

FIRST HORIZON NATIONAL CORP

Form 10-Q

August 06, 2009

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

(Mark one)

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

For the quarterly period ended June 30, 2009

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

CIK number 0000036966

FIRST HORIZON NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Tennessee

62-0803242

(State or other jurisdiction of
incorporation or organization)

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

165 Madison Avenue, Memphis, Tennessee

38103

(Address of principal executive offices)

(Zip Code)

(901) 523-4444

(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated
filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting
company)

Smaller reporting
company

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding on June 30, 2009
Common Stock, \$.625 par value	215,207,891

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

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	First Horizon National Corporation		
	June 30		December 31
<i>(Dollars in thousands)(Unaudited)</i>	2009	2008	2008
Assets:			
Cash and due from banks	\$ 419,696	\$ 838,376	\$ 552,423
Federal funds sold and securities purchased under agreements to resell	531,638	1,166,982	772,357
Total cash and cash equivalents	951,334	2,005,358	1,324,780
Interest-bearing cash	672,553	39,829	207,792
Trading securities	1,117,212	1,473,815	945,766
Trading securities divestiture		89,239	
Loans held for sale	481,284	2,554,030	566,654
Securities available for sale (Note 3)	2,821,079	2,896,688	3,125,153
Securities held to maturity (fair value of \$- on June 30, 2009; \$240 on June 30, 2008) (Note 3)		240	
Loans, net of unearned income (Note 4)	19,585,827	22,225,232	21,278,190
Less: Allowance for loan losses	961,482	575,149	849,210
Total net loans	18,624,345	21,650,083	20,428,980
Mortgage servicing rights (Note 5)	337,096	903,634	376,844
Mortgage servicing rights divestiture		235,761	
Goodwill (Note 6)	192,408	192,408	192,408
Other intangible assets, net (Note 6)	41,937	48,615	45,082
Capital markets receivables	959,514	994,571	1,178,932
Premises and equipment, net	325,666	344,410	333,931
Real estate acquired by foreclosure	116,584	141,857	125,538
Other assets	2,117,931	1,908,795	2,170,120
Other assets-divestiture		70,628	
Total assets	\$ 28,758,943	\$ 35,549,961	\$ 31,021,980
Liabilities and equity:			
Deposits:			
Savings	\$ 4,593,215	\$ 4,041,352	\$ 4,824,939
Time deposits	2,149,812	2,468,521	2,294,644
Other interest-bearing deposits	2,110,787	1,880,678	1,783,362
Certificates of deposit \$100,000 and more	1,434,008	1,953,432	1,382,236
Interest-bearing	10,287,822	10,343,983	10,285,181
Noninterest-bearing	4,689,639	4,453,332	3,956,633
Deposits-divestiture		296,632	
Total deposits	14,977,461	15,093,947	14,241,814

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Federal funds purchased and securities sold under agreements to repurchase	2,404,985	2,620,014	1,751,079
Trading liabilities	286,282	464,225	359,502
Other short-term borrowings and commercial paper	2,555,704	5,998,810	4,279,689
Term borrowings	2,511,674	5,783,407	4,022,297
Other collateralized borrowings	723,677	767,010	745,363
Total long-term debt	3,235,351	6,550,417	4,767,660
Capital markets payables	965,442	868,883	1,115,428
Other liabilities	939,736	959,476	932,176
Other liabilities-divestiture		1,466	
Total liabilities	25,364,961	32,557,238	27,447,348
Equity:			
First Horizon National Corporation Shareholders Equity:			
Preferred stock no par value (shares authorized 5,000,000; shares issued series CPP 866,540 on June 30, 2009 and December 31, 2008) (Note 12)	790,596		782,680
Common stock \$.625 par value (shares authorized - 400,000,000; shares issued - 215,207,891 on June 30, 2009; 214,259,176 on June 30, 2008; and 214,084,507 on December 31, 2008) *	134,505	122,345	128,302
Capital surplus	1,128,286	980,428	1,048,602
Capital surplus common stock warrant CPP (Note 12)	83,860		83,860
Accumulated other comprehensive loss, net	(138,892)	(51,599)	(151,831)
Undivided profits	1,100,462	1,646,272	1,387,854
Total First Horizon National Corporation Shareholders Equity	3,098,817	2,697,446	3,279,467
Noncontrolling interest (Note 12)	295,165	295,277	295,165
Total equity	3,393,982	2,992,723	3,574,632
Total liabilities and equity	\$ 28,758,943	\$ 35,549,961	\$ 31,021,980

See accompanying notes to consolidated financial statements.

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

* Outstanding shares have been restated to reflect stock dividends distributed through July 1, 2009.

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	First Horizon National Corporation			
	Three Months Ended		Six Months Ended	
	June 30		June 30	
<i>(Dollars in thousands except per share data)(Unaudited)</i>	2009	2008	2009	2008
Interest income:				
Interest and fees on loans	\$ 197,688	\$285,419	\$ 403,427	\$617,095
Interest on investment securities	36,460	39,212	76,562	79,947
Interest on loans held for sale	6,577	54,217	14,309	112,655
Interest on trading securities	14,067	30,182	29,722	66,078
Interest on other earning assets	703	6,455	1,568	16,153
Total interest income	255,495	415,485	525,588	891,928
Interest expense:				
Interest on deposits:				
Savings	8,865	18,362	24,269	44,250
Time deposits	16,268	25,540	34,512	57,042
Other interest-bearing deposits	896	3,556	1,964	9,462
Certificates of deposit \$100,000 and more	7,968	17,361	17,427	48,429
Interest on trading liabilities	5,265	9,400	10,733	19,015
Interest on short-term borrowings	3,535	49,425	7,798	119,474
Interest on long-term debt	13,612	52,946	33,212	127,269
Total interest expense	56,409	176,590	129,915	424,941
Net interest income	199,086	238,895	395,673	466,987
Provision for loan losses	260,000	220,000	560,000	460,000
Net interest income/(expense) after provision for loan losses	(60,914)	18,895	(164,327)	6,987
Noninterest income:				
Capital markets	187,478	122,338	401,702	253,795
Deposit transactions and cash management	41,815	46,797	80,847	89,350
Mortgage banking	15,483	172,418	131,232	331,130
Trust services and investment management	7,651	8,883	14,471	17,992
Insurance commissions	6,555	6,822	13,473	14,966
Gains/(losses) from loan sales and securitizations	552	(6,984)	1,521	(11,081)
Debt securities gains/(losses), net				931
Losses on divestitures		(429)		(1,424)
Equity securities gains/(losses), net	(330)	(972)	(332)	64,043
All other income and commissions	33,074	50,173	57,233	88,420
Total noninterest income	292,278	399,046	700,147	848,122

Adjusted gross income after provision for loan losses	231,364	417,941	535,820	855,109
Noninterest expense:				
Employee compensation, incentives and benefits	199,650	277,078	448,161	564,548
Operations services	17,930	19,124	34,469	38,088
Occupancy	15,863	30,018	31,913	58,609
Legal and professional fees	14,919	14,030	29,027	29,052
Equipment rentals, depreciation and maintenance	8,338	18,268	17,036	33,279
Communications and courier	7,171	11,477	14,375	22,481
Amortization of intangible assets	1,509	2,182	3,145	4,622
All other expense	146,552	90,822	251,134	146,536
Total noninterest expense	411,932	462,999	829,260	897,215
Loss before income taxes	(180,568)	(45,058)	(293,440)	(42,106)
Benefit for income taxes	(74,538)	(28,821)	(122,315)	(36,967)
Loss from continuing operations	(106,030)	(16,237)	(171,125)	(5,139)
Income from discontinued operations, net of tax	548		548	883
Net loss	\$(105,482)	\$ (16,237)	\$(170,577)	\$ (4,256)
Net income attributable to noncontrolling interest	2,844	2,844	5,594	6,905
Net loss attributable to controlling interest	\$(108,326)	\$ (19,081)	\$(176,171)	\$ (11,161)
Preferred stock dividends	14,856		29,811	
Net loss available to common shareholders	\$(123,182)	\$ (19,081)	\$(205,982)	\$ (11,161)
Loss per share from continuing operations (Note 8)	\$ (0.58)	\$ (0.10)	\$ (0.96)	\$ (0.07)
Diluted loss per share from continuing operations (Note 8)	\$ (0.58)	\$ (0.10)	\$ (0.96)	\$ (0.07)
Loss per share available to common shareholders (Note 8)	\$ (0.58)	\$ (0.10)	\$ (0.96)	\$ (0.07)
Diluted loss per share available to common shareholders (Note 8)	\$ (0.58)	\$ (0.10)	\$ (0.96)	\$ (0.07)
Weighted average common shares outstanding basic (Note 8)	213,735	187,911	213,733	162,976
Weighted average common shares outstanding diluted (Note 8)	213,735	187,911	213,733	162,976

See accompanying notes to consolidated condensed financial statements.
Certain previously reported amounts have been reclassified to agree with current presentation.

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<i>(Dollars in thousands)(Unaudited)</i>	First Horizon National Corporation					
	2009			2008		
	Controlling Interest	Noncontrolling Interest	Total	Controlling Interest	Noncontrolling Interest	Total
Balance, January 1	\$3,279,467	\$295,165	\$3,574,632	\$2,135,596	\$295,277	\$2,430,873
Adjustment to reflect adoption of measurement date provisions for SFAS No. 157				(12,502)		(12,502)
Adjustment to reflect change in accounting for split dollar life insurance arrangements (EITF Issue No. 06-4)				(8,530)		(8,530)
Net income/(loss)	(176,171)	5,594	(170,577)	(11,161)	6,905	(4,256)
Other comprehensive income/(loss):						
Unrealized fair value adjustments, net of tax:						
Cash flow hedges				(6)		(6)
Securities available for sale	16,854		16,854	(4,999)		(4,999)
Recognized pension and other employee benefit plans net periodic benefit costs	(3,915)		(3,915)	1,506		1,506
Comprehensive income/(loss)	(163,232)	5,594	(157,638)	(14,660)	6,905	(7,755)
Preferred stock (CPP) accretion	7,916		7,916			
Preferred stock (CPP) dividends	(29,791)		(29,791)			
Cash dividends declared				(64,426)		(64,426)
Common stock issuance (69 million shares issued at \$10 per share, net of offering costs)				659,762		659,762
Common stock repurchased	(365)		(365)	(214)		(214)
Common stock issued for Stock options and restricted stock	1,263		1,263	572		572
Excess tax benefit (shortfall) from stock-based compensation arrangements				(1,531)		(1,531)
Stock-based compensation expense	3,339		3,339	3,379		3,379
Dividends paid to noncontrolling interest of subsidiary preferred stock		(5,594)	(5,594)		(6,905)	(6,905)
Other changes in equity	220		220			
Balance, June 30	\$3,098,817	\$295,165	\$3,393,982	\$2,697,446	\$295,277	\$2,992,723

See accompanying notes to consolidated condensed financial statements.

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	First Horizon National Corporation	
	Six Months Ended June 30	
<i>(Dollars in thousands) (Unaudited)</i>	2009	2008
Operating Activities		
Net loss	\$ (170,577)	\$ (4,256)
Adjustments to reconcile net loss to net cash provided/(used) by operating activities:		
Provision for loan losses	560,000	460,000
Benefit for deferred income tax	(120,293)	(36,967)
Depreciation and amortization of premises and equipment	16,901	23,075
Amortization of intangible assets	3,145	4,622
Net other amortization and accretion	23,549	23,901
Decrease/(increase) in derivatives, net	199,383	(34,458)
Market value adjustment on mortgage servicing rights	(79,330)	2,992
Provision for foreclosure reserve	41,365	8,386
Loss on divestitures		1,424
Stock-based compensation expense	3,339	3,379
Excess tax benefit from stock-based compensation arrangements		1,531
Equity securities (gains)/losses, net	332	(64,043)
Debt securities gains, net		(931)
Gains on repurchases of debt	(60)	(12,596)
Net losses on disposal of fixed assets	5,139	4,723
Net (increase)/decrease in:		
Trading securities	(117,663)	171,252
Loans held for sale	85,370	939,182
Capital markets receivables	219,418	(470,152)
Interest receivable	12,262	28,900
Other assets	(138,854)	(48,515)
Net increase/(decrease) in:		
Capital markets payables	(149,986)	282,525
Interest payable	(21,338)	(39,776)
Other liabilities	127,670	(297,053)
Trading liabilities	(73,220)	(91,919)
Total adjustments	597,129	859,482
Net cash provided by operating activities	426,552	855,226
Investing Activities		
Available for sale securities:		
Sales	19,606	89,839
Maturities	376,361	421,799
Purchases	(60,865)	(313,613)
Premises and equipment:		
Sales		11,738

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Purchases	(13,775)	
Net (increase)/decrease in:		
Securitization retained interests classified as trading securities	(53,783)	35,276
Loans	1,237,067	(176,354)
Interest-bearing cash	(464,761)	(407)
Cash payments related to divestitures		(113,300)
Net cash provided/(used) by investing activities	1,039,850	(45,022)
Financing Activities		
Common stock:		
Exercise of stock options	3	511
Cash dividends paid		(25,220)
Repurchase of shares	(365)	(214)
Issuance of common shares		659,762
Excess tax benefit from stock-based compensation arrangements		(1,531)
Cash dividends paid preferred stock CPP	(21,784)	
Cash dividends paid preferred stock noncontrolling interest	(6,959)	(8,740)