the Bank in charge of credit portfolio management. Before joining the Corporation, from January to September 2009, Mr. Jardine was a senior credit officer with Wells Fargo &amp; Company in the wealth, brokerage and retirement services division. Prior to 2009 Mr. Jardine was a senior vice president with Wachovia Corporation with various duties including senior credit officer and senior risk officer for credit and counterparty risk in capital management and wealth management.</p>
D. Bryan Jordan Age: 50	<p>President and Chief Executive Officer (2008) and Chairman of the Board (2012) of the Corporation and the Bank; principal executive officer</p> <p>Mr. Jordan was elected Chairman of the Board on January 1, 2012. From May 2007 until September 2008 Mr. Jordan was Executive Vice President and Chief Financial Officer of the Corporation and the Bank. From 2000 until 2002 Mr. Jordan was Comptroller, and from 2002 until April 2007 Mr. Jordan was Chief Financial Officer, of Regions Financial Corp. During that time he was also an Executive Vice President and, from November 2006, a Senior Executive Vice President of Regions.</p>
Michael E. Kisber Age: 52	<p>President FTN Financial of the Corporation and the Bank (2011)</p> <p>Mr. Kisber became President of the Bank's FTN Financial division on January 1, 2011. He joined FTN Financial in 1993 as a sales representative. In 2006 he became Head of Sales and an Executive Vice President. In 2008 he became Director of Fixed Income for FTN.</p>
William C. Losch III Age: 41	<p>Executive Vice President Chief Financial Officer of the Corporation and the Bank (2009); principal financial officer</p> <p>From 1998 to 2009, Mr. Losch was with Wachovia Corporation. Most recently he served as Senior Vice President and Chief Financial Officer of its Retail and Small Business Banking unit from 2003 to 2005, and as Senior Vice President and Chief Financial Officer of its General Bank unit from 2006 to 2009.</p>
Christine B. Munson Age: 58	<p>Executive Vice President Corporate Banking of the Corporation and the Bank (2011)</p> <p>Ms. Munson became an executive officer of the Corporation in July 2011. She first joined the Bank in 1981. From 1999 to 2011 Ms. Munson was Executive Vice President Corporate and Middle Market Banking of the Bank, and prior to 1999 she was a senior vice president of commercial lending of the Bank.</p>

David T. Popwell      Executive Vice President      Regional Banking and Banking Chief Operating Officer of the Corporation and the Bank (2011)  
Age: 51

Mr. Popwell became an executive officer of the Corporation in July 2011. From 2008 to 2011 Mr. Popwell was the Banking Chief Operating Officer of the Bank, and from 2007 to 2008 Mr. Popwell was the Market Manager for the Bank's Mid-South Market. From 2004 to 2007 Mr. Popwell was the president of SunTrust Bank - Memphis, and prior to that was an executive vice president of National Commerce Financial Corp.

Charles T. Tuggle, Jr.      Executive Vice President      General Counsel of the Corporation and the Bank (2008)  
Age: 63

From 2003 to 2007 Mr. Tuggle was an Executive Vice President of the Bank's FTN Financial division; during that time prior to 2007 Mr. Tuggle served as Chief Risk Officer of FTN Financial. From 1998 to 2003 Mr. Tuggle was Chairman and Chief Executive Officer of the law firm Baker, Donelson, Bearman, Caldwell & Berkowitz, PC.

Yousef A. Valine      Executive Vice President      Chief Risk Officer (2010) of the Corporation and the Bank  
Age: 52

From June to December 2009, Mr. Valine served as Executive Vice President - Corporate Risk Management of the Corporation and the Bank. From 1985 until June 2009, Mr. Valine was with Wachovia Corporation, most recently serving as Executive Vice President and Chief Operating Officer of its enterprise-wide risk management division from 2007 until June 2009, as the head of its Institutional Risk Group in 2006, and as its chief Operational Risk officer in 2005.

Declaration of Covenant  
Relating To

The Bank's Class A Non-Cumulative Perpetual Preferred Stock

On March 23, 2005, the Bank issued 300,000 shares of Class A Non-Cumulative Perpetual Preferred Stock ( "Bank Preferred Stock" ). That issuance was the subject of the Corporation's Current Report on Form 8-K filed March 24, 2005. The Bank made a Declaration of Covenant dated as of July 20, 2005 ( "Declaration" ) in connection with the Bank Preferred Stock. The Declaration was the subject of Item 8.01 of the Corporation's Current Report on Form 8-K filed July 22, 2005. Under the Declaration, the Bank has promised to redeem shares of the Bank Preferred Stock only if and to the extent that the redemption price is equal to or less than the New Equity Amount as of the date of redemption.

New Equity Amount means, on any date, the net proceeds to the Bank or subsidiaries of the Bank received during the six months prior to such date from new issuances of common stock of the Bank or of other securities or combinations of securities that

- (i) qualify as Tier 1 capital of the Bank, and
- (ii) as reasonably determined in good faith by the Bank's Board of Directors, (x) on a liquidation or dissolution of the Bank rank *pari passu* with or junior to the Bank Preferred Stock (or, if all of the Bank Preferred Stock has been redeemed, would have ranked *pari passu* with or junior to the Bank Preferred Stock had it remained outstanding), (y) are perpetual, with no prepayment obligation on the part of the issuer, whether at the election of holders or otherwise (although such securities may be subject to early redemption at the option of the issuer), and (z) dividends or other distributions on which are non-cumulative;

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*provided, however*, that the net proceeds of such securities or combinations of securities (A) if issued to any affiliate of the Bank other than the Corporation, shall not qualify as a New Equity Amount and (B) if issued to the Corporation shall qualify as a New Equity Amount only if such securities or combinations of securities have been purchased by the Corporation with the net proceeds from new issuances of common stock of the Corporation or of securities or combinations of securities by the Corporation during such six-month period that

- (i) qualify as Tier 1 capital of the Corporation and
- (ii) as reasonably determined in good faith by the Corporation's Board of Directors, (x) on a liquidation or dissolution of the issuer rank junior to all indebtedness for money borrowed and claims of other creditors of the issuer, (y) are perpetual, with no prepayment obligation on the part of the issuer, whether at the election of holders or otherwise (although such securities may be subject to early redemption at the option of the issuer), and (z) dividends or other distributions on which are non-cumulative.

The covenants in the Declaration run in favor of persons that buy, hold, or sell debt of the Bank during the period that such debt is Covered Debt. The Bank's 5.05% Subordinated Bank Notes Due January 15, 2015 ( 2015 Notes ) are the initial Covered Debt. Other debt will replace the 2015 Notes as the Covered Debt under the Declaration on the earlier to occur of (x) the date two years prior to the 2015 Notes maturity, or (y) the date the Bank gives notice of a redemption of the 2015 Notes such that, or the date 2015 Notes are repurchased in such an amount that, the outstanding principal amount of 2015 Notes is or will become less than \$100 million.

The Declaration is subject to various additional terms and conditions. The Declaration may be terminated if the holders of at least 51% by principal amount of the Covered Debt so agree, or if the Bank no longer has any long-term indebtedness rated by a nationally recognized statistical rating organization.

The summary description of the Declaration in this report is qualified in its entirety by the full terms of the Declaration, which are controlling.

### PART II

#### Note on Page Number References

In this report, references to specific pages in the Corporation's 2011 Annual Report to shareholders, or to specific pages of its consolidated financial statements or the notes thereto, relate to page numbers appearing in Exhibit 13 to this report. The Exhibit 13 page numbers do not necessarily correspond to page numbers appearing in the printed 2011 Annual Report to shareholders.

#### ITEM 5

#### MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

- (a) Market for the Corporation's Common Stock:

The Corporation's common stock, \$0.625 par value, is listed and trades on the New York Stock Exchange, Inc. under the symbol FHN. As of December 31, 2011, there were 6,845 shareholders of record of the Corporation's common stock. Additional information called for by this Item is incorporated herein by reference to:

- (i) the Summary of Quarterly Financial Information Table (Table 32)(page 73), the Selected Financial and Operating Data Table (page 2), and the Liquidity Management subsection (beginning on page 51) of the Management's Discussion and Analysis of Financial Condition and Results of Operations section contained in the Corporation's 2011 Annual Report to Shareholders,
- (ii) Note 18 to the Consolidated Financial Statements beginning on page 132 of the 2011 Annual Report to Shareholders, and
- (iii) the Payment of Dividends and Transactions with Affiliates subsections beginning on pages 6 and 7, respectively, of Item 1 of Part I of this report on Form 10-K.

(b) Sale of Unregistered Equity Securities:

Not applicable.

(c) Issuer Repurchases:

Repurchases are made in the open market or through privately negotiated transactions and are subject to market conditions, accumulation of excess equity, prudent capital management, and regulatory restrictions. Pursuant to Board authority, the Corporation may repurchase shares from time to time for general purposes and for its stock option and other compensation plans, subject to market conditions, accumulation of excess equity, prudent capital management, and legal and regulatory restrictions. The Corporation will evaluate the level of capital and take action designed to generate or use capital as appropriate for the interests of the shareholders. Additional information concerning repurchase activity during the final three months of 2011 is presented in Table 12, and the surrounding notes and other text, of the Management's Discussion and Analysis of Financial Condition and Results of Operations section appearing on pages 27-28 of the Corporation's 2011 Annual Report to shareholders, which information is incorporated herein by this reference.

ITEM 6  
SELECTED FINANCIAL DATA

The information called for by this Item is incorporated herein by reference to the Selected Financial and Operating Data table appearing on page 2 of the Corporation's 2011 Annual Report to shareholders.

ITEM 7  
MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATION

The information called for by this Item is incorporated herein by reference to the Management's Discussion and Analysis of Financial Condition and Results of Operations section, the Glossary and Acronyms sections, and the Consolidated Historical Statements of Income and Consolidated Average Balance Sheets and Related Yields and Rates tables appearing on pages 3-79 and 186-189 of the Corporation's 2011 Annual Report to Shareholders.

ITEM 7A  
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this Item is incorporated herein by reference to the Interest Rate Risk Management subsection of Note 25 to the Consolidated Financial Statements, and to the Risk Management-Interest Rate Risk Management subsection of the Management's Discussion and Analysis of Financial Condition and Results of Operations

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section, both of which appear, respectively, on pages 179-181 and on pages 49-51 of the Corporation's 2011 Annual Report to Shareholders.

### ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this Item is incorporated herein by reference to the Report of Management on Internal Control over Financial Reporting, the Reports of Independent Registered Public Accounting Firm, the Consolidated Financial Statements and the notes thereto, and Table 32, Summary of Quarterly Financial Information, appearing, respectively, on pages 80-185 and on page 73 of the Corporation's 2011 Annual Report to Shareholders.

### ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

### ITEM 9A CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. The Corporation's management, with the participation of the Corporation's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by the annual report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective as of the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting. The report of management required by Item 308(a) of Regulation S-K, and the attestation report required by Item 308(b) of Regulation S-K, appear at pages 80-81 of the Corporation's 2011 Annual Report to Shareholders and are incorporated herein by this reference.

Changes in Internal Control over Financial Reporting. There have not been any changes in the Corporation's internal control over financial reporting during the Corporation's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

### ITEM 9B OTHER INFORMATION

Not applicable.

**PART III**

**ITEM 10**

**DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information called for by this Item as it relates to directors and nominees for director of the Corporation, the Audit Committee of the Corporation's Board of Directors, members of the Audit Committee, and audit committee financial experts is incorporated herein by reference to the Corporate Governance and Board Matters section and the Vote Item No. 1 Election of Directors section of the Corporation's 2012 Proxy Statement (excluding the Audit Committee Report, the statements regarding the existence, availability, and location of the Audit Committee's charter, and the Compensation Committee Report). The information required by this Item as it relates to executive officers of the Corporation is incorporated herein by reference to the information provided under the heading Executive Officers of the Registrant in the Supplemental Part I Information following Item 4 of this Report. The information required by this Item as it relates to compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the Section 16(a) Beneficial Ownership Reporting Compliance section of the 2012 Proxy Statement.

In 2011 there were no material amendments to the procedures, described in the Corporation's 2012 Proxy Statement, by which security holders may recommend nominees to the Corporation's Board of Directors.

The Corporation's Board of Directors has adopted a Code of Ethics for Senior Financial Officers that applies to the Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer and also applies to all professionals serving in the financial, accounting, or audit areas of the Corporation and its subsidiaries. A copy of the Code has been filed or incorporated by reference as Exhibit 14 to this report and is posted on the Corporation's current internet website (at [www.fhnc.com](http://www.fhnc.com); click on Investor Relations and then Corporate Governance. ) A paper copy of the Code is available without charge upon written request addressed to the Corporate Secretary of the Corporation at its main office, 165 Madison Avenue, Memphis, Tennessee 38103. The Corporation intends to satisfy its disclosure obligations under Item 5.05 of Form 8-K related to Code amendments or waivers by posting such information on the Corporation's internet website, the address for which is listed above.

**ITEM 11**

**EXECUTIVE COMPENSATION**

The information called for by this Item is incorporated herein by reference to the Compensation Committee Interlocks and Insider Participation, Executive Compensation, and Director Compensation sections of the Corporation's 2012 Proxy Statement.

The Corporation has provided the information required by Item 407(e)(5) of Regulation S-K in its 2012 Proxy Statement under the caption Compensation Committee Report. That information is not filed with this report and is not incorporated by reference herein.

**ITEM 12**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

**Equity Compensation Plan Information**

The information required by this Item pursuant to Item 201(d) of Regulation S-K is incorporated herein by reference to the Equity Compensation Plan Information section of the Corporation's 2012 Proxy Statement, immediately following Vote Item No. 3.



Beneficial Ownership of Corporation Stock

The information required by this Item pursuant to Item 403(a) and (b) of Regulation S-K is incorporated herein by reference to the Stock Ownership Information section of the Corporation's 2012 Proxy Statement.

Change in Control Arrangements

The Corporation is unaware of any arrangements which may result in a change in control of the Corporation.

ITEM 13

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by this Item is incorporated herein by reference to the Independence and Categorical Standards and the Transactions with Related Persons sections of the 2012 Proxy Statement, which sections are incorporated herein by reference. The Corporation's independent directors and nominees are identified in the second paragraph of the Independence and Categorical Standards section of the 2012 Proxy Statement.

ITEM 14

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Audit Committee of the Board of Directors has a policy providing for pre-approval of all audit and non-audit services to be performed by our registered public accounting firm that performs the audit of our consolidated financial statements that are filed with the SEC. Services either may be approved in advance by the Audit Committee specifically on a case-by-case basis ( specific pre-approval ) or may be approved in advance ( advance pre-approval ). Advance pre-approval requires the Committee to identify in advance the specific types of service that may be provided and the fee limits applicable to such types of service, which limits may be expressed as a limit by type of service or by category of services. Unless the type of service to be provided by the Corporation's registered public accounting firm has received advance pre-approval under the policy and the fee for such service is within the limit pre-approved, the service will require specific pre-approval by the Committee. The terms of and fee for the annual audit engagement must receive the specific pre-approval of the Committee. Audit, Audit-related, Tax, and All Other services, as those terms are defined in the policy, have the advance pre-approval of the Committee, but only to the extent those services have been specified by the Committee and only in amounts that do not exceed the fee limits specified by the Committee. Such advance pre-approval is to be for a term of 12 months following the date of pre-approval unless the Committee specifically provides for a different term. Unless the Committee specifically determines otherwise, the aggregate amount of the fees pre-approved for All Other services for the fiscal year must not exceed seventy-five percent (75%) of the aggregate amount of the fees pre-approved for the fiscal year for Audit services, Audit-related services, and those types of Tax services that represent tax compliance or tax return preparation. The policy delegates the authority to pre-approve services to be provided by the Corporation's registered public accounting firm, other than the annual audit engagement and any changes thereto, to the chair of the Committee. The chair may not, however, make a determination that causes the 75% limit described above to be exceeded. Any service pre-approved by the chair will be reported to the Committee at its next regularly scheduled meeting.

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Information regarding fees billed to the Corporation by KPMG LLP for the two most recent fiscal years is incorporated herein by reference to the Vote Item No. 5 section of the 2012 Proxy Statement. No services were approved by the Audit Committee pursuant to Rule 2-01(c)(7)(i)(C) of Regulation S-X.

### PART IV

#### Note on Page Number References

In this report, references to specific pages in the Corporation's 2011 Annual Report to shareholders, or to specific pages of its consolidated financial statements or the notes thereto, relate to page numbers appearing in Exhibit 13 to this report. The Exhibit 13 page numbers do not necessarily correspond to page numbers appearing in the printed 2011 Annual Report to shareholders.

#### ITEM 15

#### EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this Report:

Financial Statements and related Reports:

- |               |  |
|---------------|--|
| Page 83*      | 1. Consolidated Statements of Condition as of December 31, 2011 and 2010.                      |
| Page 84*      | 2. Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009.     |
| Pages 85-86*  | 3. Consolidated Statements of Equity for the years ended December 31, 2011, 2010, and 2009.    |
| Page 87*      | 4. Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009. |
| Pages 88-185* | 5. Notes to Consolidated Financial Statements  |
| Pages 80*     | 6. Report of Management on Internal Control over Financial Reporting                           |
| Pages 81-82*  | 7. Reports of Independent Registered Public Accounting Firm                                    |

\* The consolidated financial statements of the Corporation, the notes thereto, and the reports of independent public accountants, as listed above, are incorporated herein by reference to the indicated pages of the Corporation's 2011 Annual Report to Shareholders. Financial Statement Schedules: Not applicable.

Exhibits:

Exhibits marked \* represent a management contract or compensatory plan or arrangement required to be identified as such and filed as an exhibit.

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

Exhibits marked \*\*\* represent those that, in accordance with Regulation S-T, contain or consist of interactive data file information which shall be deemed furnished and not filed.

Exhibits marked + are filed herewith.

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The phrase "2011 named executive officers" refers to those executive officers whose 2011 compensation is described in detail in the Corporation's 2012 Proxy Statement.

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

- 3.1 Restated Charter of the Corporation, incorporated herein by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K filed April 20, 2011.
- 3.2 Bylaws of First Horizon National Corporation, as amended and restated October 17, 2011, incorporated herein by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K filed October 20, 2011.
- 3.3 Bylaws of First Horizon National Corporation, as amended and restated January 18, 2012 (amendment is not effective until annual meeting scheduled for April 17, 2012), incorporated herein by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K dated January 18, 2012.
- 4.1 The Corporation and certain of its consolidated subsidiaries have outstanding certain long-term debt. See Note 10 in the Corporation's 2011 Annual Report to Shareholders. At December 31, 2011, none of such debt exceeded 10% of the total assets of the Corporation and its consolidated subsidiaries. Thus, copies of constituent instruments defining the rights of holders of such debt are not required to be included as exhibits. The Corporation agrees to furnish copies of such instruments to the Securities and Exchange Commission upon request.

### \*Deferral Plans and Related Exhibits

- \*10.1(a1) Directors and Executives Deferred Compensation Plan, as amended and restated, incorporated herein by reference to Exhibit 10(h) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended 6-30-03 and form of individual agreement, incorporated herein by reference to Exhibit 10(h) to the Corporation's 1996 Annual report on Form 10-K.
- \*10.1(a2) Form of Amendment to Directors and Executives Deferred Compensation Plan, incorporated herein by reference to Exhibit 10.1(a3) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
- \*10.1(a3) Rate Applicable to Directors and Executive Officers Under the Directors and Executives Deferred Compensation Plan, incorporated herein by reference to Exhibit 10.1 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.
- \*10.1(b) Director Deferral Agreements with schedule, incorporated herein by reference to Exhibit 10(k) to the Corporation's 1992 Annual Report on Form 10-K and Exhibit 10(j) to the Corporation's 1995 Annual Report on Form 10-K.
- \*10.1(c) Form of First Horizon National Corporation Deferred Compensation Plan as Amended and Restated, incorporated herein by reference to Exhibit 10.1(c) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.

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- \*10.1(d) [1995] Non-Employee Directors' Deferred Compensation Stock Option Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.1(d) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.1(e) 2000 Non-Employee Directors' Deferred Compensation Stock Option Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.1(e) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.1(f) [1991] Bank Advisory Director Deferral Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.1(f) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.1(g) [1996] Bank Director and Advisory Board Member Deferral Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.1(g) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.1(h) 2002 Bank Director and Advisory Board Member Deferral Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.1(h) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.1(i) Form of First Horizon Deferred Compensation Plan as Amended and Restated, incorporated herein by reference to Exhibit 10.1(i) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
- \*10.1(j) Form of FTN Financial Deferred Compensation Plan Amended and Restated Effective January 1, 2008, incorporated herein by reference to Exhibit 10.1(j) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
- \*10.1(k) Form of Deferred Compensation Agreement used under the Corporation's 2003 Equity Compensation Plan and First Tennessee National Corporation Non-Qualified Deferred Compensation Plan, along with form of Salary, Commission, and Annual Bonus Deferral Programs Overview, form of Deferred Stock Option ( DSO ) Program Summary, and description of share receipt deferral feature, incorporated herein by reference to Exhibit 10(z) to the Corporation's Current Report on Form 8-K dated January 3, 2005.
- \*10.1(l) Description of April 19, 2005 amendments to the First Horizon National Corporation Nonqualified Deferred Compensation Plan (formerly First Tennessee National Corporation Nonqualified Deferred Compensation Plan), incorporated herein by reference to Exhibit 10.1(l) to the Corporation's Current Report on Form 8-K dated April 19, 2005.
- \*10.1(m) Description of changes to options granted in January 2005 to certain employees in connection with deferrals of salary earned in 2004, incorporated herein by reference to Exhibit 10.1(m) to the Corporation's Current Report on Form 8-K dated October 19, 2005.

### \*Stock-Based Incentive Plans

- \*10.2(a) 1990 Stock Option Plan, as amended, and 1-21-97, 10-22-97, and 10-18-00 amendments, incorporated herein by reference to Exhibit 10(f) to the Corporation's 1992, 1996, 1997 and 2000 Annual Reports on Form 10-K.

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- \*10.2(b) 1992 Restricted Stock Incentive Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.2(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.2(c) 1995 Employee Stock Option Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.2(c) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.2(d) 1997 Employee Stock Option Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.2(d) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.2(e) 2000 Employee Stock Option Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.2(e) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.2(f) 2003 Equity Compensation Plan (as amended and restated April 20, 2010 and as adjusted for all stock dividends through April 1, 2010), incorporated by reference to Appendix A to the Corporation's Proxy Statement for its annual meeting on April 20, 2010.

### \*TARSAP/PARSAP Restricted Stock Agreements and Related Documents

- \*10.3(a) Form of accelerated (performance based) Restricted Stock Agreement under the 1992 Restricted Stock Incentive Plan, incorporated herein by reference to Exhibit 10.3(a) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.3(b) Form of accelerated (performance based) Restricted Stock Agreement under the 2003 Equity Compensation Plan, incorporated herein by reference to Exhibit 10.3(b) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.3(c) Description of performance criteria related to TARSAP/PARSAP awards granted prior to 2005, incorporated herein by reference to Exhibit 10.3(c) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.3(d) Form of 2005 PARSAP Agreement (for executive officers other than the CEO), incorporated herein by reference to Exhibit 10.3(e) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
- \*10.3(e) Description of performance criteria related to 2005 PARSAP Agreement, incorporated herein by reference to Exhibit 10.3(f) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

### \*Performance-Based Stock Incentive Award Documents

- \*10.4(a) Form of Performance Stock Units Notice of Grant [2009], incorporated herein by reference to Exhibit 10.4(f) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
- \*10.4(b) Form of Performance Stock Units Grant Notice [2010], incorporated herein by reference to Exhibit 10.4(d) to the Corporation's Amendment No. 1 to Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2010.

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- \*10.4(c) Form of Performance Stock Units Grant Notice [2011], incorporated herein by reference to Exhibit 10.4(d) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.

### \*Other Stock-Based Incentive Plan Agreements and Related Documents

- \*10.5(a) Form of Restricted Stock Agreement for Non-Employee Director used under the 2003 Equity Compensation Plan, incorporated herein by reference to Exhibit 10(aa) to the Corporation's Current Report on Form 8-K dated January 18, 2005.
- \*10.5(b) Form of Agreement To Defer Receipt Of Shares Following Option Exercise, incorporated herein by reference to Exhibit 10.5(c) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.5(c) Form of Agreement to Exchange Shares for RSUs and Defer Receipt of Shares [relating to Restricted Stock], incorporated herein by reference to Exhibit 10.5(d) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.5(d) Form of Stock Option Grant Notice, incorporated herein by reference to Exhibit 10.5(e) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.5(e) Form of Stock Option Reload Grant Notification, incorporated herein by reference to Exhibit 10.5(f) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.5(f) Form of Stock Option Grant Notice (used for executive officers during 2005), incorporated herein by reference to Exhibit 10.5(g) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
- \*10.5(g) Form of Management Stock Option Grant Notice (used for executive officers during 2006), incorporated herein by reference to Exhibit 10.5(j) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
- \*10.5(h) Form of Management Restricted Stock Grant Notice (used for executive officers during 2006), incorporated herein by reference to Exhibit 10.5(k) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
- \*10.5(i) Sections of Director Policy pertaining to compensation, incorporated herein by reference to Exhibit 10.5(j) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010.
- \*10.5(j) First Tennessee Stock Option Enhancement Program, incorporated herein by reference to Exhibit 10.5(o) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006.
- \*10.5(k) Form of Management Stock Option Grant Notice [2007], incorporated herein by reference to Exhibit 10.5(p) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.
- \*10.5(l) Form of stock option grant notice used for special grant to Mr. Jordan in lieu of bonus, incorporated herein by reference to Exhibit 10.5(r) to the Corporation's Current Report on Form 8-K filed February 29, 2008.

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- \*10.5(m) Form of Retention Restricted Stock award grant notice under 2003 Equity Compensation Plan [2008], incorporated herein by reference to Exhibit 10.5(t) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- \*10.5(n) Form of Executive Restricted Stock Notice of Grant [2009], incorporated herein by reference to Exhibit 10.5(o) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
- \*10.5(o) Form of Executive Special Restricted Stock Notice of Grant [2009], incorporated herein by reference to Exhibit 10.5(p) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
- \*10.5(p) Form of Bonus Restricted Stock Notice of Grant (associated with bonuses under the Capital Markets Incentive Compensation Plan) [2009], incorporated herein by reference to Exhibit 10.5(q) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
- \*10.5(q) Form of Executive Restricted Stock Grant Notice [2010], incorporated herein by reference to Exhibit 10.5(r) to the Corporation's Amendment No. 1 to Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2010.
- \*10.5(r) Form of Executive Stock Option Grant Notice [2011], incorporated herein by reference to Exhibit 10.5(s) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
- \*10.5(s) Form of Executive Retention Restricted Stock Grant Notice [2011], incorporated herein by reference to Exhibit 10.5(t) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.

### \*Management Cash Incentive Plan Documents

- \*10.6(a) 2002 Management Incentive Plan, as restated for amendments through July 14, 2008, incorporated herein by reference to Exhibit 10.6(a) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.6(b1) Capital Markets Incentive Compensation Plan, incorporated herein by reference to Exhibit 10.6(c) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006. Certain information in this exhibit has been omitted pursuant to a request for confidential treatment. The omitted information has been submitted separately to the Securities and Exchange Commission. In accordance with the Corporation's bylaws, the Corporation's Board Compensation Committee's charter, and action of that Committee on July 18, 2006, the annual incentive bonus to the head of the Capital Markets unit is subject to final review and approval by the Chief Executive Officer and the Compensation Committee.
- \*10.6(b2) Amendment to Capital Markets Incentive Compensation Plan, incorporated herein by reference to Exhibit 10.6(c2) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.

\*Other Material Contract Exhibits relating to Employment, Retirement, Severance, or Separation

- \*10.7(a1) February 2007 form of change-in-control severance agreement between the Corporation and its executive officers, incorporated herein by reference to Exhibit 10.7(a2) to the Corporation's Current Report on Form 8-K dated February 20, 2007.
- \*10.7(a2) Form of Amendment to February 2007 form of change-in-control severance agreement between the Corporation and its executive officers, incorporated herein by reference to Exhibit 10.7(a4) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
- \*10.7(b) October 2007 form of change-in-control severance agreement between the Corporation and its executive officers, incorporated herein by reference to Exhibit 10.7(a5) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
- \*10.7(c) Form of Change in Control Severance Agreement offered to executive officers on or after November 14, 2008, incorporated herein by reference to Exhibit 10.2 to the Corporation's Current Report on Form 8-K filed November 24, 2008.
- \*10.7(d1) Form of Pension Restoration Plan (amended and restated as of January 1, 2008), incorporated herein by reference to Exhibit 10.7(e) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
- \*10.7(d2) Form of Amendment to Pension Restoration Plan, incorporated herein by reference to Exhibit 10.7(d2) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2009.
- \*10.7(d3) Form of Amendment No. 3 to Pension Restoration Plan, incorporated herein by reference to Exhibit 10.2 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.
- \*10.7(e) Conformed copy of Retirement Agreement with Charles G. Burkett, incorporated herein by reference to Exhibit 10.1 to the Corporation's Current Report on Form 8-K dated April 27, 2011.

\*Other Material Contract Exhibits related to Management or Directors

- \*10.8(a) Survivor Benefits Plan, as amended and restated July 18, 2006, incorporated herein by reference to Exhibit 10.8 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.
- \*10.8(b) Other Compensation and Benefit Arrangements for Non-employee Directors, incorporated herein by reference to Exhibit 10.8(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.
- \*10.8(c) Long-Term Disability Program, incorporated herein by reference to Exhibit 10(v) to the Corporation's 2003 Annual Report on Form 10-K.
- \*10.8(d1) 2004 Form of Indemnity Agreement between the Corporation and its directors and executive officers, incorporated herein by reference to Exhibit 10.13 to the Corporation's 2004 Annual Report on Form 10-K.



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- \*10.8(d2) Form of amendment to 2004 form of Indemnity Agreement with directors and executive officers, incorporated herein by reference to Exhibit 10.4 to the Corporation's Current Report on Form 8-K filed April 28, 2008.
- \*10.8(e) Form of Indemnity Agreement with directors and executive officers (April 2008 revision), incorporated herein by reference to Exhibit 10.5 to the Corporation's Current Report on Form 8-K filed April 28, 2008.
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- \*10.8(h) Salary Stock Unit Program, incorporated herein by reference to Exhibit 8(h) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010.
- \*10.8(i) Memorandum concerning consulting arrangement with Charles G. Burkett, incorporated herein by reference to Exhibit 10.1 to the Corporation's Current Report on Form 8-K dated December 21, 2011.

### Other Material Contract Exhibits

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### Other Exhibits

- 13+ Pages 2 through 190 of the First Horizon National Corporation 2011 Annual Report to Shareholders, a copy of which is furnished for the information of the Securities and Exchange Commission. Portions of the Annual Report not incorporated herein by reference are deemed not to be filed with the Commission.
- 14 Code of Ethics for Senior Financial Officers, incorporated herein by reference to Exhibit 14 to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.
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- 32(a)+ 18 USC 1350 Certifications of CEO (pursuant to Section 906 of Sarbanes-Oxley Act of 2002)\*\*
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- 101+ The following financial information from First Horizon National Corporation's Annual Report on Form 10-K for the year ended December 31, 2011, formatted in XBRL: (i) Consolidated Statements of Condition at December 31, 2011 and 2010 (Unaudited); (ii) Consolidated Statements of Income for the Years Ended December 31, 2011, 2010, and 2009 (Unaudited); (iii) Consolidated Statements

of Shareholders Equity for the Years Ended December 31, 2011, 2010, and 2009 (Unaudited); (iv) Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010, and 2009 (Unaudited); (v) Notes to the Consolidated Financial Statements (Unaudited).\*\*\*

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST HORIZON NATIONAL CORPORATION

Date: February 27, 2012

By: /s/ William C. Losch III

\_\_\_\_\_  
William C. Losch III, Executive Vice  
President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
D. Bryan Jordan *	President, Chief Executive Officer, and Chairman of the Board (principal executive officer)	February 27, 2012
_____ D. Bryan Jordan		
William C. Losch III*	Executive Vice President and Chief Financial Officer (principal financial officer)	February 27, 2012
_____ William C. Losch III		
Jeff L. Fleming*	Executive Vice President and Chief Accounting Officer (principal accounting officer)	February 27, 2012
_____ Jeff L. Fleming		
Robert B. Carter*	Director	February 27, 2012
_____ Robert B. Carter		
John C. Compton*	Director	February 27, 2012
_____ John C. Compton		
Mark A. Emkes*	Director	February 27, 2012
_____ Mark A. Emkes		
Vicky B. Gregg*	Director	February 27, 2012
_____ Vicky B. Gregg		
James A. Haslam, III*	Director	February 27, 2012
_____ James A. Haslam, III		

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R. Brad Martin\*                      Director                      February 27,  
2012

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R. Brad Martin

Scott M. Niswonger\*                      Director                      February 27,  
2012

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Scott M. Niswonger



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## EXHIBIT INDEX

Exhibits marked \* represent a management contract or compensatory plan or arrangement required to be identified as such and filed as an exhibit.

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

Exhibits marked \*\*\* represent those that, in accordance with Regulation S-T, contain or consist of interactive data file information which shall be deemed furnished and not filed.

Exhibits marked + are filed herewith.

The phrase 2011 named executive officers refers to those executive officers whose 2011 compensation is described in detail in the Corporation's 2012 Proxy Statement.

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

- 3.1 Restated Charter of the Corporation, incorporated herein by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K filed April 20, 2011.
- 3.2 Bylaws of First Horizon National Corporation, as amended and restated October 17, 2011, incorporated herein by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K filed October 20, 2011.
- 3.3 Bylaws of First Horizon National Corporation, as amended and restated January 18, 2012 (amendment is not effective until annual meeting scheduled for April 17, 2012), incorporated herein by reference to Exhibit 3.1 to the Corporation's Current Report on Form 8-K dated January 18, 2012.
- 4.1 The Corporation and certain of its consolidated subsidiaries have outstanding certain long-term debt. See Note 10 in the Corporation's 2011 Annual Report to Shareholders. At December 31, 2011, none of such debt exceeded 10% of the total assets of the Corporation and its consolidated subsidiaries. Thus, copies of constituent instruments defining the rights of holders of such debt are not required to be included as exhibits. The Corporation agrees to furnish copies of such instruments to the Securities and Exchange Commission upon request.

### \*Deferral Plans and Related Exhibits

- \*10.1(a1) Directors and Executives Deferred Compensation Plan, as amended and restated, incorporated herein by reference to Exhibit 10(h) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended 6-30-03 and form of individual agreement, incorporated herein by reference to Exhibit 10(h) to the Corporation's 1996 Annual report on Form 10-K.
- \*10.1(a2) Form of Amendment to Directors and Executives Deferred Compensation Plan, incorporated herein by reference to Exhibit 10.1(a3) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
- \*10.1(a3) Rate Applicable to Directors and Executive Officers Under the Directors and Executives Deferred Compensation Plan, incorporated herein by reference to Exhibit 10.1 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.

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- \*10.1(b) Director Deferral Agreements with schedule, incorporated herein by reference to Exhibit 10(k) to the Corporation's 1992 Annual Report on Form 10-K and Exhibit 10(j) to the Corporation's 1995 Annual Report on Form 10-K.
- \*10.1(c) Form of First Horizon National Corporation Deferred Compensation Plan as Amended and Restated, incorporated herein by reference to Exhibit 10.1(c) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
- \*10.1(d) [1995] Non-Employee Directors' Deferred Compensation Stock Option Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.1(d) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.1(e) 2000 Non-Employee Directors' Deferred Compensation Stock Option Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.1(e) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.1(f) [1991] Bank Advisory Director Deferral Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.1(f) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.1(g) [1996] Bank Director and Advisory Board Member Deferral Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.1(g) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.1(h) 2002 Bank Director and Advisory Board Member Deferral Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.1(h) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.1(i) Form of First Horizon Deferred Compensation Plan as Amended and Restated, incorporated herein by reference to Exhibit 10.1(i) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
- \*10.1(j) Form of FTN Financial Deferred Compensation Plan Amended and Restated Effective January 1, 2008, incorporated herein by reference to Exhibit 10.1(j) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
- \*10.1(k) Form of Deferred Compensation Agreement used under the Corporation's 2003 Equity Compensation Plan and First Tennessee National Corporation Non-Qualified Deferred Compensation Plan, along with form of Salary, Commission, and Annual Bonus Deferral Programs Overview, form of Deferred Stock Option ( DSO ) Program Summary, and description of share receipt deferral feature, incorporated herein by reference to Exhibit 10(z) to the Corporation's Current Report on Form 8-K dated January 3, 2005.
- \*10.1(l) Description of April 19, 2005 amendments to the First Horizon National Corporation Nonqualified Deferred Compensation Plan (formerly First Tennessee National Corporation Nonqualified Deferred Compensation Plan), incorporated herein by reference to Exhibit 10.1(l) to the Corporation's Current Report on Form 8-K dated April 19, 2005.
- \*10.1(m) Description of changes to options granted in January 2005 to certain employees in connection with deferrals of salary earned in 2004, incorporated herein by reference to Exhibit 10.1(m) to the Corporation's Current Report on Form 8-K dated October 19, 2005.

\*Stock-Based Incentive Plans

- \*10.2(a) 1990 Stock Option Plan, as amended, and 1-21-97, 10-22-97, and 10-18-00 amendments, incorporated herein by reference to Exhibit 10(f) to the Corporation's 1992, 1996, 1997 and 2000 Annual Reports on Form 10-K.
- \*10.2(b) 1992 Restricted Stock Incentive Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.2(b) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.2(c) 1995 Employee Stock Option Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.2(c) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.2(d) 1997 Employee Stock Option Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.2(d) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.2(e) 2000 Employee Stock Option Plan, as restated for amendments through December 15, 2008, incorporated herein by reference to Exhibit 10.2(e) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
- \*10.2(f) 2003 Equity Compensation Plan (as amended and restated April 20, 2010 and as adjusted for all stock dividends through April 1, 2010), incorporated by reference to Appendix A to the Corporation's Proxy Statement for its annual meeting on April 20, 2010.

\*TARSAP/PARSAP Restricted Stock Agreements and Related Documents

- \*10.3(a) Form of accelerated (performance based) Restricted Stock Agreement under the 1992 Restricted Stock Incentive Plan, incorporated herein by reference to Exhibit 10.3(a) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.3(b) Form of accelerated (performance based) Restricted Stock Agreement under the 2003 Equity Compensation Plan, incorporated herein by reference to Exhibit 10.3(b) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.3(c) Description of performance criteria related to TARSAP/PARSAP awards granted prior to 2005, incorporated herein by reference to Exhibit 10.3(c) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.3(d) Form of 2005 PARSAP Agreement (for executive officers other than the CEO), incorporated herein by reference to Exhibit 10.3(e) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
- \*10.3(e) Description of performance criteria related to 2005 PARSAP Agreement, incorporated herein by reference to Exhibit 10.3(f) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.



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### \*Performance-Based Stock Incentive Award Documents

- \*10.4(a) Form of Performance Stock Units Notice of Grant [2009], incorporated herein by reference to Exhibit 10.4(f) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
- \*10.4(b) Form of Performance Stock Units Grant Notice [2010], incorporated herein by reference to Exhibit 10.4(d) to the Corporation's Amendment No. 1 to Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2010.
- \*10.4(c) Form of Performance Stock Units Grant Notice [2011], incorporated herein by reference to Exhibit 10.4(d) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.

### \*Other Stock-Based Incentive Plan Agreements and Related Documents

- \*10.5(a) Form of Restricted Stock Agreement for Non-Employee Director used under the 2003 Equity Compensation Plan, incorporated herein by reference to Exhibit 10(aa) to the Corporation's Current Report on Form 8-K dated January 18, 2005.
- \*10.5(b) Form of Agreement To Defer Receipt Of Shares Following Option Exercise, incorporated herein by reference to Exhibit 10.5(c) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.5(c) Form of Agreement to Exchange Shares for RSUs and Defer Receipt of Shares [relating to Restricted Stock], incorporated herein by reference to Exhibit 10.5(d) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.5(d) Form of Stock Option Grant Notice, incorporated herein by reference to Exhibit 10.5(e) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.5(e) Form of Stock Option Reload Grant Notification, incorporated herein by reference to Exhibit 10.5(f) to the Corporation's 2004 Annual Report on Form 10-K.
- \*10.5(f) Form of Stock Option Grant Notice (used for executive officers during 2005), incorporated herein by reference to Exhibit 10.5(g) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
- \*10.5(g) Form of Management Stock Option Grant Notice (used for executive officers during 2006), incorporated herein by reference to Exhibit 10.5(j) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
- \*10.5(h) Form of Management Restricted Stock Grant Notice (used for executive officers during 2006), incorporated herein by reference to Exhibit 10.5(k) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
- \*10.5(i) Sections of Director Policy pertaining to compensation, incorporated herein by reference to Exhibit 10.5(j) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010.

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- \*10.5(j) First Tennessee Stock Option Enhancement Program, incorporated herein by reference to Exhibit 10.5(o) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006.
- \*10.5(k) Form of Management Stock Option Grant Notice [2007], incorporated herein by reference to Exhibit 10.5(p) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.
- \*10.5(l) Form of stock option grant notice used for special grant to Mr. Jordan in lieu of bonus, incorporated herein by reference to Exhibit 10.5(r) to the Corporation's Current Report on Form 8-K filed February 29, 2008.
- \*10.5(m) Form of Retention Restricted Stock award grant notice under 2003 Equity Compensation Plan [2008], incorporated herein by reference to Exhibit 10.5(t) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
- \*10.5(n) Form of Executive Restricted Stock Notice of Grant [2009], incorporated herein by reference to Exhibit 10.5(o) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
- \*10.5(o) Form of Executive Special Restricted Stock Notice of Grant [2009], incorporated herein by reference to Exhibit 10.5(p) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
- \*10.5(p) Form of Bonus Restricted Stock Notice of Grant (associated with bonuses under the Capital Markets Incentive Compensation Plan) [2009], incorporated herein by reference to Exhibit 10.5(q) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.
- \*10.5(q) Form of Executive Restricted Stock Grant Notice [2010], incorporated herein by reference to Exhibit 10.5(r) to the Corporation's Amendment No. 1 to Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2010.
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Exchange Commission. In accordance with the Corporation's bylaws, the Corporation's Board Compensation Committee's charter, and action of that Committee on July 18, 2006, the annual incentive bonus to the head of the Capital Markets unit is subject to final review and approval by the Chief Executive Officer and the Compensation Committee.

- \*10.6(b2) Amendment to Capital Markets Incentive Compensation Plan, incorporated herein by reference to Exhibit 10.6(c2) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.

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- \*10.7(a2) Form of Amendment to February 2007 form of change-in-control severance agreement between the Corporation and its executive officers, incorporated herein by reference to Exhibit 10.7(a4) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007.
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- \*10.8(c) Long-Term Disability Program, incorporated herein by reference to Exhibit 10(v) to the Corporation's 2003 Annual Report on Form 10-K.
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