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, 2020
or

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

For the transition period from to
Commission File Number 001-15185

First Horizon National Corporation
(Exact name of registrant as specified in its charter)

TN	**62-0803242**
(State or other jurisdiction incorporation of organization)	**(IRS Employer Identification No.)**
165 Madison Avenue	
Memphis, Tennessee	**38103**
(Address of principal executive office)	**(Zip Code)**

(Registrant's telephone number, including area code) (901) 523-4444

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Exchange on which Registered
$.625 Par Value Common Capital Stock	FHN	New York Stock Exchange LLC
Depositary Shares, each representing a 1/4,000th interest in a share of Non-Cumulative Perpetual Preferred Stock, Series A	FHN PR A	New York Stock Exchange LLC
Depositary Shares, each representing a 1/400th interest in a share of Non-Cumulative Perpetual Preferred Stock, Series B*	FHN PR B	New York Stock Exchange LLC
Depositary Shares, each representing a 1/400th interest in a share of Non-Cumulative Perpetual Preferred Stock, Series C*	FHN PR C	New York Stock Exchange LLC
Depositary Shares, each representing a 1/400th interest in a share of Non-Cumulative Perpetual Preferred Stock, Series D*	FHN PR D	New York Stock Exchange LLC
Depositary Shares, each representing a 1/4,000th interest in a share of Non-Cumulative Perpetual Preferred Stock, Series E	FHN PR E	New York Stock Exchange LLC

* Denotes class of security issued and outstanding on the date this report is filed, but not at June 30, 2020.

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 every Interactive Data File required to be submitted 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 such files). ☒ Yes ☐ No

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

Large Accelerated Filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding on June 30, 2020**
Common Stock, $.625 par value	312,358,668

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FIRST HORIZON NATIONAL CORPORATION

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

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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 condition and results of operations for the interim periods presented.

CONSOLIDATED CONDENSED STATEMENTS OF CONDITION

	First Horizon National Corporation	
	(Unaudited)	
	June 30	December 31
(Dollars in thousands, except per share amounts)	**2020**	2019
Assets:		
Cash and due from banks	**$ 604,280**	$ 633,728
Federal funds sold	**113,000**	46,536
Securities purchased under agreements to resell (Note 15)	**302,267**	586,629
Total cash and cash equivalents	**1,019,547**	1,266,893
Interest-bearing cash	**3,135,844**	482,405
Trading securities	**1,116,450**	1,346,207
Loans held-for-sale (a)	**745,655**	593,790
Securities available-for-sale (Note 3)	**5,476,156**	4,445,403
Securities held-to-maturity (Note 3)	**10,000**	10,000
Loans, net of unearned income (Note 4) (b)	**32,708,937**	31,061,111
Less: Allowance for loan losses (Note 5)	**537,881**	200,307
Total net loans	**32,171,056**	30,860,804
Goodwill (Note 6)	**1,432,787**	1,432,787
Other intangible assets, net (Note 6)	**119,608**	130,200
Fixed income receivables	**145,455**	40,114
Premises and equipment, net (June 30, 2020 and December 31, 2019 include $7.0 million and $9.7 million, respectively, classified as held-for-sale)	**448,028**	455,006
Other real estate owned ("OREO") (c)	**15,134**	17,838
Derivative assets (Note 14)	**599,704**	183,115
Other assets	**2,209,235**	2,046,338
Total assets	**$ 48,644,659**	$ 43,310,900
Liabilities and equity:		
Deposits:		
Savings	**$ 13,532,127**	$ 11,664,906
Time deposits, net	**2,655,702**	3,618,337
Other interest-bearing deposits	**9,783,704**	8,717,341
Interest-bearing	**25,971,533**	24,000,584
Noninterest-bearing	**11,787,818**	8,428,951
Total deposits	**37,759,351**	32,429,535
Federal funds purchased	**778,529**	548,344
Securities sold under agreements to repurchase (Note 15)	**1,482,585**	716,925
Trading liabilities	**232,742**	505,581
Other short-term borrowings	**130,583**	2,253,045
Term borrowings	**2,032,476**	791,368
Fixed income payables	**24,735**	49,535
Derivative liabilities (Note 14)	**94,389**	67,480
Other liabilities	**900,884**	873,079
Total liabilities	**43,436,274**	38,234,892
Equity:		
First Horizon National Corporation Shareholders' Equity:		
Preferred stock - Non-cumulative perpetual, no par value, liquidation preference of $100,000 per share - (Series A shares authorized - 1,000; shares issued - 1,000 on June 30, 2020 and December 31, 2019. Series E shares authorized - 1,725; shares issued - 1,500 on June 30, 2020)	**240,289**	95,624
Common stock - $.625 par value (shares authorized - 400,000,000; shares issued - 312,358,668 on June 30, 2020 and 311,469,056 on December 31, 2019)	**195,224**	194,668
Capital surplus	**2,940,610**	2,931,451
Undivided profits	**1,671,629**	1,798,442
Accumulated other comprehensive loss, net (Note 8)	**(134,798)**	(239,608)
Total First Horizon National Corporation Shareholders' Equity	**4,912,954**	4,780,577
Noncontrolling interest	**295,431**	295,431

Total equity	**5,208,385**	5,076,008
Total liabilities and equity	**$ 48,644,659**	$ 43,310,900

See accompanying notes to consolidated condensed financial statements.

(a) June 30, 2020 and December 31, 2019 include $2.5 million and $6.8 million, respectively, of held-for-sale consumer mortgage loans secured by residential real estate in process of foreclosure.

(b) June 30, 2020 and December 31, 2019 include $16.9 million and $18.8 million, respectively, of held-to-maturity consumer mortgage loans secured by residential real estate in process of foreclosure.

(c) June 30, 2020 and December 31, 2019 include $7.8 million and $9.2 million, respectively, of foreclosed residential real estate.

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

	First Horizon National Corporation			
	Three Months Ended June 30		Six Months Ended June 30	
(Dollars and shares in thousands except per share data, unless otherwise noted) (Unaudited)	**2020**	2019	**2020**	2019
Interest income:				
Interest and fees on loans	**$ 305,913**	$ 352,112	**$ 632,512**	$ 684,050
Interest on investment securities available-for-sale	**24,977**	31,247	**52,733**	63,090
Interest on investment securities held-to-maturity	**132**	132	**263**	263
Interest on loans held-for-sale	**6,596**	8,128	**13,495**	18,005
Interest on trading securities	**8,723**	13,154	**21,840**	26,702
Interest on other earning assets	**283**	7,316	**4,149**	20,594
Total interest income	**346,624**	412,089	**724,992**	812,704
Interest expense:				
Interest on deposits:				
Savings	**12,520**	36,806	**38,853**	76,720
Time deposits	**9,259**	22,439	**23,202**	42,693
Other interest-bearing deposits	**2,966**	19,757	**17,179**	41,799
Interest on trading liabilities	**974**	3,756	**4,266**	6,572
Interest on short-term borrowings	**1,455**	11,038	**11,319**	17,782
Interest on term borrowings	**14,106**	14,683	**22,027**	29,020
Total interest expense	**41,280**	108,479	**116,846**	214,586
Net interest income	**305,344**	303,610	**608,146**	598,118
Provision/(provision credit) for loan losses	**110,000**	13,000	**255,000**	22,000
Net interest income after provision/(provision credit) for loan losses	**195,344**	290,610	**353,146**	576,118
Noninterest income:				
Fixed income	**112,421**	66,414	**208,056**	120,163
Deposit transactions and cash management	**30,787**	32,374	**61,077**	63,995
Brokerage, management fees and commissions	**13,800**	14,120	**29,205**	26,753
Trust services and investment management	**7,733**	7,888	**14,928**	14,914
Bankcard income	**6,652**	6,355	**13,905**	13,307
Bank-owned life insurance ("BOLI")	**6,380**	5,126	**10,969**	9,528
Debt securities gains/(losses), net (Note 3 and Note 8)	**—**	(267)	**—**	(267)
Equity securities gains/(losses), net (Note 3)	**(1,493)**	316	**(1,468)**	347
All other income and commissions (Note 7)	**29,989**	25,667	**44,353**	50,298
Total noninterest income	**206,269**	157,993	**381,025**	299,038
Adjusted gross income after provision/(provision credit) for loan losses	**401,613**	448,603	**734,171**	875,156
Noninterest expense:				
Employee compensation, incentives, and benefits	**200,259**	171,643	**383,729**	349,568
Occupancy	**21,445**	20,719	**41,008**	41,412
Computer software	**16,522**	15,001	**32,549**	30,140
Operations services	**11,654**	11,713	**23,346**	23,201
Professional fees	**10,310**	11,291	**17,306**	23,590
Equipment rentals, depreciation, and maintenance	**8,384**	8,375	**16,936**	17,204
FDIC premium expense	**6,432**	4,247	**13,174**	8,520
Communications and courier	**5,868**	7,380	**11,396**	13,833
Amortization of intangible assets	**5,284**	6,206	**10,592**	12,422
Contract employment and outsourcing	**5,236**	3,078	**10,172**	6,449
Advertising and public relations	**2,525**	5,574	**9,981**	12,816
Legal fees	**2,498**	6,486	**4,321**	9,317
All other expense (Note 7)	**35,751**	28,681	**68,977**	48,012
Total noninterest expense	**332,168**	300,394	**643,487**	596,484
Income/(loss) before income taxes	**69,445**	148,209	**90,684**	278,672
Provision/(benefit) for income taxes	**12,780**	34,467	**17,547**	61,525

Net income/(loss)	**$ 56,665**	$ 113,742	**$ 73,137**	$ 217,147
Net income attributable to noncontrolling interest	**2,851**	2,852	**5,703**	5,672
Net income/(loss) attributable to controlling interest	**$ 53,814**	$ 110,890	**$ 67,434**	$ 211,475
Preferred stock dividends	**1,550**	1,550	**3,100**	3,100
Net income/(loss) available to common shareholders	**$ 52,264**	$ 109,340	**$ 64,334**	$ 208,375
Basic earnings/(loss) per share (Note 9)	**$ 0.17**	$ 0.35	**$ 0.21**	$ 0.66
Diluted earnings/(loss) per share (Note 9)	**$ 0.17**	$ 0.35	**$ 0.21**	$ 0.66
Weighted average common shares (Note 9)	**312,090**	314,063	**311,843**	315,740
Diluted average common shares (Note 9)	**312,936**	315,786	**312,792**	317,720

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

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	First Horizon National Corporation			
	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands) (Unaudited)	**2020**	2019	**2020**	2019
Net income/(loss)	**$ 56,665**	$ 113,742	**$ 73,137**	$ 217,147
Other comprehensive income/(loss), net of tax:				
Net unrealized gains/(losses) on securities available-for-sale	**(1,030)**	48,192	**87,248**	96,807
Net unrealized gains/(losses) on cash flow hedges	**17**	8,909	**13,078**	14,296
Net unrealized gains/(losses) on pension and other postretirement plans	**2,379**	1,561	**4,484**	3,024
Other comprehensive income/(loss)	**1,366**	58,662	**104,810**	114,127
Comprehensive income	**58,031**	172,404	**177,947**	331,274
Comprehensive income attributable to noncontrolling interest	**2,851**	2,852	**5,703**	5,672
Comprehensive income attributable to controlling interest	**$ 55,180**	$ 169,552	**$ 172,244**	$ 325,602
Income tax expense/(benefit) of items included in Other comprehensive income:				
Net unrealized gains/(losses) on securities available-for-sale	**$ (336)**	$ 15,819	**$ 28,451**	$ 31,777
Net unrealized gains/(losses) on cash flow hedges	**5**	2,924	**4,265**	4,692
Net unrealized gains/(losses) on pension and other postretirement plans	**776**	513	**1,462**	993

See accompanying notes to consolidated condensed financial statements.

CONSOLIDATED CONDENSED STATEMENTS OF EQUITY

First Horizon National Corporation

Six months ended June 30, 2020

(Dollars and shares in thousands, except per share data) (unaudited)	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Capital Surplus	Undivided Profits	Accumulated Other Comprehensive Income/(Loss) (a)	Noncontrolling Interest	Total
Balance, December 31, 2019	1,000	$ 95,624	311,469	$ 194,668	$ 2,931,451	$ 1,798,442	$ (239,608)	$ 295,431	$ 5,076,008
Adjustment to reflect adoption of ASU 2016-13	—	—	—	—	—	(96,057)	—	—	(96,057)
Beginning balance, as adjusted	1,000	95,624	311,469	194,668	2,931,451	1,702,385	(239,608)	295,431	4,979,951
Net income/(loss)	—	—	—	—	—	13,620	—	2,852	16,472
Other comprehensive income/(loss)	—	—	—	—	—	—	103,444	—	103,444
Comprehensive income/(loss)	—	—	—	—	—	13,620	103,444	2,852	119,916
Cash dividends declared:									
Preferred stock ($1,550 per share)	—	—	—	—	—	(1,550)	—	—	(1,550)
Common stock ($.15 per share)	—	—	—	—	—	(47,350)	—	—	(47,350)
Common stock repurchased	—	—	(141)	(88)	(1,976)	—	—	—	(2,064)
Common stock issued for:									
Stock options and restricted stock - equity awards	—	—	652	407	3,733	—	—	—	4,140
Stock-based compensation expense	—	—	—	—	7,281	—	—	—	7,281
Dividends declared - noncontrolling interest of subsidiary preferred stock	—	—	—	—	—	—	—	(2,852)	(2,852)
Other (b)	—	—	(117)	(73)	(1,819)	—	—	—	(1,892)
Balance, March 31, 2020	1,000	$ 95,624	311,863	$ 194,914	$ 2,938,670	$ 1,667,105	$ (136,164)	$ 295,431	$ 5,055,580
Net income/(loss)	—	—	—	—	—	53,814	—	2,851	56,665
Other comprehensive income/(loss)	—	—	—	—	—	—	1,366	—	1,366
Comprehensive income/(loss)	—	—	—	—	—	53,814	1,366	2,851	58,031
Cash dividends declared:									
Preferred stock ($1,550 per share)	—	—	—	—	—	(1,550)	—	—	(1,550)
Common stock ($.15 per share)	—	—	—	—	—	(47,740)	—	—	(47,740)
Preferred stock issuance (1,500 shares issued at $100,000 per share net of offering costs)	1,500	144,665	—	—	—	—	—	—	144,665
Common stock repurchased	—	—	(183)	(114)	(1,354)	—	—	—	(1,468)
Common stock issued for:									
Stock options and restricted stock - equity awards	—	—	679	424	(424)	—	—	—	—
Stock-based compensation expense	—	—	—	—	3,718	—	—	—	3,718
Dividends declared - noncontrolling interest of subsidiary preferred stock	—	—	—	—	—	—	—	(2,851)	(2,851)
Balance, June 30, 2020	2,500	$ 240,289	312,359	$ 195,224	$ 2,940,610	$ 1,671,629	$ (134,798)	$ 295,431	$ 5,208,385

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

(b) Represents shares canceled in connection with the resolution of remaining Capital Bank Financial Corporation ("CBF") dissenters' appraisal process.

Six months ended June 30, 2019

(Dollars and shares in thousands, except per share data) (unaudited)	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Capital Surplus	Undivided Profits	Accumulated Other Comprehensive Income/(Loss) (a)	Noncontrolling Interest	Total
Balance, December 31, 2018	1,000	$ 95,624	318,573	$ 199,108	$ 3,029,425	$ 1,542,408	$ (376,616)	$ 295,431	$ 4,785,380
Adjustment to reflect adoption of ASU 2016-02	—	—	—	—	—	(1,011)	—	—	(1,011)
Beginning balance, as adjusted	1,000	95,624	318,573	199,108	3,029,425	1,541,397	(376,616)	295,431	4,784,369
Net income/(loss)	—	—	—	—	—	100,585	—	2,820	103,405
Other comprehensive income/(loss)	—	—	—	—	—	—	55,465	—	55,465
Comprehensive income/(loss)	—	—	—	—	—	100,585	55,465	2,820	158,870
Cash dividends declared:									
Preferred stock ($1,550 per share)	—	—	—	—	—	(1,550)	—	—	(1,550)
Common stock ($.14 per share)	—	—	—	—	—	(44,864)	—	—	(44,864)
Common stock repurchased (b)	—	—	(3,594)	(2,246)	(51,190)	—	—	—	(53,436)
Common stock issued for:									
Stock options and restricted stock - equity awards	—	—	382	239	281	—	—	—	520
Stock-based compensation expense	—	—	—	—	5,432	—	—	—	5,432
Dividends declared - noncontrolling interest of subsidiary preferred stock	—	—	—	—	—	—	—	(2,820)	(2,820)
Balance, March 31, 2019	1,000	$ 95,624	315,361	$ 197,101	$ 2,983,948	$ 1,595,568	$ (321,151)	$ 295,431	$ 4,846,521
Net income/(loss)	—	—	—	—	—	110,890	—	2,852	113,742
Other comprehensive income/(loss)	—	—	—	—	—	—	58,662	—	58,662
Comprehensive income/(loss)	—	—	—	—	—	110,890	58,662	2,852	172,404
Cash dividends declared:									
Preferred stock ($1,550 per share)	—	—	—	—	—	(1,550)	—	—	(1,550)
Common stock ($.14 per share)	—	—	—	—	—	(44,388)	—	—	(44,388)
Common stock repurchased (b)	—	—	(3,654)	(2,284)	(49,938)	—	—	—	(52,222)
Common stock issued for:									
Stock options and restricted stock - equity awards	—	—	771	482	2,462	—	—	—	2,944
Stock-based compensation expense	—	—	—	—	5,224	—	—	—	5,224
Dividends declared - noncontrolling interest of subsidiary preferred stock	—	—	—	—	—	—	—	(2,852)	(2,852)
Balance, June 30, 2019	1,000	$ 95,624	312,478	$ 195,299	$ 2,941,696	$ 1,660,520	$ (262,489)	$ 295,431	$ 4,926,081

See accompanying notes to consolidated condensed financial statements.

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

(b) Includes $51.5 million and $50.2 million repurchased under share repurchase programs in first and second quarter 2019, respectively.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	First Horizon National Corporation	
	Six Months Ended June 30	
(Dollars in thousands) (Unaudited)	**2020**	2019
Operating Activities		
Net income/(loss)	**$ 73,137**	$ 217,147
Adjustments to reconcile net income/(loss) to net cash provided/(used) by operating activities:		
Provision/(provision credit) for loan losses	**255,000**	22,000
Provision/(benefit) for deferred income taxes	**(38,528)**	60,943
Depreciation and amortization of premises and equipment	**21,040**	22,564
Amortization of intangible assets	**10,592**	12,422
Net other amortization and accretion	**7,838**	(2,542)
Net (increase)/decrease in derivatives	**(368,592)**	(119,415)
Fair value adjustment on interest-only strips	**2,528**	1,399
(Gains)/losses and write-downs on OREO, net	**117**	(304)
Litigation and regulatory matters	**—**	(8,330)
Stock-based compensation expense	**10,999**	10,656
Gain on sale and pay down of held-to-maturity loans	**—**	(1,105)
Equity securities (gains)/losses, net	**1,468**	(347)
Debt securities (gains)/losses, net	**—**	267
Net (gains)/losses on sale/disposal of fixed assets	**1,816**	19,182
(Gain)/loss on BOLI	**(3,880)**	(2,578)
Loans held-for-sale:		
Purchases and originations	**(1,096,917)**	(1,003,375)
Gross proceeds from settlements and sales	**322,517**	361,895
(Gain)/loss due to fair value adjustments and other	**6,619**	36,138
Net (increase)/decrease in:		
Trading securities	**833,483**	581,187
Fixed income receivables	**(105,341)**	(108,713)
Interest receivable	**(6,917)**	(6,120)
Other assets	**(131,628)**	7,394
Net increase/(decrease) in:		
Trading liabilities	**(272,839)**	222,967
Fixed income payables	**(24,800)**	56,797
Interest payable	**(9,850)**	12,435
Other liabilities	**9,183**	(45,278)
Total adjustments	**(576,092)**	130,139
Net cash provided/(used) by operating activities	**(502,955)**	347,286
Investing Activities		
Available-for-sale securities:		
Sales	**8,703**	171,423
Maturities	**571,676**	339,315
Purchases	**(1,498,312)**	(144,534)
Premises and equipment:		
Sales	**2,382**	8,157
Purchases	**(20,851)**	(12,487)
Proceeds from sales of OREO	**4,475**	9,651
Proceeds from sale and pay down of loans classified as held-to-maturity	**—**	20,100
Proceeds from BOLI	**7,826**	8,945
Net (increase)/decrease in:		
Loans	**(1,648,847)**	(2,183,862)
Interests retained from securitizations classified as trading securities	**130**	298

Interest-bearing cash	**(2,653,439)**	684,431
Net cash provided/(used) by investing activities	**(5,226,257)**	(1,098,563)
Financing Activities		
Common stock:		
Stock options exercised	**4,145**	3,464
Cash dividends paid	**(91,925)**	(83,711)
Repurchase of shares (a)	**(3,543)**	(105,658)
Cancellation of common shares (b)	**(1,892)**	—
Preferred stock issuance	**144,665**	—

Cash dividends paid - preferred stock - noncontrolling interest	**(5,734)**	(5,703)
Cash dividends paid - Series A preferred stock	**(3,100)**	(3,100)
Term borrowings:		
Issuance (c)	**1,241,534**	—
Payments/maturities	**—**	(1,180)
Increases/(decreases) in restricted and secured term borrowings	**(5,483)**	4,481
Net increase/(decrease) in:		
Deposits	**5,329,816**	(374,675)
Short-term borrowings	**(1,126,617)**	1,161,739
Net cash provided/(used) by financing activities	**5,481,866**	595,657
Net increase/(decrease) in cash and cash equivalents	**(247,346)**	(155,620)
Cash and cash equivalents at beginning of period	**1,266,893**	1,405,325
Cash and cash equivalents at end of period	**$ 1,019,547**	$ 1,249,705
Supplemental Disclosures		
Total interest paid	**$ 125,368**	$ 200,625
Total taxes paid	**6,486**	14,842
Total taxes refunded	**541**	27,742
Transfer from loans to OREO	**1,888**	3,343
Transfer from loans HFS to trading securities	**603,856**	802,259

See accompanying notes to consolidated condensed financial statements.
(a) 2019 includes $101.7 million repurchased under share repurchase programs.
(b) Represents shares canceled in connection with the resolution of remaining CBF dissenters' appraisal process.
(c) In second quarter 2020, FHN issued $800 million of senior notes and First Horizon Bank issued $450 million of subordinated notes.

Notes to the Consolidated Condensed Financial Statements (Unaudited)

Note 1 – Financial Information

Basis of Accounting. The unaudited interim consolidated condensed financial statements of First Horizon National Corporation ("FHN"), including its subsidiaries, have been prepared in conformity with accounting principles generally accepted in the United States of America and follow general practices within the industries in which it operates. This preparation requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions are based on information available as of the date of the financial statements and could differ from actual results. In the opinion of management, all necessary adjustments have been made for a fair presentation of financial position and results of operations for the periods presented. These adjustments are of a normal recurring nature unless otherwise disclosed in this Quarterly Report on Form 10-Q. The operating results for the interim 2020 period are not necessarily indicative of the results that may be expected going forward. For further information, refer to the audited consolidated financial statements in Item 8 to FHN's Annual Report on Form 10-K for the year ended December 31, 2019.

Revenues. Revenue is recognized when the performance obligations under the terms of a contract with a customer are satisfied in an amount that reflects the consideration FHN expects to be entitled. FHN derives a significant portion of its revenues from fee-based services. Noninterest income from transaction-based fees is generally recognized immediately upon completion of the transaction. Noninterest income from service-based fees is generally recognized over the period in which FHN provides the service. Any services performed over time generally require that FHN render services each period and therefore FHN measures progress in completing these services based upon the passage of time and recognizes revenue as invoiced.

See Note 1– Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements on Form 10-K for the year ended December 31, 2019, for a discussion of FHN's key revenues.

Contract Balances. As of June 30, 2020, accounts receivable related to products and services on non-interest income were $8.9 million. For the three months ended June 30, 2020, FHN had no material impairment losses on non-interest accounts receivable and there were no material contract assets, contract liabilities or deferred contract costs recorded on the Consolidated Condensed Statements of Condition as of June 30, 2020. Credit risk is assessed on these accounts receivable each reporting period and the amount of estimated uncollectible receivables is not material.

Transaction Price Allocated to Remaining Performance Obligations. For the three and six months ended June 30, 2020, revenue recognized from performance obligations related to prior periods was not material.

Revenue expected to be recognized in any future year related to remaining performance obligations, excluding revenue pertaining to contracts that have an original expected duration of one year or less and contracts where revenue is recognized as invoiced, is not material.

Refer to Note 12– Business Segment Information for a reconciliation of disaggregated revenue by major product line and reportable segment.

Debt Investment Securities. Debt securities that may be sold prior to maturity are classified as available-for-sale ("AFS") and are carried at fair value. The unrealized gains and losses on debt securities AFS, including securities for which no credit impairment exists, are excluded from earnings and are reported, net of tax, as a component of other comprehensive income within shareholders' equity and the Consolidated Condensed Statements of Comprehensive Income. Debt securities which management has the intent and ability to hold to maturity ("HTM") are reported at amortized cost. Interest-only strips that are classified as securities AFS are valued at elected fair value. See Note 16 - Fair Value of Assets and Liabilities for additional information. Realized gains and losses (i.e., from sales) for debt investment securities are determined by the specific identification method and reported in noninterest income.

In periods subsequent to 2019, the evaluation of credit risk for HTM debt securities mirrors the process described below for loans held-for-investment. AFS debt securities are reviewed for potential credit impairment at the individual security level. The evaluation of credit risk includes consideration of third-party and government guarantees (both explicit and implicit), senior or subordinated status, credit ratings of the issuer, the effects of interest rate changes since purchase and observable market information such as issuer-specific credit spreads. Credit losses for AFS debt securities are generally recognized through establishment of an allowance for credit losses that cannot exceed the amount by which amortized cost exceeds fair value. Charge offs are recorded as reductions of the security's amortized cost and the credit allowance. Subsequent improvements in estimated credit losses result in reduction of the credit allowance, but not beyond zero. However, if FHN has the intent to sell or if it is more-likely-than-not that it will be compelled to sell a security with an unrecognized loss, the difference between the security's carrying value and fair value is recognized

through earnings and a new amortized cost basis is established for the security (i.e., no allowance for credit losses is recognized).

FHN has elected to exclude accrued interest receivable ("AIR") from the fair value and amortized cost basis on AFS debt securities when assessing whether these securities have experienced credit impairment. Additionally, FHN has elected to not measure an allowance for credit losses on AIR for AFS debt securities based on its policy to write off uncollectible interest in a timely manner, which generally occurs when delinquency reaches no more than 90 days for all security types. Any such write offs are recognized as a reduction of interest income. AIR for AFS debt securities is included within Other assets in the Consolidated Condensed Statement of Condition.

In periods prior to 2020, both AFS and HTM securities were reviewed quarterly for possible other-than-temporary impairment ("OTTI"). The review included an analysis of the facts and circumstances of each individual investment such as the degree of loss, the length of time the fair value had been below cost, the expectation for that security's performance, the creditworthiness of the issuer and FHN's intent and ability to hold the security.

Declines in value judged to be other-than-temporary ("OTTI") based on FHN's analysis of the facts and circumstances related to an individual investment, including securities that FHN had the intent to sell, were determined by the specific identification method. For HTM debt securities, OTTI recognized was typically credit-related and was reported in noninterest income. For impaired AFS debt securities that FHN did not intend to sell and was not required to sell prior to recovery but for which credit losses existed, the OTTI recognized was allocated between the total impairment related to credit losses which was reported in noninterest income, and the impairment related to all other factors which was excluded from earnings and reported, net of tax, as a component of other comprehensive income within shareholders' equity and the Consolidated Condensed Statements of Comprehensive Income.

Fed Funds Sold and Purchased. Fed funds sold and purchased represent unsecured overnight funding arrangements between participants in the Federal Reserve system primarily to assist banks in meeting their regulatory cash reserve requirements. Fed Funds sold are evaluated for credit risk each reporting period. Due to the short duration of each transaction and the history of no credit losses, no credit loss has been recognized.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase. FHN purchases short-term securities under agreements to resell which are accounted for as collateralized financings except where FHN does not have an agreement to sell the same or substantially the same securities before maturity at a fixed or determinable price. All of FHN's securities purchased under agreements to resell are recognized as collateralized financings. Securities delivered under these transactions are delivered to either the dealer custody account at the FRB or to the applicable counterparty. Securities sold under agreements to repurchase are offered to cash management customers as an automated, collateralized investment account. Securities sold under agreements to repurchase are also used by the consumer/commercial bank to obtain favorable borrowing rates on its purchased funds. All of FHN's securities sold under agreements to repurchase are secured borrowings. Collateral is valued daily and FHN may require counterparties to deposit additional securities or cash as collateral, or FHN may return cash or securities previously pledged by counterparties, or FHN may be required to post additional securities or cash as collateral, based on the contractual requirements for these transactions.

FHN's fixed income business utilizes securities borrowing arrangements as part of its trading operations. Securities borrowing transactions generally require FHN to deposit cash with the securities lender. The amount of cash advanced is recorded within Securities purchased under agreements to resell in the Consolidated Condensed Statements of Condition. These transactions are not considered purchases and the securities borrowed are not recognized by FHN. FHN does not conduct securities lending transactions.

Securities purchased under agreements to resell and securities borrowing arrangements are evaluated for credit risk each reporting period. As presented in Note 15 - Master Netting and Similar Agreements - Repurchase, Reverse Repurchase, and Securities Borrowing Transactions, these agreements are collateralized by the related securities and collateral maintenance provisions with counterparties, including replenishment and adjustment on a transaction specific basis. This collateral includes both the securities collateral for each transaction as well as offsetting securities sold under agreements to repurchase with the same counterparty. Given the history of no credit losses and collateralized nature of these transactions, no credit loss has been recognized.

Loans. Generally, loans are stated at principal amounts outstanding, net of unearned income. Interest on loans is recognized on an accrual basis at the applicable interest rate on the principal amount outstanding. Loan origination fees and direct costs as well as premiums and discounts are amortized as level yield adjustments over the respective loan terms. Unamortized net fees or costs, premiums and discounts are recognized in interest income upon early repayment of the loans. Cash collections from loans that were fully charged off prior to acquisition are recognized in noninterest income. Loan commitment fees are generally deferred and amortized on a straight-line basis over the commitment period.

Note 1 – Financial Information (Continued)

FHN has elected to exclude accrued interest receivable ("AIR") from the amortized cost basis on for its held-for-investment loan portfolio. FHN has also elected to not measure an allowance for credit losses on AIR for loans held-for-investment based on its policy to write off uncollectible interest in a timely manner, which occurs when a loan is placed on nonaccrual status. Such write offs are recognized as a reduction of interest income. AIR for held-for-investment loans is included within Other assets in the Consolidated Condensed Statements of Condition.

FHN has continued to accrue interest on loans for which payment deferrals have been extended to borrowers affected by the COVID-19 pandemic ("COVID-19 Deferrals"). Deferrals are made for durations up to six months, which is beyond FHN's normal write-off practices for accrued interest. Therefore, these interest deferrals do not qualify for FHN's election to not recognize a credit loss allowance for accrued interest. Accordingly, FHN has estimated credit losses for COVID-19 interest deferrals which is included within AIR in Other assets in the Consolidated Condensed Statements of Condition.

Purchased Credit-Deteriorated Loans. Subsequent to 2019, FHN evaluates all acquired loans to determine if they have experienced a more-than-insignificant deterioration in credit quality since origination ("PCD loans"). PCD loans can be identified on either an 1) individual or 2) pooled basis when the loans share similar risk characteristics. FHN evaluates various absolute factors to assist in the identification of PCD loans, including criteria such as, existing PCD status, risk rating of special mention or lower, nonaccrual or impaired status, identification of prior TDRs, and delinquency status. FHN also utilizes relative factors to identify PCD loans such as commercial loan grade migration, expansion of borrower credit spreads, declines in external risk ratings and changes in consumer loan characteristics (e.g., FICO decline or LTV increase). In addition, factors reflective of broad economic considerations are also considered in identifying PCD loans. These include industry, collateral type, and geographic location for the borrower's operations. Internal factors for origination of new loans that are similar to the acquired loans are also evaluated to assess loans for PCD status, including increases in required yields, necessity of borrowers' providing additional collateral and/or guarantees and changes in acceptable loan duration. Other indicators may also be used to evaluate loans for PCD status depending on borrower-specific communications and actions, such public statements, initiation of loan modification discussions and obtaining emergency funding from alternate sources.

Upon acquisition, the expected credit losses are allocated to the purchase price of individual PCD loans to determine each individual assets amortized cost basis, typically resulting in a reduction of the discount that is accreted prospectively to interest income. At the acquisition date and prospectively, only the unpaid principal balance is incorporated within the estimation of expected credit losses for PCD loans. Otherwise, the process for estimate of expected credit losses is consistent with that discussed below. As discussed below FHN applies undiscounted cash flow methodologies for the estimation of expected credit losses, which results in the calculated amount of credit losses at acquisition that is added to the amortized cost basis of the related PCD loans to exceed the discounted value of estimated credit losses included in the loan valuation.

Purchased Credit-Impaired Loans. Prior to 2020, ASC 310-30 "Accounting for Certain Loans or Debt Securities Acquired in a Transfer," established guidance for acquired loans that exhibited deterioration of credit quality between origination and the time of acquisition and for which the timely collection of the interest and principal was not reasonably assured ("PCI loans"). PCI loans were initially recorded at fair value which was estimated by discounting expected cash flows at acquisition date. The expected cash flows included all contractually expected amounts (including interest) and incorporated an estimate for future expected credit losses, pre-payment assumptions, and yield requirement for a market participant, among other things. To the extent possible, certain PCI loans were aggregated into pools with composite interest rate and cash flows expected to be collected for the pool. Aggregation into loan pools was based upon common risk characteristics that include similar credit risk or risk ratings, and one or more predominant risk characteristics. Each PCI pool was accounted for as a single unit.

Accretable yield was initially established at acquisition and is the excess of cash flows expected at acquisition over the initial investment in the loan and was recognized in interest income over the remaining life of the loan, or pool of loans. Nonaccretable difference was initially established at acquisition and was the difference between the contractually required payments at acquisition and the cash flows expected to be collected at acquisition. FHN estimated expected cash flows for PCI loans on a quarterly basis. Increases in expected cash flows from the last measurement resulted in reversal of any nonaccretable difference (or allowance for loan losses to the extent any has previously been recorded) with a prospective positive impact on interest income. Decreases to the expected cash flows resulted in an increase in the allowance for loan losses through provision expense.

FHN did not report PCI loans as nonperforming loans due to the accretion of interest income. Additionally, PCI loans that have been pooled and subsequently modified were not reported as troubled debt restructurings since the pool was the unit of measurement.

Subsequent to 2019, PCI loans have transitioned to purchased-credit-deteriorated status and are accounted for as discussed above.

Note 1 – Financial Information (Continued)

Allowance for Loan Losses. The nature of the process by which FHN determines the appropriate ALLL requires the exercise of considerable judgment. See Note 5 - Allowance for Loan Losses for a discussion of FHN's ALLL methodology and a description of the models utilized in the estimation process for the commercial and consumer loan portfolios. The discussion herein reflects periods before and after implementation of a change in credit loss estimation processes that was effective January 1, 2020.

Future adjustments to the ALLL may be necessary if economic or other conditions differ substantially from the assumptions used in making the estimates or, if required by regulators, based upon information at the time of their examinations or upon future regulatory guidance. Such adjustments to original estimates, as necessary, are made in the period in which these factors and other relevant considerations indicate that loss levels vary from previous estimates.

Subsequent to 2019

The ALLL is maintained at a level that management determines is sufficient to absorb current expected credit losses ("CECL") in the loan portfolio. Management uses analytical models to estimate expected credit losses in the loan portfolio as of the balance sheet date. The models are carefully reviewed to identify trends that may not be captured in the modeled loss estimates. Management uses qualitative adjustments for those items not reflected in the modeled loss information such as recent changes from the macroeconomic forecasts utilized in model calculations, results of additional stressed modeling scenarios, observed and/or expected changes affecting borrowers in specific industries or geographic areas, exposure to large lending relationships and expected recoveries of prior charge offs.

The ALLL is increased by the provision for loan losses and is decreased by loan charge-offs. The ALLL is determined in accordance with ASC 326-20 "Financial Instruments - Credit Losses." Credit loss estimation is based on the amortized cost of Loans, net, which includes the following:

1. Unpaid principal balance for originated assets or acquisition price for purchased assets
2. Accrued interest (see elections discussed previously)
3. Accretion or amortization of premium, discount, and net deferred fees or costs
4. Collection of cash
5. Charge-offs
6. Foreign exchange adjustments (none for FHN)
7. Fair value hedge accounting adjustments (none for FHN)

Premiums, discounts and net deferred origination costs/fees affect the calculated amount of expected credit losses but they are not considered when determining the amount of expected credit losses that are recorded.

Under CECL, loans must be pooled when they share similar risk characteristics with other loans. Loans that do not share similar risk characteristics are evaluated individually. Expected credit loss is estimated for the remaining life of loan(s), which is limited to the remaining contractual term(s), adjusted for prepayment estimates, which are included as separate inputs into modeled loss estimates. Renewals and extensions are not anticipated unless they are included in existing loan documentation and are not unconditionally cancellable by the lender. However, losses are estimated over the estimated remaining life of reasonably expected TDRs which can extend beyond the current remaining contractual term.

Estimates of expected credit losses incorporate consideration of available information that is relevant to assessing the collectability of future cash flows. This includes internal and external information relating to past events, current conditions and reasonable and supportable forecasts of future conditions. FHN utilizes internal historical loss information as the initial point for estimating expected credit losses. Given the duration of historical information available, FHN considers its internal loss history to fully incorporate the effects of prior credit cycles. The historical loss information may be adjusted in situations where current loan characteristics (e.g., underwriting criteria) differ from those in existence at the time the historical losses occurred. Historical loss information is also adjusted for differences in economic conditions, macroeconomic forecasts and other factors management considers relevant over a period extending beyond the measurement date which is considered reasonable and supportable. This reasonable and supportable period is followed by a reversion period after which loss estimates are based on long-term historical loss averages.

FHN generally measures expected credit losses using undiscounted cash flow methodologies. Credit enhancements (e.g., guarantors) are considered in the estimation of uncollectible cash flows. Estimation of expected credit losses for loan agreements involving collateral maintenance provisions include consideration of the value of the collateral and replenishment requirements, with the maximum loss limited to the difference between the amortized cost of the loan and the fair value of the collateral. Expected credit losses for loans for which foreclosure is probable are measured at the fair value of collateral, less estimated costs to sell when disposition through sale is anticipated. Additionally, certain loans are valued at the fair value of collateral when repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty. Expected credit losses for TDRs are measured in accordance with ASC 310-40, which generally requires a discounted cash flow methodology, whereby the loans are measured based on the present value of expected

future payments discounted at the loan's original effective interest rate.

Expected recoveries of previously charged-off amounts are also included as a qualitative adjustment in the estimation of expected credit losses, which reduces the amount of the allowance recognized. Estimates of recoveries on previously charged-off assets included in the valuation account do not exceed the aggregate of amounts previously written off and expected to be written off.

Since CECL requires estimation of credit for the entire expected life of loans, loss estimates are highly sensitive to changes in macroeconomic forecasts, especially when those forecasts change dramatically in short time periods. Additionally, under CECL credit loss estimates are more likely to increase rapidly in periods of loan growth.

Expected credit losses for unfunded commitments are estimated for periods where the commitment is not unconditionally cancellable by FHN. The measurement of expected credit losses for unfunded commitments mirrors that of loans with the additional estimate of future draw rates (timing and amount).

Prior to 2020

The ALLL was maintained at a level that management determined was sufficient to absorb estimated probable incurred losses in the loan portfolio. The ALLL was increased by the provision for loan losses and loan recoveries and was decreased by loan charge-offs. The ALLL was determined in accordance with ASC 450-20-50 "Contingencies - Accruals for Loss Contingencies" and was composed of reserves for commercial loans evaluated based on pools of credit graded loans and reserves for pools of smaller-balance homogeneous consumer and commercial loans. The reserve factors applied to these pools were an estimate of probable incurred losses based on management's evaluation of historical net losses from loans with similar characteristics. Additionally, the ALLL included specific reserves established in accordance with ASC 310-10-35 for loans determined by management to be individually impaired as well as reserves associated with PCI loans. Management used analytical models to estimate probable incurred losses in the loan portfolio as of the balance sheet date. The models, which were primarily driven by historical losses, were carefully reviewed to identify trends that may not have been captured in the historical loss factors used in the models. Management used qualitative adjustments for those items not yet captured in the models like then-current events, recent trends in the portfolio, current underwriting guidelines, and local and macroeconomic trends, among other things.

Key components of the estimation process were as follows: (1) commercial loans determined by management to be individually impaired loans were evaluated individually and specific reserves were determined based on the difference between the outstanding loan amount and the estimated net realizable value of the collateral (if collateral dependent), the present value of expected future cash flows or by observable market prices; (2) individual commercial loans not considered to be individually impaired were segmented based on similar credit risk characteristics and evaluated on a pool basis; (3) reserve rates for the commercial segment were calculated based on historical net charge-offs and were subject to adjustment by management to reflect current events, trends, and conditions (including economic considerations and trends); (4) management's estimate of probable incurred losses reflected the reserve rates applied against the balance of loans in the commercial segment of the loan portfolio; (5) consumer loans were generally segmented based on loan type; (6) reserve amounts for each consumer portfolio segment were calculated using analytical models based on delinquency trends and net loss experience and were subject to adjustment by management to reflect current events, trends, and conditions (including economic considerations and trends); and (7) the reserve amount for each consumer portfolio segment reflected management's estimate of probable incurred losses in the consumer segment of the loan portfolio.

Impairment related to individually impaired loans was measured in accordance with ASC 310-10. All commercial portfolio segments, commercial TDRs and other individually impaired commercial loans were measured based on the present value of expected future payments discounted at the loan's effective interest rate ("the DCF method"), observable market prices, or for loans that are solely dependent on the collateral for repayment, the net realizable value (collateral value less estimated costs to sell). Impaired loans also included consumer TDRs.

Summary of Accounting Changes. In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," which revises the measurement and recognition of credit losses for assets measured at amortized cost (e.g., HTM loans and debt securities) and AFS debt securities. Under ASU 2016-13, for assets measured at amortized cost, the current expected credit loss ("CECL") is measured as the difference between amortized cost and the net amount expected to be collected. This represents a departure from prior GAAP as the "incurred loss" methodology for recognizing credit losses delayed recognition until it was probable a loss had been incurred. Under CECL the full amount of expected credit losses will be recognized at the time of loan origination. The measurement of current expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Additionally, current disclosures of credit quality indicators in relation to the amortized cost of financing receivables are further disaggregated by year of origination. ASU 2016-13 leaves the methodology for measuring credit losses on AFS debt

securities largely unchanged, with the maximum credit loss representing the difference between amortized cost and fair value. However, such credit losses are recognized through an allowance for credit losses, which permits recovery of previously recognized credit losses if circumstances change.

ASU 2016-13 also revises the recognition of credit losses for purchased financial assets with a more-than insignificant amount of credit deterioration since origination ("PCD assets"). For PCD assets, the initial allowance for credit losses is added to the purchase price. Only subsequent changes in the allowance for credit losses are recorded as a credit loss expense for PCD assets. Interest income for PCD assets is recognized based on the effective interest rate, excluding the discount embedded in the purchase price that is attributable to the acquirer's assessment of credit losses at acquisition. Previously, credit losses for purchased credit-impaired assets were included in the initial basis of the assets with subsequent declines in credit resulting in expense while subsequent improvements in credit were reflected as an increase in the future yield from the assets. For non-PCD assets, expected credit losses are recognized through earnings upon acquisition and the entire premium or discount accreted to interest income over the remaining life of the loan. Credit allowances for acquired non-PCD assets are established through immediate recognition of credit loss expense (similar to originated loans) and do not consider purchase discounts related to estimated credit losses.

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

ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. FHN's most significant implementation activities included review of loan portfolio segments and classes, identification and evaluation of collateral dependent loans and loans secured by collateral replenishment arrangements, selection of measurement methodologies and related model development, data accumulation and verification, development of loan life estimates, identification of reasonable and supportable forecast periods, selection of time lines and methods for reversion to unadjusted historical information, multiple preliminary analysis including parallel runs against existing loan loss estimation processes, and design and evaluation of internal controls over the new estimation processes. FHN utilizes undiscounted cash flow methods for loans except for troubled debt restructurings, which require use of discounted cash flow methodologies.

A significant portion of the adoption impact for ASU 2016-13 relates to increased reserves within the consumer portfolios, given the longer contractual maturities associated with many of these products as well as increased reserves for acquired loans that previously considered purchase discounts. Based on its implementation efforts, FHN recorded the following adoption adjustments effective January 1, 2020.

(Dollars in thousands)		January 1, 2020
Loans, net of unearned income (a)	$	2,980
Allowance for loan losses		(106,394)
Other assets (deferred taxes)		31,330
Total assets	$	(72,084)
Other liabilities (unfunded commitments)	$	23,973
Undivided profits		(96,057)
Total liabilities and equity	$	(72,084)

(a) The effect on loans represents the increase in amortized cost for recognition of the allowance for credit losses on PCD loans.

FHN also assessed several asset classes other than loans that are within the scope of CECL and determined that the adoption effects for the change in measurement of credit risk were minimal for these classes. This includes Fed funds sold which have no history of credit losses due to their short (typically overnight) duration and counterparty risk assessment processes. This also includes securities borrowed and securities purchased under agreements to resell which have collateral maintenance agreements that incorporate master netting provisions resulting in minimal uncollateralized positions as of any date as evidenced by the disclosures provided in Note 15 - Master Netting and Similar Agreements-Repurchase, Reverse Repurchase, and Securities Borrowing Transactions. Additionally, FHN also evaluated the composition of its AFS securities and

determined that the changes in ASU 2016-13 did not have an effect on the current portfolio.

In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments," which provides an election to either 1) not measure or 2) measure separately an allowance for credit losses for accrued interest receivable ("AIR"). Entities electing to not measure an allowance for AIR must write off uncollectible interest in a timely manner. Additionally, an election is provided for the write off of uncollectible interest to be recorded either as a reversal of interest income or a charge against the allowance for credit losses or a combination of both. Disclosures are required depending upon which elections are made.

ASU 2019-04 also clarifies that when loans and securities are transferred between balance sheet categories (e.g., loans from held-for-investment to held-for-sale or securities from held-to-maturity to available-for-sale) the associated allowance for credit losses should be reversed to income and prospective accounting follows the requirements for the new classification. Further, ASU 2019-04 clarifies that recoveries should be incorporated within the estimation of the allowance for credit losses. Expected recoveries should not exceed the aggregate amount of prior write offs and expected future write offs. The inclusion of expected recoveries in the measurement of expected credit losses may result in a negative credit allowance in certain circumstances. Additionally, for collateral dependent financial assets, the allowance for credit losses that is added to the amortized cost basis should not exceed amounts previously written off.

ASU 2019-04 also makes several changes when a discounted cash flow approach is used to measure expected credit losses. ASU 2019-04 removes ASU 2016-03's prohibition of using projections of future interest rate environments when using a discounted cash flow method to measure expected credit losses on variable-rate financial instruments. If an entity uses projections or expectations of future interest rate environments in estimating expected cash flows, the same assumptions should be used in determining the effective interest rate used to discount those expected cash flows. The effective interest rate should also be adjusted to consider the effects of expected prepayments on the timing of expected future cash flows. ASU 2019-04 provides an election to adjust the effective interest rate used in discounting expected cash flows to isolate credit risk in measuring the allowance for credit losses. Further, the discount rate should not be adjusted for subsequent changes in expected prepayments if a financial asset is restructured in a troubled debt restructuring.

Related to collateral-dependent financial assets, ASU 2019-04 requires inclusion of estimated costs to sell in the measurement of expected credit losses in situations where the entity intends to sell rather than operate the collateral. Additionally, the estimated costs to sell should be undiscounted when the entity intends to sell rather than operate the collateral.

Finally, ASU 2019-04 specifies that contractual renewal or extension options, except those treated as derivatives, should be included in the determination of the contractual term for a financial asset when included in the original or modified contract as of the reporting date if they are not unconditionally cancellable by the entity.

The effective date and transition requirements for these components of ASU 2019-04 are consistent with the requirements for ASU 2016-13 and FHN incorporated these changes and revisions within its implementation efforts. Based on its previous existing practices for the timely write off uncollectible AIR, FHN elected to not measure an allowance for credit losses for AIR and to continue recognition of related write offs as a reversal of interest income.

In May 2019, the FASB issued ASU 2019-05, "Financial Instruments - Credit Losses, Targeted Transition Relief," which provides an option to irrevocably elect the fair value option for certain financial assets previously measured at amortized cost basis that are in the scope of ASU 2016-13, applied on an instrument-by-instrument basis. The fair value option election does not apply to HTM debt securities. The effective date and transition requirements for ASU 2019-05 are consistent with the requirements for ASU 2016-13. FHN did not elect to apply the fair value option to any asset classes that are in scope for CECL.

In November 2019, the FASB issued ASU 2019-11, "Codification Improvements to Topic 326, Financial Instruments-Credit Losses" which clarifies that expected recoveries should be included in the amortized cost basis previously written off or expected to be written off in the valuation allowance for PCD assets. ASU 2019-11 also clarifies that recoveries or expected recoveries of the unamortized noncredit discount or premium should not be included in the allowance for credit losses. ASU 2019-11 provides specific transition relief for existing troubled debt restructurings and extends the disclosure relief of ASU 2019-04 for accrued interest receivable balances to additional relevant disclosures involving amortized cost basis. Related to the assessment of credit risk for collateralized assets, ASU 2019-11 indicates that an entity should assess whether it reasonably expects the borrower will be able to continually replenish collateral securing the financial asset to apply the practical expedient of ASU 2016-13 while also requiring an estimation of expected credit losses for any difference between the amount of the amortized cost basis that is greater than the fair value of the collateral securing the financial asset.

Note 1 – Financial Information (Continued)

The effective date and transition requirements for ASU 2019-11 are consistent with the requirements for ASU 2016-13 and FHN incorporated these changes and revisions within its implementation efforts and the effects are embedded within the adoption effects of ASU 2016-13. Consistent with non-PCD assets, the effect of including recoveries and expected recoveries within the measurement of expected credit losses for PCD assets may result in a negative credit allowance in certain circumstances.

On March 22, 2020, The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Consumer Financial Protection Bureau issued guidance (the "Interagency Guidance") that interprets, but does not suspend, ASC 310-40 related to the identification of troubled debt restructurings ("TDRs"). Also on that day, the FASB issued a statement indicating that the Interagency Guidance had been developed in consultation with the staff of the FASB who concurred in the approach.

The Interagency Guidance indicates that a lender can conclude that a borrower is not experiencing financial difficulty if either 1) short-term (e.g., six months) modifications are made in response to the economic effects of the Coronavirus disease 2019 ("COVID-19") pandemic, such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant related to loans in which the borrower is less than 30 days past due on its contractual payments at the time a modification program is implemented, or 2) the modification or deferral program is mandated by the federal government or a state government. Accordingly, any loan modification made in response to COVID-19 pandemic that meets either of these practical expedients would not be considered a TDR because the borrower is not experiencing financial difficulty. Consistent with this perspective, financial institutions are generally not expected to designate loans with deferrals granted due to COVID-19 as past due or nonaccrual because of a deferral.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act provides relief from certain requirements under U.S. GAAP. Section 4013 of the CARES Act provides entities optional temporary relief from the accounting and disclosure requirements for troubled debt restructurings (TDRs) under ASC 310-40 in certain situations. Section 4013 of the CARES Act permits the suspension of ASC 310-40 for loan modifications that are made by financial institutions in response to the COVID-19 pandemic if 1) the borrower was not more than 30 days past due as of December 31, 2019, and 2) the modifications are related to arrangements that defer or delay the payment of principal or interest, or change the interest rate on the loan. The CARES provisions apply to loan modifications relating to COVID-19 that are made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the national emergency related to COVID-19 ends.

On April 3, 2020, the Chief Accountant of the SEC issued a statement indicating that the staff would not object to the conclusion that elective application of the provisions of CARES Act are in accordance with GAAP for the periods that such elections are available.

On April 7, 2020, revised Interagency Guidance was issued to reflect the interaction of the CARES Act provisions and the Interagency Guidance, clarifying that the CARES Act guidance can be applied for regulatory purposes. Loan modifications outside the scope of the CARES Act and organizations that elect to not apply the CARES Act guidance should continue to apply ASC 310-40 as interpreted by the Interagency Guidance.

FHN has evaluated the provisions of the CARES Act and the Interagency Guidance related to loan modification programs instituted as a result of the COVID-19 pandemic. FHN's programs involve the deferral of principal and interest payments, fee waivers and extensions for shorter terms (i.e., 6 months or less) or in response to government modification requirements which are consistent with the terms of the Interagency Guidance. Depending upon the duration and severity of the economic effects of the COVID-19 pandemic, additional loan modification programs may be implemented in the future which will be separately evaluated under the CARES Act and the Interagency Guidance.

Accounting Changes Issued but Not Currently Effective

In March 2020, the FASB issued ASU 2020-04, "Facilitation of the Effects of Reference Rate Reform on Financial Reporting" which provides several optional expedients and exceptions to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The provisions of ASU 2020-04 primarily affect 1) contract modifications (e.g., loans, leases, debt, and derivatives) made in anticipation that a reference rate (e.g., LIBOR) will be discontinued and 2) the application of hedge accounting for existing relationships affected by those modifications. The provisions of ASU 2020-04 are effective upon release and apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by ASU 2020-04 do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. FHN has been identifying contracts affected by reference rate reform and

developing modification plans for those contracts. FHN anticipates that it will utilize the optional expedients and exceptions provided by ASU 2020-04 in situations where they mitigate potential accounting outcomes that do not faithfully represent management's intent or risk management activities which is consistent with the purpose of the standard.

Note 2 – Acquisitions and Divestitures

On July 1, 2020, FHN and IBERIABANK Corporation ("IBKC") closed their merger-of-equals transaction. FHN issued approximately 242 million shares of FHN common stock, plus three new series of preferred stock (Series B, Series C, and Series D) in a transaction valued at $2.5 billion. At the time of closing, IBKC operated 319 offices in 12 states, mostly in the southern and southeastern U.S. In the merger: FHN acquired approximately $34.7 billion in assets, including approximately $26.1 billion in loans and $3.5 billion in AFS securities; and, FHN assumed approximately $28.3 billion of IBKC deposits. Due to the timing of the merger closing in relation to quarter end and the uncertainty of valuations in the current economic environment, FHN's assessment of the fair value of IBKC's assets and liabilities is incomplete. However, FHN currently expects to recognize a purchase accounting gain.

Total merger expenses for the IBKC merger recognized for the three and six months ended June 30, 2020 are presented in the table below:

	June 30, 2020	
(Dollars in thousands)	Three Months Ended	Six Months Ended
Professional fees (a)	$ 3,748	$ 4,410
Employee compensation, incentives and benefits (b)	4,705	5,394
Miscellaneous expense (c)	1,003	1,257
Total IBKC acquisition expense	$ 9,456	$ 11,061

(a) Primarily comprised of fees for legal, accounting, and merger consultants.
(b) Primarily comprised of fees for severance and retention.
(c) Primarily comprised of fees for travel and entertainment, contract employment, and other miscellaneous expenses.

On July 17, 2020, First Horizon Bank completed its purchase of 30 branches from Truist Bank. As part of the transaction, FHN assumed approximately $2.2 billion of branch deposits for a 3.40 percent deposit premium and purchased approximately $423.7 million of branch loans. The branches are in communities in North Carolina (20 branches), Virginia (8 branches), and Georgia (2 branches). This transaction qualifies as a business combination. Due to the timing of the merger closing in relation to quarter end and the uncertainty of valuations in the current economic environment, FHN's assessment of the fair value of the acquired assets and liabilities is incomplete.

See Note 2- Acquisitions and Divestitures in the Notes to Consolidated Financial Statements on Form 10-K for the year ended December 31, 2019, for additional information about FHN's other acquisitions.

Expenses related to FHN's merger and integration activities are recorded in FHN's Corporate segment.

Note 2 – Acquisitions and Divestitures (Continued)

Total other merger and integration expense recognized for the three and six months ended June 30, 2020 and 2019 are presented in the table below:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2020**	2019	**2020**	2019
Professional fees (a)	**$ 1,327**	$ 4,478	**$ 2,126**	$ 6,345
Employee compensation, incentives and benefits (b)	**87**	1,472	**483**	2,989
Contract employment and outsourcing (c)	**420**	17	**726**	17
Occupancy (d)	**(82)**	1,505	**(107)**	1,623
Miscellaneous expense (e)	**503**	79	**1,325**	1,148
All other expense (f)	**2,610**	1,096	**4,484**	2,185
Total	**$ 4,865**	$ 8,647	**$ 9,037**	$ 14,307

Certain previously reported amounts have been reclassified to agree with current presentation.
(a) Primarily comprised of fees for legal, accounting, and merger consultants.
(b) Primarily comprised of fees for severance and retention.
(c) Primarily relates to fees for temporary assistance for merger and integration activities.
(d) Primarily relates to expenses associated with lease exits.
(e) Consists of fees for operations services, communications and courier, equipment rentals, depreciation and maintenance, supplies, travel and entertainment, computer software, and advertising and public relations.
(f) Primarily relates to contract termination charges, internal technology development costs, costs of shareholder matters and asset impairments, as well as other miscellaneous expenses.

In addition to the transactions mentioned above, FHN acquires or divests assets from time to time in transactions that are considered business combinations or divestitures but are not material to FHN individually or in the aggregate. In April 2019, FHN sold a subsidiary acquired as part of the CBF merger in 2017 that did not fit within FHN's risk profile. The sale resulted in the removal of approximately $25 million UPB of subprime consumer loans from Loans held-for-sale on FHN's Consolidated Condensed Statements of Condition.

Note 3 – Investment Securities

The following tables summarize FHN's investment securities on June 30, 2020 and December 31, 2019:

	June 30, 2020			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
U.S. treasuries	$ 999,974	$ 5	$ (4)	$ 999,975
Government agency issued mortgage-backed securities ("MBS")	2,383,956	103,506	(80)	2,487,382
Government agency issued collateralized mortgage obligations ("CMO")	1,383,703	31,570	(8)	1,415,265
Other U.S. government agencies	403,008	14,284	—	417,292
Corporates and other debt	39,950	463	—	40,413
States and municipalities	83,155	7,228	—	90,383
	$ 5,293,746	**$ 157,056**	**$ (92)**	5,450,710
AFS debt securities recorded at fair value through earnings:				
SBA-interest only strips (a)				25,446
Total securities available-for-sale (b)				**$ 5,476,156**
Securities held-to-maturity:				
Corporates and other debt	$ 10,000	$ —	$ (119)	$ 9,881
Total securities held-to-maturity	**$ 10,000**	**$ —**	**$ (119)**	**$ 9,881**

(a) SBA-interest only strips are recorded at elected fair value. See Note 16 - Fair Value for additional information.
(b) Includes $4.7 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes.

	December 31, 2019			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
U.S. treasuries	$ 100	$ —	$ —	$ 100
Government agency issued MBS	2,316,381	34,692	(2,556)	2,348,517
Government agency issued CMO	1,667,773	9,916	(7,197)	1,670,492
Other U.S. government agencies	303,463	3,750	(1,121)	306,092
Corporates and other debt	40,054	486	—	40,540
States and municipalities	57,232	3,324	(30)	60,526
	$ 4,385,003	$ 52,168	$ (10,904)	4,426,267
AFS debt securities recorded at fair value through earnings:				
SBA-interest only strips (a)				19,136
Total securities available-for-sale (b)				$ 4,445,403
Securities held-to-maturity:				
Corporates and other debt	$ 10,000	$ 1	$ —	$ 10,001
Total securities held-to-maturity	$ 10,000	$ 1	$ —	$ 10,001

(a) SBA-interest only strips are recorded at elected fair value. See Note 16 - Fair Value of Assets and Liabilities for additional information.
(b) Includes $3.8 billion of securities pledged to secure public deposits, securities sold under agreements to repurchase, and for other purposes.

Note 3 – Investment Securities (Continued)

The amortized cost and fair value by contractual maturity for the available-for-sale and held-to-maturity debt securities portfolios on June 30, 2020 are provided below:

	Held-to-Maturity		Available-for-Sale	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ —	$ —	$ 1,106,238	$ 1,108,000
After 1 year; within 5 years	—	—	137,571	142,491
After 5 years; within 10 years	10,000	9,881	3,573	9,623
After 10 years	—	—	278,705	313,395
Subtotal	10,000	9,881	1,526,087	1,573,509
Government agency issued MBS and CMO (a)	—	—	3,767,659	3,902,647
Total	**$ 10,000**	**$ 9,881**	**$ 5,293,746**	**$ 5,476,156**

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

The table below provides information on gross gains and gross losses from debt investment securities for the three and six months ended June 30, 2020 and 2019.

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2020**	2019	**2020**	2019
Gross gains on sales of securities	**$ —**	$ —	**$ —**	$ —
Gross (losses) on sales of securities	—	(267)	—	(267)
Net gain/(loss) on sales of securities (a)	**$ —**	$ (267)	**$ —**	$ (267)

(a) Cash proceeds for the three and six months ended June 30, 2020 were not material. Cash proceeds for the three and six months ended June 30, 2019 were $171.4 million.

The following tables provide information on investments within the available-for-sale portfolio that had unrealized losses as of June 30, 2020 and December 31, 2019:

	As of June 30, 2020					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasuries	$ 499,895	$ (4)	$ —	$ —	$ 499,895	$ (4)
Government agency issued MBS	40,798	(80)	—	—	40,798	(80)
Government agency issued CMO	15,982	(8)	—	—	15,982	(8)
Total temporarily impaired securities	**$ 556,675**	**$ (92)**	**$ —**	**$ —**	**$ 556,675**	**$ (92)**

Note 3 – Investment Securities (Continued)

	As of December 31, 2019					
	Less than 12 months		12 months or longer		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasuries	$ —	$ —	$ 100	$ —	$ 100	$ —
Government agency issued MBS	174,983	(495)	192,755	(2,061)	367,738	(2,556)
Government agency issued CMO	378,815	(1,970)	361,124	(5,227)	739,939	(7,197)
Other U.S. government agencies	98,471	(1,121)	—	—	98,471	(1,121)
States and municipalities	3,551	(30)	—	—	3,551	(30)
Total temporarily impaired securities	$ 655,820	$ (3,616)	$ 553,979	$ (7,288)	$ 1,209,799	$ (10,904)

For periods subsequent to 2019, FHN has evaluated all AFS debt securities that were in unrealized loss positions in accordance with its accounting policy for recognition of credit losses. No AFS debt securities were determined to have credit losses because the primary cause of the decline in value was attributable to changes in interest rates. Total AIR not included in the fair value or amortized cost basis of AFS debt securities was $12.4 million as of June 30, 2020. Consistent with its review of the related securities, there were no credit-related write downs of AIR for AFS debt securities during the reporting period. Additionally, for AFS debt securities with unrealized losses, FHN does not intend to sell them and it is more-likely-than-not that FHN will not be required to sell them prior to recovery. Therefore, no write downs of these investments to fair value occurred during the reporting period.

For periods prior to 2020, FHN reviewed debt investment securities that were in unrealized loss positions in accordance with its accounting policy for OTTI and did not consider them other-than-temporarily impaired. For debt securities with unrealized losses, FHN did not intend to sell them and it is more-likely-than-not that FHN would not be required to sell them prior to recovery. The decline in value was primarily attributable to changes in interest rates and not credit losses.

The carrying amount of equity investments without a readily determinable fair value was $24.7 million and $25.6 million at June 30, 2020 and December 31, 2019, respectively. The year-to-date 2020 and 2019 gross amounts of upward and downward valuation adjustments were not significant.

Unrealized gains of $4.8 million and $1.2 million were recognized in the three months ended June 30, 2020 and 2019, respectively, and unrealized losses of $0.9 million and unrealized gains of $4.6 million were recognized in the six months ended June 30, 2020 and 2019, respectively, for equity investments with readily determinable fair values.

Note 4 – Loans

The following table provides the balance (amortized cost basis) of loans, net of unearned income, by portfolio segment as of June 30, 2020 and December 31, 2019:

(Dollars in thousands)	June 30 2020	December 31 2019
Commercial:		
Commercial, financial, and industrial	**$ 21,393,893**	$ 20,051,091
Commercial real estate	**4,813,341**	4,337,017
Consumer:		
Consumer real estate (a)	**6,052,393**	6,177,139
Credit card & other	**449,310**	495,864
Loans, net of unearned income	**$ 32,708,937**	$ 31,061,111
Allowance for loan losses	**537,881**	200,307
Total net loans	**$ 32,171,056**	$ 30,860,804

(a) In first quarter 2020, the Permanent Mortgage portfolio was combined into Consumer Real Estate portfolio; all prior periods were revised for comparability.

COMPONENTS OF THE LOAN PORTFOLIO

The loan portfolio is disaggregated into segments and then further disaggregated into classes for certain disclosures. GAAP defines a portfolio segment as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. A class is generally determined based on the initial measurement attribute (i.e., amortized cost or purchased credit-impaired), risk characteristics of the loan, and FHN's method for monitoring and assessing credit risk. Commercial loan portfolio segments include commercial, financial and industrial ("C&I") and commercial real estate ("CRE"). Commercial classes within C&I include general C&I, loans to mortgage companies ("LMC"), the trust preferred loans ("TRUPS") (i.e. long-term unsecured loans to bank and insurance-related businesses) portfolio and purchased credit-impaired ("PCI") loans (for periods prior to 2020). Loans to mortgage companies include commercial lines of credit to qualified mortgage companies primarily for the temporary warehousing of eligible mortgage loans prior to the borrower's sale of those mortgage loans to third party investors. Commercial classes within CRE include income CRE, residential CRE and PCI loans (for periods prior to 2020). Consumer loan portfolio segments include consumer real estate, and the credit card and other portfolio. Consumer classes include home equity lines of credit ("HELOCs"), real estate ("R/E") installment and PCI loans (for periods prior to 2020) within the consumer real estate segment and credit card and other.

Credit Risk Characteristics Inherent in the Loan Portfolio

Credit risk is the risk of loss due to adverse changes in a borrower's or counterparty's ability to meet its financial obligations under agreed upon terms. FHN is subject to credit risk in lending, trading, investing, liquidity/funding, and asset management activities although lending activities have the most exposure to credit risk. The nature and amount of credit risk depends on the types of transaction, the structure of those transactions, collateral received, the use of guarantors and the parties involved.

FHN assesses and manages credit risk through a series of policies, processes, measurement systems, and controls. FHN's credit risk function ensures subject matter experts are providing oversight, support and credit approvals, particularly in the specialty lending areas where industry-specific knowledge is required. Management emphasizes general portfolio servicing such that emerging risks are able to be identified early enough to correct potential deficiencies, prevent further credit deterioration, and mitigate credit losses.

Commercial Loans

The C&I portfolio is comprised of loans used for general business purposes. Typical products including working capital lines of credit, term loan financing of owner-occupied real estate and fixed assets, and trade credit enhancement through letters of credit. FHN utilizes deal teams comprised of relationship managers (RMs), portfolio managers (PMs), credit analysts and other specialists to identify, mitigate, document, and manage ongoing risk. Their function includes enhanced analytical support during loan origination and servicing, monitoring the financial condition of the borrower, and tracking compliance with loan agreements. FHN strives to identify problem assets early through comprehensive policies and guidelines, targeted portfolio reviews, more frequent servicing on lower rated borrowers, and an emphasis on frequent grading.

To the extent a guarantor/sponsor is used to support a commercial lending decision, FHN analyzes capability to pay, factoring in, among other things, liquidity and direct/indirect cash flows. A strong, legally enforceable guaranty can mitigate the risk of default or loss, justify a less severe rating, and consequently reduce the level of allowance or charge-off that might otherwise be deemed appropriate.

Loans to mortgage companies include commercial lines of credit to qualified mortgage companies primarily for the temporary warehousing of eligible mortgage loans prior to the borrower's sale of those mortgage loans to third party investors. Approximately 95 percent of the loans to mortgage companies are collateralized with government guaranteed loans. The loans are of short duration with maturities less than one year.

TRUPS loans are long-term unsecured loans to bank and insurance-related businesses. TRUPS lending was originally extended as a form of "bridge" financing to participants in the pooled trust preferred securitization program offered primarily to smaller banking (generally less than $15 billion in total assets) and insurance institutions through FHN's fixed income business. Origination of TRUPS lending ceased in early 2008. Individual TRUPS are regraded at least quarterly as part of FHN's commercial loan review process.

Commercial Real Estate loans include financings for commercial construction and nonconstruction loans. The income-producing CRE class contains loans and draws on lines and letters of credit to commercial real estate developers for the construction and mini-permanent financing of income-producing real estate. The residential CRE class includes loans to residential builders and developers for the purpose of constructing single-family homes, condominiums, and town homes and on a limited basis, for developing residential subdivisions. Active residential CRE lending is primarily focused in certain core markets with nearly all new originations made to "strategic" clients. FHN considers a "strategic" residential CRE borrower as a homebuilder who demonstrates the ability to withstand cyclical downturns, maintains active development and investment activities providing for regular financing opportunities, and is fundamentally sound as evidenced by a prudent loan structure, appropriate covenants and recourse, and capable and willing sponsors in markets with positive homebuilding and economic dynamics. The credit administration and ongoing monitoring of these portfolios consists of multiple internal control processes including stressing a borrower's or project's financial capacity utilizing numerous attributes such as interest rates, vacancy, and discount rates. Key information captured from the various portfolios is aggregated and utilized to assist with the assessment and adequacy of the ALLL and to steer portfolio management strategies.

Paycheck Protection Program Loans

Included in commercial loans are $2.1 billion of C&I loans made under the Paycheck Protection Program ("PPP Loans") of the Small Business Administration ("SBA"). PPP Loans have been extended to businesses in response to the economic effects of the COVID-19 pandemic. PPP Loans are fully government guaranteed with the SBA making prepayments through a provision whereby partial or complete forgiveness is granted based on the nature and extent of each borrower's expenditures in relation to program requirements for payroll-related and other types of expenses. PPP Loans have maximum terms ranging from two to five years, with SBA prepayments expected to occur in the latter half of 2020 and the first half of 2021. Amounts not forgiven by the SBA will amortize over the applicable remaining loan term. Due to the government guarantee and forgiveness provisions, PPP Loans are considered to have no credit risk and receive no risk weighting for capital calculations.

Consumer Loans

The consumer real estate portfolio is primarily comprised of home equity lines and installment loans within FHN's regional banking segment and jumbo mortgages and one-time-close ("OTC") completed construction loans in FHN's non-strategic segment that were originated through pre-2009 mortgage businesses. The corporate segment also includes loans that were previously included in off-balance sheet proprietary securitization trusts that were brought back into the loan portfolios at fair value through the execution of cleanup calls due to the relatively small balances left in the securitization and should continue to run-off. Generally performance of this portfolio is affected by life events that affect borrowers' finances, the level of unemployment, and home prices. FHN obtains first lien performance information from third parties and through loss mitigation activities.

FHN performs continuous HELOC account review processes in order to identify higher-risk home equity lines and initiate preventative and corrective actions. The reviews consider a number of account activity patterns and characteristics such as the number of times delinquent

within recent periods, changes in credit bureaus score since origination, scored degradation, performance of the first lien, and account utilization. In accordance with FHN's interpretation of regulatory guidance, FHN may block future draws on accounts in order to mitigate risk of loss to FHN.

The credit card and other portfolio is primarily comprised of automobile loans, credit card receivables, and other consumer-related credits.

As discussed in Note 1 - Summary of Significant Accounting Policies, the ALLL estimation process was revised on January 1, 2020 to reflect the adoption of ASU 2016-13. All information contained in the following disclosures reflects the application of requirements from the adoption of ASU 2016-13 for periods after 2019. Information for periods prior to 2020 has been retained with the content consistent with prior disclosures.

Concentrations

FHN has a concentration of residential real estate loans (19 percent of total loans). Loans to finance and insurance companies total $2.5 billion (12 percent of the C&I portfolio, or 8 percent of the total loans). FHN had loans to mortgage companies totaling $4.0 billion (19 percent of the C&I segment, or 12 percent of total loans) as of June 30, 2020. As a result, 31 percent of the C&I segment is sensitive to impacts on the financial services industry.

Asset Quality Indicators

FHN employs a dual grade commercial risk grading methodology to assign an estimate for the probability of default ("PD") and the loss given default ("LGD") for each commercial loan using factors specific to various industry, portfolio, or product segments that result in a rank ordering of risk and the assignment of grades PD 1 to PD 16. This credit grading system is intended to identify and measure the credit quality of the loan portfolio by analyzing the migration of loans between grading categories. PD grades assigned through FHN's risk rating process are used as a loan level input to inform probability of default forecasts under certain macroeconomic scenarios. Each PD grade corresponds to an estimated one-year default probability percentage; a PD 1 has the lowest expected default probability, and probabilities increase as grades progress down the scale. PD 1 through PD 12 are "pass" grades. PD grades 13-16 correspond to the regulatory-defined categories of special mention (13), substandard (14), doubtful (15), and loss (16).

Pass loan grades are required to be reassessed annually or earlier whenever there has been a material change in the financial condition of the borrower or risk characteristics of the relationship. All commercial loans over $1 million and certain commercial loans over $500,000 that are graded 13 or worse are reassessed on a quarterly basis. Loan grading discipline is regularly reviewed internally by Credit Assurance Services to determine if the process continues to result in accurate loan grading across the portfolio. FHN may utilize availability of guarantors/sponsors to support lending decisions during the credit underwriting process and when determining the assignment of internal loan grades. LGD grades are assigned based on a scale of 1-12 and represent FHN's expected recovery based on collateral type in the event a loan defaults. See Note 5 – Allowance for Loan Losses for further discussion on the credit grading system.

Note 4 – Loans (Continued)

The following tables provide the amortized cost basis of the commercial loan portfolio by year of origination and credit quality indicator as of June 30, 2020:

	C&I									
(Dollars in thousands)	2020	2019	2018	2017	2016	prior to 2016 (a)	LMC (b)	Revolving Loans	Revolving Loans converted to term loans (c)	Total
PD Grade:										
1 (d)	$ 2,078,712	$ 99,978	$ 121,167	$ 75,521	$ 106,700	$ 108,574	$ —	$ 83,309	$ 56	$ 2,674,017
2	56,810	223,191	100,816	79,318	168,838	90,484	—	95,035	126	814,618
3	42,983	153,671	49,176	89,945	30,381	97,338	741,382	125,470	3,490	1,333,836
4	261,626	335,130	145,047	122,185	129,859	142,129	685,876	259,379	10,653	2,091,884
5	304,710	496,565	220,632	145,650	96,325	163,676	700,944	384,874	12,654	2,526,030
6	360,649	714,704	246,607	195,634	53,597	155,755	1,198,775	667,570	558	3,593,849
7	309,088	723,728	339,953	145,385	100,069	171,016	552,192	598,772	48,291	2,988,494
8	343,391	593,106	194,030	175,289	36,044	96,204	93,900	379,261	7,110	1,918,335
9	171,524	293,768	89,519	66,927	65,539	75,753	25,198	283,883	10,670	1,082,781
10	96,735	171,901	85,644	60,721	50,429	54,729	15,325	227,301	5,082	767,867
11	53,872	82,677	74,977	58,964	70,190	38,059	—	148,656	3,233	530,628
12	51,861	33,083	52,013	47,162	20,214	29,674	6,999	95,943	477	337,426
13	39,047	57,585	10,231	15,916	51,816	45,984	—	114,971	498	336,048
14,15,16	10,898	23,808	39,008	29,306	40,627	13,194	—	98,165	2,548	257,554
Collectively evaluated for impairment	4,181,906	4,002,895	1,768,820	1,307,923	1,020,628	1,282,569	4,020,591	3,562,589	105,446	21,253,367
Individually evaluated for impairment	21,146	6,613	12,454	21,995	1,909	22,114	—	50,319	3,976	140,526
Total C&I loans	$ 4,203,052	$ 4,009,508	$ 1,781,274	$ 1,329,918	$ 1,022,537	$ 1,304,683	$ 4,020,591	$ 3,612,908	$ 109,422	$ 21,393,893

(a)TRUPS loans were originated prior to 2016. Total balance of TRUPS as of June 30, 2020 is $209.2 million, with $3.3 million in PD 3, $60.9 million in PD 4, $47.9 million in PD 5, $38.6 million in PD 6, $13.4 million in PD 7, $20.7 million in PD 9, $18.6 million in PD 10, and $5.8 million in PD 13.

(b)LMC includes non-revolving commercial lines of credit to qualified mortgage companies primarily for the temporary warehousing of eligible mortgage loans prior to the borrower's sale of those mortgage loans to third party investors. The loans are of short duration with maturities less than one year.

(c)$22.7 million of C&I loans were converted from revolving to term in 2020.

(d)2020 balance includes PPP loans.

Note 4 – Loans (Continued)

	Income CRE								
(Dollars in thousands)	2020	2019	2018	2017	2016	prior to 2016	Revolving Loans	Revolving Loans converted to term loans	Total
PD Grade:									
1	$ 21,886	$ —	$ 392	$ 106	$ 158	$ 1,190	$ —	$ —	$ 23,732
2	7,798	30,919	405	216	617	3,145	—	—	43,100
3	97,338	212,413	75,483	34,863	42,468	25,511	78,004	181	566,261
4	90,915	292,657	100,058	130,549	94,836	45,975	839	238	756,067
5	320,904	279,229	138,520	152,573	112,018	45,048	37,306	6,224	1,091,822
6	264,892	215,714	125,075	107,697	33,716	119,742	37,800	7,930	912,566
7	164,896	293,784	121,601	64,796	20,076	24,648	40,187	1,224	731,212
8	23,028	93,700	55,579	11,850	28,382	50,403	6,845	128	269,915
9	35,357	36,942	25,157	22,936	2,219	19,126	280	—	142,017
10	23,623	8,323	7,323	2,803	9,125	17,320	—	—	68,517
11	6,936	21,414	6,890	7,347	3,862	19,638	—	1,330	67,417
12	2,962	14,437	2,383	905	652	13,476	64	228	35,107
13	525	455	771	16,185	—	570	328	—	18,834
14,15,16	515	10,808	45	19,065	128	3,882	7,553	—	41,996
Collectively evaluated for impairment	1,061,575	1,510,795	659,682	571,891	348,257	389,674	209,206	17,483	4,768,563
Individually evaluated for impairment	—	—	—	—	—	160	—	—	160
Total CRE-IP	$ 1,061,575	$ 1,510,795	$ 659,682	$ 571,891	$ 348,257	$ 389,834	$ 209,206	$ 17,483	$ 4,768,723

	Residential CRE								
(Dollars in thousands)	2020	2019	2018	2017	2016	prior to 2016	Revolving Loans	Revolving Loans converted to term loans	Total
PD Grade:									
1	$ —	$ —	$ —	$ —	$ —	$ 20	$ —	$ —	$ 20
2	—	—	—	—	—	—	—	—	—
3	—	151	268	482	—	95	—	—	996
4	—	722	—	—	—	106	—	—	828
5	93	—	—	—	76	12	—	—	181
6	14,512	106	43	333	30	234	—	—	15,258
7	348	470	2,904	1,776	—	241	13	—	5,752
8	467	24	443	—	6	89	100	—	1,129
9	325	520	262	—	490	76	—	—	1,673
10	179	960	277	—	—	6	—	—	1,422
11	4,093	8,660	218	156	—	50	—	—	13,177
12	154	1,530	44	—	—	538	—	—	2,266
13	1,310	—	—	—	—	132	—	—	1,442
14,15,16	171	264	—	—	—	39	—	—	474
Collectively evaluated for impairment	21,652	13,407	4,459	2,747	602	1,638	113	—	44,618
Individually evaluated for impairment	—	—	—	—	—	—	—	—	—
Total CRE-RES	$ 21,652	$ 13,407	$ 4,459	$ 2,747	$ 602	$ 1,638	$ 113	$ —	$ 44,618

Note 4 – Loans (Continued)

The following table provides the balances of commercial loan portfolio classes with associated allowance, disaggregated by PD grade as of December 31, 2019.

	December 31, 2019							
(Dollars in thousands)	General C&I	Loans to Mortgage Companies	TRUPS (a)	Income CRE	Residential CRE	Total	Percentage of Total	Allowance for Loan Losses
PD Grade:								
1	$ 696,040	$ —	$ —	$ 1,848	$ —	$ 697,888	3%	$ 69
2	767,048	—	—	48,906	38	815,992	4	165
3	743,123	877,210	3,314	474,067	806	2,098,520	9	274
4	1,237,772	692,971	46,375	680,223	477	2,657,818	11	738
5	1,986,761	670,402	72,512	993,628	1,700	3,725,003	15	8,265
6	2,511,290	1,410,387	27,263	717,062	17,027	4,683,029	19	12,054
7	2,708,707	509,616	18,378	641,345	30,925	3,908,971	16	20,409
8	1,743,364	136,771	—	269,407	16,699	2,166,241	9	22,514
9	1,101,873	77,139	31,909	169,586	13,007	1,393,514	6	17,484
10	563,635	21,229	18,536	59,592	2,153	665,145	3	10,197
11	495,140	—	—	81,682	2,302	579,124	2	13,454
12	262,906	15,158	—	28,807	1,074	307,945	1	8,471
13	232,823	—	—	32,966	1,126	266,915	1	8,142
14,15,16	263,076	—	—	43,400	626	307,102	1	29,318
Collectively evaluated for impairment	15,313,558	4,410,883	218,287	4,242,519	87,960	24,273,207	100	151,554
Individually evaluated for impairment	82,438	—	—	1,563	—	84,001	—	6,196
Purchased credit-impaired loans	25,925	—	—	4,155	820	30,900	—	848
Total commercial loans	$ 15,421,921	$ 4,410,883	$ 218,287	$ 4,248,237	$ 88,780	$ 24,388,108	100%	$ 158,598

(a) Balances presented net of a $19.1 million valuation allowance.

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

Note 4 – Loans (Continued)

The following table reflects the amortized cost basis by year of origination and refreshed FICO scores for consumer real estate as of June 30, 2020. Within consumer real estate, classes include home equity line of credit ("HELOC") and real estate installment. HELOCs are loans which during their draw period are classified as revolving loans. Once the draw period ends and the loan enters its repayment period, the loan converts to a term loan and is classified as revolving loans converted to term loans. All loans classified in the following table as revolving loans or revolving loans converted to term loans are HELOCs. Real estate installment loans are originated as a fixed term loan and are classified below in their vintage year from prior to 2016 to 2020. All loans in the following table classified in a vintage year are real estate installment loans.

	Consumer Real Estate								
(Dollars in thousands)	2020	2019	2018	2017	2016	Prior to 2016	Revolving Loans	Revolving Loans converted to term loans (a)	Total
FICO score 740 or greater	**$ 394,137**	**$ 576,132**	**$ 410,188**	**$ 420,822**	**$ 527,019**	**$ 1,255,357**	**$ 626,844**	**$ 135,436**	**$ 4,345,935**
FICO score 720-739	**43,808**	**67,904**	**26,383**	**37,259**	**48,677**	**132,407**	**76,045**	**28,913**	**461,396**
FICO score 700-719	**31,459**	**66,155**	**28,201**	**26,164**	**45,038**	**110,244**	**54,941**	**29,613**	**391,815**
FICO score 660-699	**41,314**	**51,096**	**33,382**	**32,745**	**36,625**	**153,335**	**76,593**	**44,067**	**469,157**
FICO score 620-659	**12,524**	**17,140**	**10,922**	**12,789**	**13,178**	**70,067**	**24,185**	**29,940**	**190,745**
FICO score less than 620	**2,180**	**11,168**	**5,832**	**9,227**	**14,456**	**79,599**	**25,526**	**45,357**	**193,345**
Total	**$ 525,422**	**$ 789,595**	**$ 514,908**	**$ 539,006**	**$ 684,993**	**$ 1,801,009**	**$ 884,134**	**$ 313,326**	**$ 6,052,393**

(a) $10.8 million of HELOC loans were converted from revolving to term in 2020.

The following table reflects the amortized cost basis by year of origination and refreshed FICO scores for other consumer loans as of June 30, 2020.

	Other Consumer								
(Dollars in thousands)	2020	2019	2018	2017	2016	Prior to 2016	Revolving Loans	Revolving Loans converted to term loans (a)	Total
FICO score 740 or greater	**$ 16,160**	**$ 36,450**	**$ 21,476**	**$ 10,499**	**$ 3,988**	**$ 14,774**	**$ 173,832**	**$ 4,401**	**$ 281,580**
FICO score 720-739	**3,238**	**5,226**	**2,784**	**1,615**	**747**	**1,844**	**27,603**	**1,319**	**44,376**
FICO score 700-719	**2,168**	**4,246**	**2,542**	**1,521**	**706**	**1,980**	**19,983**	**1,052**	**34,198**
FICO score 660-699	**3,654**	**6,546**	**3,149**	**2,172**	**1,423**	**2,737**	**27,534**	**1,581**	**48,796**
FICO score 620-659	**1,269**	**2,386**	**1,576**	**891**	**836**	**1,813**	**10,759**	**963**	**20,493**
FICO score less than 620	**333**	**1,059**	**1,044**	**522**	**2,311**	**3,167**	**10,037**	**1,394**	**19,867**
Total	**$ 26,822**	**$ 55,913**	**$ 32,571**	**$ 17,220**	**$ 10,011**	**$ 26,315**	**$ 269,748**	**$ 10,710**	**$ 449,310**

(a) $3.9 million of other consumer loans were converted from revolving to term in 2020.

The following table reflects the percentage of balances outstanding by average, refreshed FICO scores for the HELOC and real estate installment classes of loans as of December 31, 2019.

	December 31, 2019	
(Dollars in thousands)	HELOC	R/E Installment Loans (b)
FICO score 740 or greater	62.0%	71.9%
FICO score 720-739	8.6	8.3
FICO score 700-719	7.6	6.3
FICO score 660-699	10.8	8.1
FICO score 620-659	4.7	2.8
FICO score less than 620 (a)	6.3	2.6
Total	100.0%	100.0%

(a) For this group, a majority of the loan balances had FICO scores at the time of the origination that exceeded 620 but have since deteriorated as the loans have seasoned.
(b) In first quarter 2020, the Permanent Mortgage portfolio was combined into Consumer Real Estate portfolio, all prior periods were revised for comparability.

Note 4 – Loans (Continued)

Nonaccrual and Past Due Loans

Nonperforming loans are loans placed on nonaccrual if it becomes evident that full collection of principal and interest is at risk, impairment has been recognized as a partial charge-off of principal balance due to insufficient collateral value and past due status, or on a case-by-case basis if FHN continues to receive payments but there are other borrower-specific issues. Included in nonaccruals are loans that FHN continues to receive payments including residential real estate loans where the borrower has been discharged of personal obligation through bankruptcy, and second liens, regardless of delinquency status, behind first liens that are 90 or more days past due, are bankruptcies, or are TDRs. Past due loans are loans contractually past due as to interest or principal payments, but which have not yet been put on nonaccrual status.

The following table reflects accruing and non-accruing loans by class on June 30, 2020:

	Accruing				Non-Accruing				
(Dollars in thousands)	Current	30-89 Days Past Due	90+ Days Past Due	Total Accruing	Current	30-89 Days Past Due	90+ Days Past Due	Total Non-Accruing	Total Loans
Commercial (C&I):									
General C&I (a)	$ 17,031,822	$ 4,671	$ 287	**$ 17,036,780**	$ 79,022	$ 254	$ 48,069	**$ 127,345**	**$ 17,164,125**
Loans to mortgage companies	4,019,766	825	—	**4,020,591**	—	—	—	**—**	**4,020,591**
TRUPS (b)	209,177	—	—	**209,177**	—	—	—	**—**	**209,177**
Total commercial (C&I)	21,260,765	5,496	287	**21,266,548**	79,022	254	48,069	**127,345**	**21,393,893**
Commercial real estate:									
Income CRE	4,766,561	95	—	**4,766,656**	797	—	1,270	**2,067**	**4,768,723**
Residential CRE	44,618	—	—	**44,618**	—	—	—	**—**	**44,618**
Total commercial real estate	4,811,179	95	—	**4,811,274**	797	—	1,270	**2,067**	**4,813,341**
Consumer real estate:									
HELOC	1,136,288	5,736	6,800	**1,148,824**	41,608	1,720	5,308	**48,636**	**1,197,460**
R/E installment loans	4,787,467	13,778	6,000	**4,807,245**	31,786	2,077	13,825	**47,688**	**4,854,933**
Total consumer real estate	5,923,755	19,514	12,800	**5,956,069**	73,394	3,797	19,133	**96,324**	**6,052,393**
Credit card & other:									
Credit card	164,527	1,520	1,297	**167,344**	—	—	—	**—**	**167,344**
Other	281,066	531	114	**281,711**	86	77	92	**255**	**281,966**
Total credit card & other	445,593	2,051	1,411	**449,055**	86	77	92	**255**	**449,310**
Total loans, net of unearned income	$ 32,441,292	$ 27,156	$ 14,498	**$ 32,482,946**	$ 153,299	$ 4,128	$ 68,564	**$ 225,991**	**$ 32,708,937**

(a) $65.3 million of general C&I loans are nonaccrual loans with no related allowance.
(b) TRUPS is presented net of an amortizing discount of $18.4 million.

Note 4 – Loans (Continued)

The following table reflects accruing and non-accruing loans by class on December 31, 2019:

	Accruing				Non-Accruing				
(Dollars in thousands)	Current	30-89 Days Past Due	90+ Days Past Due	Total Accruing	Current	30-89 Days Past Due	90+ Days Past Due	Total Non-Accruing	Total Loans
Commercial (C&I):									
General C&I	$ 15,314,292	$ 7,155	$ 237	$ 15,321,684	$ 36,564	$ 14,385	$ 23,363	$ 74,312	$ 15,395,996
Loans to mortgage companies	4,410,883	—	—	4,410,883	—	—	—	—	4,410,883
TRUPS (a)	218,287	—	—	218,287	—	—	—	—	218,287
Purchased credit-impaired loans	23,840	287	1,798	25,925	—	—	—	—	25,925
Total commercial (C&I)	19,967,302	7,442	2,035	19,976,779	36,564	14,385	23,363	74,312	20,051,091
Commercial real estate:									
Income CRE	4,242,044	679	—	4,242,723	—	19	1,340	1,359	4,244,082
Residential CRE	87,487	7	—	87,494	—	466	—	466	87,960
Purchased credit-impaired loans	4,752	128	95	4,975	—	—	—	—	4,975
Total commercial real estate	4,334,283	814	95	4,335,192	—	485	1,340	1,825	4,337,017
Consumer real estate:									
HELOC	1,217,344	9,156	5,669	1,232,169	43,007	4,227	7,472	54,706	1,286,875
R/E installment loans (b)	4,812,446	12,894	9,170	4,834,510	20,710	1,076	9,202	30,988	4,865,498
Purchased credit-impaired loans	18,720	2,770	3,276	24,766	—	—	—	—	24,766
Total consumer real estate	6,048,510	24,820	18,115	6,091,445	63,717	5,303	16,674	85,694	6,177,139
Credit card & other:									
Credit card	198,917	1,076	1,178	201,171	—	—	—	—	201,171
Other	291,700	1,802	337	293,839	101	44	189	334	294,173
Purchased credit-impaired loans	323	98	99	520	—	—	—	—	520
Total credit card & other	490,940	2,976	1,614	495,530	101	44	189	334	495,864
Total loans, net of unearned income	$ 30,841,035	$ 36,052	$ 21,859	$ 30,898,946	$ 100,382	$ 20,217	$ 41,566	$ 162,165	$ 31,061,111

Certain previously reported amounts have been reclassified to agree with current presentation.
(a) TRUPS is presented net of the valuation allowance of $19.1 million.
(b) In first quarter 2020, the Permanent Mortgage portfolio was combined into Consumer Real Estate portfolio, all prior periods were revised for comparability.

Troubled Debt Restructurings

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

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

For all classes within the commercial portfolio segment, TDRs are typically modified through forbearance agreements (generally 6 to 12 months). Forbearance agreements could include reduced interest rates, reduced payments, release of guarantor, or entering into short sale agreements. FHN's proprietary modification programs for consumer loans are generally structured using parameters of U.S. government-sponsored programs such as the former Home Affordable Modification Program ("HAMP"). Within the HELOC and R/E installment loans classes of the consumer portfolio segment, TDRs are typically modified by reducing the interest rate (in increments of 25 basis

points to a minimum of 1 percent for up to 5 years) and a possible maturity date extension to reach an affordable housing debt-to-income ratio. After 5 years, the interest rate generally returns to the original interest rate prior to modification; for certain modifications, the modified interest rate increases 2 percent per year until the original interest rate prior to modification is achieved. Prior to 2020, Consumer real estate mortgage TDRs (previously classified as permanent mortgage) were typically modified by reducing the interest rate (in increments of 25 basis points to a minimum of 2 percent for up to 5 years) and a possible maturity date extension to reach an affordable housing debt-to-income ratio. After 5 years, the interest rate stepped up 1 percent every year until it reached the Federal Home Loan Mortgage Corporation Weekly Survey Rate cap. Contractual maturities may be extended to 40 years for consumer real estate loans. Within the credit card class of the consumer portfolio segment, TDRs are typically modified through either a short-term credit card hardship program or a longer-term credit card workout program. In the credit card hardship program, borrowers may be granted rate and payment reductions for 6 months to 1 year. In the credit card workout program, customers are granted a rate reduction to 0 percent and term extensions for up to 5 years to pay off the remaining balance.

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

On June 30, 2020 and December 31, 2019, FHN had $192.6 million and $206.3 million of portfolio loans classified as TDRs, respectively. For TDRs in the loan portfolio, FHN had loan loss reserves of $13.6 million, or 7 percent as of June 30, 2020, and $19.7 million, or 10 percent as of December 31, 2019. Additionally, $45.1 million and $51.1 million of loans held-for-sale as of June 30, 2020 and December 31, 2019, respectively, were classified as TDRs.

The following tables reflect portfolio loans that were classified as TDRs during the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30, 2020			**Six Months Ended June 30, 2020**		
(Dollars in thousands)	**Number**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**	**Number**	**Pre-Modification Outstanding Recorded Investment**	**Post-Modification Outstanding Recorded Investment**
Commercial (C&I):						
General C&I	**1**	**$ 4,649**	**$ 4,699**	**4**	**$ 10,576**	**$ 9,132**
Total commercial (C&I)	**1**	**4,649**	**4,699**	**4**	**10,576**	**9,132**
Consumer real estate:						
HELOC	**4**	**152**	**151**	**12**	**1,064**	**1,042**
R/E installment loans	**40**	**7,793**	**7,741**	**50**	**9,304**	**9,238**
Total consumer real estate	**44**	**7,945**	**7,892**	**62**	**10,368**	**10,280**
Credit card & other	**16**	**96**	**91**	**40**	**254**	**237**
Total troubled debt restructurings	**61**	**$ 12,690**	**$ 12,682**	**106**	**$ 21,198**	**$ 19,649**

	Three Months Ended June 30, 2019			Six Months Ended June 30, 2019		
(Dollars in thousands)	Number	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial (C&I):						
General C&I	1	$ 222	$ 222	3	$ 14,117	$ 14,042
Total commercial (C&I)	1	222	222	3	14,117	14,042
Consumer real estate:						
HELOC	25	3,271	3,235	44	5,375	5,319
R/E installment loans	19	1,534	1,523	66	8,959	8,936
Total consumer real estate	44	4,805	4,758	110	14,334	14,255
Credit card & other	18	109	103	33	183	174
Total troubled debt restructurings	63	$ 5,136	$ 5,083	146	$ 28,634	$ 28,471

Note 4 – Loans (Continued)

The following tables present TDRs which re-defaulted during the three and six months ended June 30, 2020 and 2019, and as to which the modification occurred 12 months or less prior to the re-default. For purposes of this disclosure, FHN generally defines payment default as 30 or more days past due.

	Three Months Ended June 30, 2020		Six Months Ended June 30, 2020	
(Dollars in thousands)	**Number**	**Recorded Investment**	**Number**	**Recorded Investment**
Commercial (C&I):				
General C&I	—	**$** —	—	**$** —
Total commercial (C&I)	—	—	—	—
Consumer real estate:				
HELOC	**3**	**882**	**7**	**1,842**
R/E installment loans	**5**	**1,351**	**10**	**1,695**
Total consumer real estate	**8**	**2,233**	**17**	**3,537**
Credit card & other	**7**	**29**	**14**	**60**
Total troubled debt restructurings	**15**	**$ 2,262**	**31**	**$ 3,597**

	Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
(Dollars in thousands)	Number	Recorded Investment	Number	Recorded Investment
Commercial (C&I):				
General C&I	—	$ —	—	$ —
Total commercial (C&I)	—	—	—	—
Consumer real estate:				
HELOC	1	66	2	99
R/E installment loans	1	38	1	38
Total consumer real estate	2	104	3	137
Credit card & other	7	14	15	32
Total troubled debt restructurings	9	$ 118	18	$ 169

Accrued Interest

In accordance with its accounting policy elections, FHN has excluded AIR from the amortized cost basis of Loans, net of unearned income. AIR is included within Other assets in the Consolidated Condensed Statements of Condition and the amounts by portfolio segment are presented in the following table.

	June 30
(Dollars in thousands)	**2020**
Commercial:	
Commercial, financial, and industrial	**$ 56,828**
Commercial real estate	**16,528**
Consumer:	
Consumer real estate	**18,020**
Credit card & other	**1,546**
Allowance for Credit Losses on COVID-19 Deferrals	**(860)**
Total accrued interest	**$ 92,062**

Note 4 – Loans (Continued)

Purchased Credit-Impaired Loans

The following table presents a rollforward of the accretable yield for the year ended December 31, 2019:

	Year Ended
(Dollars in thousands)	2019
Balance, beginning of period	$ 13,375
Accretion	(5,792)
Adjustment for payoffs	(2,438)
Adjustment for charge-offs	(479)
Adjustment for pool excess recovery (a)	—
Increase in accretable yield (b)	5,513
Disposals	(4)
Other	(367)
Balance, end of period	$ 9,808

(a) Represents the removal of accretable difference for the remaining loans in a pool which is now in a recovery state.
(b) Includes changes in the accretable yield due to both transfers from the nonaccretable difference and the impact of changes in the expected timing of the cash flows.

At December 31, 2019, the ALLL related to PCI loans was $2.0 million. Net charge-offs related to PCI loans during 2019 were $5.8 million. The loan loss provision expense related to PCI loans during 2019 was $1.3 million.

The following table reflects the outstanding principal balance and carrying amounts of the acquired PCI loans as of December 31, 2019:

	December 31, 2019	
(Dollars in thousands)	Carrying value	Unpaid balance
Commercial, financial and industrial	$ 24,973	$ 25,938
Commercial real estate	5,078	5,466
Consumer real estate	23,681	26,245
Credit card and other	489	567
Total	$ 54,221	$ 58,216

Note 4 – Loans (Continued)

Impaired Loans

The following tables provide information at December 31, 2019 by class related to individually impaired loans and consumer TDRs, regardless of accrual status. Recorded investment is defined as the amount of the investment in a loan, excluding any valuation allowance but including any direct write-down of the investment. For purposes of this disclosure, TRUPS valuation allowance has been excluded.

	December 31, 2019		
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance recorded:			
Commercial:			
General C&I	$ 52,672	$ 63,602	$ —
Income CRE	1,563	1,563	—
Total	$ 54,235	$ 65,165	$ —
Consumer:			
HELOC (a)	$ 4,940	$ 10,438	$ —
R/E installment loans (a)	7,593	10,054	—
Total	$ 12,533	$ 20,492	$ —
Impaired loans with related allowance recorded:			
Commercial:			
General C&I	$ 29,766	$ 31,536	$ 6,196
TRUPS	—	—	—
Income CRE	—	—	—
Total	$ 29,766	$ 31,536	$ 6,196
Consumer:			
HELOC	$ 55,522	$ 59,122	$ 7,016
R/E installment loans	94,191	104,121	12,282
Credit card & other	653	653	422
Total	$ 150,366	$ 163,896	$ 19,720
Total commercial	$ 84,001	$ 96,701	$ 6,196
Total consumer	$ 162,899	$ 184,388	$ 19,720
Total impaired loans	$ 246,900	$ 281,089	$ 25,916

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

Note 4 – Loans (Continued)

(Dollars in thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2019		2019	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Impaired loans with no related allowance recorded:				
Commercial:				
General C&I	$ 67,337	$ 178	$ 61,552	$ 357
Loans to mortgage companies	18,628	—	9,314	—
Income CRE	1,481	13	1,518	27
Residential CRE	—	—	—	—
Total	$ 87,446	$ 191	$ 72,384	$ 384
Consumer:				
HELOC (a)	$ 6,462	$ —	$ 7,030	$ —
R/E installment loans (a)	8,910	—	8,773	—
Total	$ 15,372	$ —	$ 15,803	$ —
Impaired loans with related allowance recorded:				
Commercial:				
General C&I	$ 10,760	$ —	$ 9,026	$ —
TRUPS	2,806	—	2,835	—
Income CRE	347	—	357	9
Residential CRE	—	—	—	—
Total	$ 13,913	$ —	$ 12,218	$ 9
Consumer:				
HELOC	$ 62,623	$ 504	$ 63,819	$ 1,026
R/E installment loans	107,892	815	107,975	1,637
Credit card & other	692	4	691	9
Total	$ 171,207	$ 1,323	$ 172,485	$ 2,672
Total commercial	$ 101,359	$ 191	$ 84,602	$ 393
Total consumer	$ 186,579	$ 1,323	$ 188,288	$ 2,672
Total impaired loans	$ 287,938	$ 1,514	$ 272,890	$ 3,065

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

Note 5 – Allowance for Loan Losses

As discussed in Note 1 - Summary of Significant Accounting Policies, the ALLL estimation process was revised on January 1, 2020 to reflect the adoption of ASU 2016-13. All information contained in the following disclosures reflects the application of requirements from the adoption of ASU 2016-13 for periods after 2019. Information for periods prior to 2020 has been retained with the content consistent with prior disclosures.

Periods after 2019

The ALLL has been determined in accordance with ASC 326-20, which requires a recognition of current expected credit losses on the amortized cost basis of loans. During the first half of 2020, expected credit loss estimates were adversely affected across all portfolio segments due to the steep decline in macroeconomic forecasts due to the actual and projected effects of the COVID-19 pandemic. To a lesser extent, loan growth also resulted in a higher ALLL as those increased balances received a full life-of-loan allowance based on current macroeconomic projections.

For all portfolio segments, FHN has selected a 4-year reasonable and supportable forecast period which reflects a 3-year period during which macroeconomic variables are used to estimate expected credit losses. This is followed by a 1-year, time-weighted reversion to historical loss factors with weights assigned to macroeconomic variables diminishing, and weights assigned to historical loss averages increasing, pro rata as months lapse during the 1-year period. Thereafter, FHN immediately reverts to historical loss averages over the remaining estimated life of loans.

In developing credit loss estimates for its loan portfolio, FHN evaluated multiple macroeconomic forecasts provided by Moody's. FHN selected Moody's baseline forecast as the primary source for its macroeconomic inputs which are inclusive of the following assumptions related to the economic effects of the COVID-19 pandemic:

- 1.6mm confirmed COVID-19 cases, begin to abate by early July. Assumes no second wave.
- Unemployment peak at 20mm in 2Q20
- Annualized GDP growth rate of -33% in 2Q20, 16% in 3Q20, & 0.6% in 4Q20
- Quicker recovery than Great Recession
- V-shaped recovery for housing including residential construction and sales
- Manufacturing should have a stronger initial bounce
- More caution due to COVID-19 drives a slower and longer recovery for the service sector; may depend on vaccine.

Where macroeconomic forecast variables used in the models do not take into effect the impact of federal stimulus and bank-supported payment deferral and forbearance programs on the timing of grade migration and recognition of loss content, management adjusted model inputs qualitatively to account for this assistance.

FHN also utilized targeted reviews of higher stressed loan portfolio (industries) that are most exposed to the effects of the COVID-19 pandemic, including Franchise Finance, Energy, Non-Profit, Arts & Entertainment, Restaurants outside of Franchise Finance, Nursing/Assisted Living and Hospitality within the C&I segment and CRE-Hospitality and CRE-Retail within the Commercial Real Estate segment. This analysis reviewed the level of impact from COVID-19 and the likelihood of additional financial assistance needed beyond 180 days. This analysis was utilized in developing qualitative adjustments to increase the recorded ALLL attributable to these components beyond the modeled results. FHN reviewed consumer deferrals and forbearance payment rates to analyze the likelihood customers will have difficulty making payments after the deferral or forbearance period ends. The analysis was utilized to develop an additional qualitative adjustment to increase the recorded ALLL for consumer real estate loans. Management also made qualitative adjustments to reflect estimated recoveries based on a review of prior charge off and recovery levels, for default risk associated with large balances with individual borrowers, for estimated loss amounts not reflected in historical factors due to specific portfolio risk and for instances where limited data for acquired loans is considered to affect modeled results.

Typically commercial loans in C&I and CRE have shorter expected lives, based on the contractual term of loan agreements, prepayment estimates and a limited amount of renewal or extension options that are not unconditionally cancellable by FHN. Estimated weighted average lives are normally under 3 years. TRUPs loans are an exception due to longer contractual lives, beneficial borrower terms and balloon payoff structure. Consumer HELOC and installment loans tend to have significantly longer lives based on their contractual terms which is reduced somewhat by estimated prepayments with estimated weighted average lives normally 5 years or less. Credit card loans have shorter estimated lives approximating 1 year based on customer payment trends and because the revolving lines are unconditionally cancellable by FHN.

As of June 30, 2020, FHN had General C&I loans with amortized cost of approximately $65 million that was based on the value of underlying collateral. At a minimum, the estimated value of the collateral for each loan equals the current book value. The collateral for these loans

Note 5 – Allowance for Loan Losses (Continued)

generally consists of business assets including land, buildings, equipment and financial assets. During the three and six months ended June 30, 2020, respectively, FHN recognized charge-offs of approximately $1.5 million and $13.0 million on these loans related to reductions in estimated collateral values.

Consumer HELOC and installment loans with amortized cost based on the value of underlying real estate collateral were approximately $10 million and $26 million, respectively, as of June 30, 2020. At a minimum, the estimated value of the collateral for each loan equals the current book value. Charge offs during the three and six months ended June 30, 2020 were not significant for either portfolio segment.

Unfunded Commitments

The measurement of expected credit losses for unfunded commitments mirrors that of loans with the additional estimate of future draw rates (timing and amount). Consistent with the ALLL, the decline in macroeconomic forecasts during the first half of 2020 resulted in higher credit expense for unfunded commitments. However, in Q1 2020 this effect of higher loss forecasts was offset somewhat because many borrowers drew on available lines prior to the end of the 1st quarter which resulted in higher loan balances (and ALLL). During the second quarter, borrowers paid down on available lines which combined with higher loss rates caused credit loss expense to increase. Total credit loss expense for unfunded commitments was $11.2 million and $20.4 million, respectively, for the three and six months ended June 30, 2020.

Periods prior to 2020

The ALLL included the following components: reserves for commercial loans evaluated based on pools of credit graded loans and reserves for pools of smaller-balance homogeneous consumer loans, both determined in accordance with ASC 450-20-50, and to a lesser extent, reserves determined in accordance with ASC 310-10-35 for loans determined by management to be individually impaired and an allowance associated with PCI loans.

For commercial loans, ASC 450-20-50 reserves were established using historical net loss factors by grade level, loan product, and business segment. The ALLL for smaller-balance homogeneous consumer loans was determined based on pools of similar loan types that have similar credit risk characteristics. ASC 450-20-50 reserves for the consumer portfolio were determined using segmented roll-rate models that incorporated various factors including historical delinquency trends, experienced loss frequencies, and experienced loss severities. Generally, reserves for consumer loans reflected inherent losses in the portfolio that were expected to be recognized over the following twelve months. The historical net loss factors for both commercial and consumer ASC 450-20-50 reserve models were subject to qualitative adjustments by management to reflect current events, trends, and conditions (including economic considerations and trends), which were not fully captured in the historical net loss factors. The pace of the economic recovery, performance of the housing market, unemployment levels, labor participation rate, the regulatory environment, regulatory guidance, and portfolio segment-specific trends, were examples of additional factors considered by management in determining the ALLL. Additionally, management considered the inherent uncertainty of quantitative models that were driven by historical loss data. Management evaluated the periods of historical losses that were the basis for the loss rates used in the quantitative models and selected historical loss periods that were believed to be the most reflective of losses inherent in the loan portfolio as of the balance sheet date. Management also periodically reviewed an analysis of the loss emergence period which was the amount of time required for a loss to be confirmed (initial charge-off) after a loss event had occurred. FHN performed extensive studies related to the historical loss periods used in the model and the loss emergence period and model assumptions were adjusted accordingly.

Impairment related to individually impaired loans was measured in accordance with ASC 310-10. For all commercial portfolio segments, commercial TDRs and other individually impaired commercial loans were measured based on the present value of expected future payments discounted at the loan's effective interest rate ("the DCF method"), observable market prices, or for loans that are solely dependent on the collateral for repayment, the net realizable value (collateral value less estimated costs to sell). Impaired loans also included consumer TDRs. Generally, the allowance for TDRs in all consumer portfolio segments was determined by estimating the expected future cash flows using the modified interest rate (if an interest rate concession), incorporating payoff and net charge-off rates specific to the TDRs within the portfolio segment being assessed, and discounted using the pre-modification interest rate. The discount rates of variable rate TDRs were adjusted to reflect changes in the interest rate index to which the rates are tied. The discounted cash flows were then compared to the outstanding principal balance in order to determine required reserves. Residential real estate loans discharged through bankruptcy were considered collateral-dependent and were charged down to net realizable value (collateral value less estimated costs to sell).

Note 5 – Allowance for Loan Losses (Continued)

The following table provides a rollforward of the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2020 and 2019:

(Dollars in thousands)	C&I	Commercial Real Estate	Consumer Real Estate (a)	Credit Card and Other	Total
Balance as of April 1, 2020	**$ 254,516**	**$ 47,625**	**$ 123,022**	**$ 19,327**	**$ 444,490**
Charge-offs	**(18,201)**	**(61)**	**(1,968)**	**(2,677)**	**(22,907)**
Recoveries	**1,073**	**156**	**3,987**	**1,082**	**6,298**
Provision/(provision credit) for loan losses	**81,334**	**9,565**	**18,716**	**385**	**110,000**
Balance as of June 30, 2020	**318,722**	**57,285**	**143,757**	**18,117**	**537,881**
Balance as of January 1, 2020	**122,486**	**36,112**	**28,443**	**13,266**	**200,307**
Adoption of ASU 2016-13	**18,782**	**(7,348)**	**92,992**	**1,968**	**106,394**
Charge-offs	**(24,952)**	**(642)**	**(4,278)**	**(6,488)**	**(36,360)**
Recoveries	**2,008**	**729**	**7,542**	**2,261**	**12,540**
Provision/(provision credit) for loan loses	**200,398**	**28,434**	**19,058**	**7,110**	**255,000**
Balance as of June 30, 2020	**318,722**	**57,285**	**143,757**	**18,117**	**537,881**
Allowance - individually evaluated for impairment	**16,577**	**—**	**13,275**	**352**	**30,204**
Allowance - collectively evaluated for impairment	**302,145**	**57,285**	**130,482**	**17,765**	**507,677**
Loans, net of unearned as of June 30, 2020:					
Individually evaluated for impairment	**140,526**	**160**	**148,543**	**688**	**289,917**
Collectively evaluated for impairment	**21,253,367**	**4,813,181**	**5,903,850**	**448,622**	**32,419,020**
Total loans, net of unearned income (b)	**$ 21,393,893**	**$ 4,813,341**	**$ 6,052,393**	**$ 449,310**	**$ 32,708,937**
Balance as of April 1, 2019	$ 103,713	$ 34,382	$ 34,154	$ 12,662	$ 184,911
Charge-offs	(6,590)	(121)	(1,714)	(3,798)	(12,223)
Recoveries	519	(88)	5,525	1,105	7,061
Provision/(provision credit) for loan losses	18,454	(1,220)	(6,433)	2,199	13,000
Balance as of June 30, 2019	116,096	32,953	31,532	12,168	192,749
Balance as of January 1, 2019	98,947	31,311	37,439	12,727	180,424
Charge-offs	(9,691)	(555)	(4,518)	(7,986)	(22,750)
Recoveries	1,348	(31)	9,566	2,192	13,075
Provision/(provision credit) for loan losses	25,492	2,228	(10,955)	5,235	22,000
Balance as of June 30, 2019	116,096	32,953	31,532	12,168	192,749
Allowance - individually evaluated for impairment	8,484	—	22,255	442	31,181
Allowance - collectively evaluated for impairment	106,758	32,953	8,199	11,669	159,579
Allowance - purchased credit-impaired loans	854	—	1,078	57	1,989
Loans, net of unearned as of June 30, 2019:					
Individually evaluated for impairment	115,808	1,777	182,442	699	300,726
Collectively evaluated for impairment	18,904,621	3,852,027	6,093,863	492,774	29,343,285
Purchased credit-impaired loans	33,840	7,227	26,829	903	68,799
Total loans, net of unearned income	$ 19,054,269	$ 3,861,031	$ 6,303,134	$ 494,376	$ 29,712,810

a) In first quarter 2020, the Permanent Mortgage portfolio was combined into Consumer Real Estate portfolio, all prior periods were revised for comparability.
b) C&I loans as of June 30, 2020 include $2.1 billion in PPP loans which due to the government guarantee and forgiveness provisions are considered to have no credit risk and therefore have no allowance for loan losses.

In accordance with its accounting policy elections, FHN does not recognize a separate allowance for expected credit losses for AIR and records reversals of AIR as reductions of interest income. FHN reverses previously accrued but uncollected interest when an asset is placed on nonaccrual status. As of June 30, 2020, FHN recognized approximately $860 thousand in allowance for expected credit losses on COVID-19 deferrals that do not qualify for the election.

The total amount of interest reversals from loans placed on nonaccrual status during the three and six months ended June 30, 2020 was not material. In addition, the amount of income recognized on nonaccrual loans for the three and six months ended in June 30, 2020 was not material.

Note 6 – Intangible Assets

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

(Dollars in thousands)	**June 30, 2020**			December 31, 2019		
	Gross Carrying Amount	**Accumulated Amortization**	**Net Carrying Value**	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Core deposit intangibles	**$ 157,150**	**$ (56,561)**	**$ 100,589**	$ 157,150	$ (47,372)	$ 109,778
Customer relationships (a)	**23,000**	**(6,158)**	**16,842**	77,865	(60,150)	17,715
Other (b)	**5,622**	**(3,445)**	**2,177**	5,622	(2,915)	2,707
Total	**$ 185,772**	**$ (66,164)**	**$ 119,608**	$ 240,637	$ (110,437)	$ 130,200

(a) 2020 decrease in gross carrying amounts and accumulated amortization associated with $54.9 million of customer relationships fully amortized at December 31, 2019.
(b) Balance primarily includes noncompete covenants, as well as $.3 million related to state banking licenses not subject to amortization.

Amortization expense was $5.3 million and $6.2 million for the three months ended June 30, 2020 and 2019, respectively and $10.6 million and $12.4 million for six months ended June 30, 2020 and 2019, respectively. As of June 30, 2020 the estimated aggregated amortization expense is expected to be:

(Dollars in thousands)

Year	**Amortization**
Remainder of 2020	$ 10,568
2021	19,547
2022	17,412
2023	16,117
2024	14,679
2025	12,580

Gross goodwill, accumulated impairments, and accumulated divestiture related write-offs were determined beginning January 1, 2002, when a change in accounting requirements resulted in goodwill being assessed for impairment rather than being amortized. Gross goodwill of $200.0 million with accumulated impairments and accumulated divestiture-related write-offs of $114.1 million and $85.9 million, respectively, were previously allocated to the non-strategic segment, resulting in $0 net goodwill allocated to the non-strategic segment as of June 30, 2020 and December 31, 2019. The regional banking and fixed income segments do not have any accumulated impairments or divestiture related write-offs. The following is a summary of goodwill by reportable segment included in the Consolidated Condensed Statements of Condition as of June 30, 2020 and December 31, 2019.

(Dollars in thousands)	Regional Banking	Fixed Income	Total
December 31, 2018	$ 1,289,819	$ 142,968	$ 1,432,787
Additions	—	—	—
June 30, 2019	$ 1,289,819	$ 142,968	$ 1,432,787
December 31, 2019	$ 1,289,819	$ 142,968	$ 1,432,787
Additions	—	—	—
June 30, 2020	**$ 1,289,819**	**$ 142,968**	**$ 1,432,787**

Note 7 – Other Income and Other Expense

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

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2020**	2019	**2020**	2019
All other income and commissions:				
Deferred compensation (a)	**$ 8,171**	$ 1,938	**$ (1,336)**	$ 7,412
Other service charges	**4,582**	5,624	**9,801**	9,493
Mortgage banking	**4,138**	2,572	**6,569**	4,458
ATM and interchange fees	**4,009**	4,262	**8,221**	7,503
Letter of credit fees	**1,559**	1,253	**3,021**	2,621
Electronic banking fees	**1,182**	1,267	**2,212**	2,538
Dividend income	**1,057**	1,809	**2,187**	4,122
Insurance commissions	**401**	566	**1,190**	1,190
Gain/(loss) on extinguishment of debt	**—**	—	**—**	(1)
Other	**4,890**	6,376	**12,488**	10,962
Total	**$ 29,989**	$ 25,667	**$ 44,353**	$ 50,298
All other expense:				
Credit expense on unfunded commitments (b)	**$ 11,158**	$ (489)	**$ 20,388**	$ (93)
Non-service components of net periodic pension and post-retirement cost	**2,961**	559	**5,469**	991
Other insurance and taxes	**2,599**	2,495	**5,278**	5,189
Miscellaneous loan costs	**2,356**	857	**3,450**	1,884
Supplies	**1,933**	1,342	**4,344**	3,146
Employee training and dues	**654**	1,251	**1,995**	2,708
Customer relations	**632**	1,540	**2,636**	3,139
Travel and entertainment	**474**	2,906	**3,183**	5,618
OREO	**437**	25	**253**	(341)
Tax credit investments	**426**	267	**772**	942
Litigation and regulatory matters (c)	**3**	(8,230)	**16**	(8,217)
Other	**12,118**	26,158	**21,193**	33,046
Total	**$ 35,751**	$ 28,681	**$ 68,977**	$ 48,012

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

(a) Amounts driven by market conditions and are mirrored by changes in deferred compensation expense which is included in employee compensation expense; Six months ended June 30, 2020 decrease driven by equity market valuations.

(b) Three and six months ended June 30, 2020 increases largely driven by the economic forecast attributable to the COVID-19 pandemic.

(c) Litigation and regulatory matters for the three and six months ended June 30, 2019 includes an $8.3 million expense reversal related to the settlement of litigation matters within the Non-Strategic segment.

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

The following table provides the changes in accumulated other comprehensive income/(loss) by component, net of tax, for the three and six months ended June 30, 2020 and 2019:

(Dollars in thousands)	Securities AFS	Cash Flow Hedges	Pension and Post-retirement Plans	Total
Balance as of April 1, 2020	$ 119,357	$ 16,288	$ (271,809)	$ (136,164)
Net unrealized gains/(losses)	(1,030)	1,640	—	610
Amounts reclassified from AOCI	—	(1,623)	2,379	756
Other comprehensive income/(loss)	(1,030)	17	2,379	1,366
Balance as of June 30, 2020	**$ 118,327**	**$ 16,305**	**$ (269,430)**	**$ (134,798)**
Balance as of January 1, 2020	$ 31,079	$ 3,227	$ (273,914)	$ (239,608)
Net unrealized gains/(losses)	87,248	14,795	—	102,043
Amounts reclassified from AOCI	—	(1,717)	4,484	2,767
Other comprehensive income/(loss)	87,248	13,078	4,484	104,810
Balance as of June 30, 2020	**$ 118,327**	**$ 16,305**	**$ (269,430)**	**$ (134,798)**

(Dollars in thousands)	Securities AFS	Cash Flow Hedges	Pension and Post-retirement Plans	Total
Balance as of April 1, 2019	$ (27,121)	$ (6,725)	$ (287,305)	$ (321,151)
Net unrealized gains/(losses)	47,991	7,575	—	55,566
Amounts reclassified from AOCI	201	1,334	1,561	3,096
Other comprehensive income/(loss)	48,192	8,909	1,561	58,662
Balance as of June 30, 2019	**$ 21,071**	**$ 2,184**	**$ (285,744)**	**$ (262,489)**
Balance as of January 1, 2019	$ (75,736)	$ (12,112)	$ (288,768)	$ (376,616)
Net unrealized gains/(losses)	96,606	11,511	—	108,117
Amounts reclassified from AOCI	201	2,785	3,024	6,010
Other comprehensive income/(loss)	96,807	14,296	3,024	114,127
Balance as of June 30, 2019	**$ 21,071**	**$ 2,184**	**$ (285,744)**	**$ (262,489)**

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

(Dollars in thousands)	Three Months Ended June 30		Six Months Ended June 30		
Details about AOCI	**2020**	2019	**2020**	2019	**Affected line item in the statement where net income is presented**
Securities AFS:					
Realized (gains)/losses on securities AFS	**$ —**	$ 267	**$ —**	$ 267	Debt securities gains/(losses), net
Tax expense/(benefit)	**—**	(66)	**—**	(66)	Provision/(benefit) for income taxes
	—	201	**—**	201	
Cash flow hedges:					
Realized (gains)/losses on cash flow hedges	**(2,153)**	1,772	**(2,277)**	3,699	Interest and fees on loans
Tax expense/(benefit)	**530**	(438)	**560**	(914)	Provision/(benefit) for income taxes
	(1,623)	1,334	**(1,717)**	2,785	
Pension and Postretirement Plans:					
Amortization of prior service cost and net actuarial gain/(loss)	**3,155**	2,074	**5,946**	4,017	All other expense
Tax expense/(benefit)	**(776)**	(513)	**(1,462)**	(993)	Provision/(benefit) for income taxes
	2,379	1,561	**4,484**	3,024	
Total reclassification from AOCI	**$ 756**	$ 3,096	**$ 2,767**	$ 6,010	

Note 9 – Earnings Per Share

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

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars and shares in thousands, except per share data)	**2020**	2019	**2020**	2019
Net income/(loss)	**$ 56,665**	$ 113,742	**$ 73,137**	$ 217,147
Net income attributable to noncontrolling interest	**2,851**	2,852	**5,703**	5,672
Net income/(loss) attributable to controlling interest	**53,814**	110,890	**67,434**	211,475
Preferred stock dividends	**1,550**	1,550	**3,100**	3,100
Net income/(loss) available to common shareholders	**$ 52,264**	$ 109,340	**$ 64,334**	$ 208,375
Weighted average common shares outstanding—basic	**312,090**	314,063	**311,843**	315,740
Effect of dilutive securities	**846**	1,723	**949**	1,980
Weighted average common shares outstanding—diluted	**312,936**	315,786	**312,792**	317,720
Net income/(loss) per share available to common shareholders	**$ 0.17**	$ 0.35	**$ 0.21**	$ 0.66
Diluted income/(loss) per share available to common shareholders	**$ 0.17**	$ 0.35	**$ 0.21**	$ 0.66

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

	Three Months Ended June 30		Six Months Ended June 30	
(Shares in thousands)	**2020**	2019	**2020**	2019
Stock options excluded from the calculation of diluted EPS	**5,134**	2,773	**3,291**	2,692
Weighted average exercise price of stock options excluded from the calculation of diluted EPS	**$ 15.80**	$ 21.03	**$ 18.26**	$ 21.39
Other equity awards excluded from the calculation of diluted EPS	**4,389**	2,403	**3,934**	1,985

Note 10 – Contingencies and Other Disclosures

CONTINGENCIES

Contingent Liabilities Overview

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

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

Material Loss Contingency Matters

Summary

As used in this Note, except for matters that are reported as having been substantially settled or otherwise substantially resolved, FHN's "material loss contingency matters" generally fall into at least one of the following categories: (i) FHN has determined material loss to be probable and has established a material loss liability in accordance with applicable financial accounting guidance; (ii) FHN has determined material loss to be probable but is not reasonably able to estimate an amount or range of material loss liability; or (iii) FHN has determined that material loss is not probable but is reasonably possible, and that the amount or range of that reasonably possible material loss is estimable. As defined in applicable accounting guidance, loss is reasonably possible if there is more than a remote chance of a material loss outcome for FHN. Set forth below are disclosures for certain pending or threatened litigation matters, including all matters mentioned in (i) or (ii) and certain matters mentioned in (iii). In addition, certain other types of matters are discussed relating to FHN's pre-2009 mortgage origination and servicing businesses. In all litigation matters discussed, unless settled or otherwise resolved, FHN believes it has meritorious defenses and intends to pursue those defenses vigorously.

FHN reassesses the liability for litigation matters each quarter as the matters progress. At June 30, 2020, the aggregate amount of liabilities established for all such loss contingency matters was $.3 million. These liabilities are separate from those discussed under the heading "Loan Repurchase and Foreclosure Liability" below.

In each material loss contingency matter, except as otherwise noted, there is more than a remote chance that any of the following outcomes will occur: the plaintiff will substantially prevail; the defense will substantially prevail; the plaintiff will prevail in part; or the matter will be settled by the parties. At June 30, 2020, FHN is unable to estimate any material reasonably possible loss ("RPL") for contingency matters in future periods in excess of currently established liabilities.

As a result of the general uncertainties discussed above and the specific uncertainties discussed for each matter mentioned below, it is possible that the ultimate future loss experienced by FHN for any particular matter may materially exceed the amount, if any, of currently established liability for that matter.

Material Matters

In the first quarter of 2020, a former shareholder of Capital Bank Financial Corp. ("CBF") filed a putative class action suit, Searles v. DeMartini et al, No. 2020-0136 (Del. Chancery), against certain former directors, officers, and shareholders of CBF, alleging, among other things, that defendants breached certain fiduciary duties in connection with CBF's merger with FHN in 2017. Plaintiff claims unspecified damages related to the merger consideration and opportunity loss. FHN is unable to estimate an RPL range for this matter due to significant uncertainties regarding: whether a class will be certified and, if so, the composition of the class; the amount of potential damages

Note 10 – Contingencies and Other Disclosures (Continued)

that might be awarded, if any; of any such damages amount, the amount that FHN would be obliged to indemnify; the availability of applicable insurance; and the outcome of discovery, which has not yet begun.

Exposures from pre-2009 Mortgage Business

FHN is contending with indemnification claims related to "other whole loans sold," which were mortgage loans originated by FHN before 2009 and sold outside of an FHN securitization. These claims generally assert that FHN-originated loans contributed to losses in connection with mortgage loans securitized by the buyer of the loans. The claims generally do not include specific deficiencies for specific loans sold by FHN. Instead, the claims generally assert that FHN is liable for a share of the claimant's loss estimated by assessing the totality of the other whole loans sold by FHN to claimant in relation to the totality of the larger number of loans securitized by claimant. FHN is unable to estimate an RPL range for these matters due to significant uncertainties regarding: the number of, and the facts underlying, the loan originations which claimants assert are indemnifiable; the applicability of FHN's contractual indemnity covenants to those facts and originations; and, in those cases where an indemnity claim may be supported, whether any legal defenses, counterclaims, other counter-positions, or third-party claims might eliminate or reduce claims against FHN or their impact on FHN.

FHN also is contending with indemnification claims related to servicing obligations. The most significant is from Nationstar Mortgage LLC, currently doing business as "Mr. Cooper." Nationstar was the purchaser of FHN's mortgage servicing obligations and assets in 2013 and 2014 and, starting in 2011 until April 2020, was FHN's subservicer. Nationstar asserts several categories of indemnity obligations in connection with mortgage loans under the subservicing arrangement and under the purchase transaction. This matter currently is not in litigation, but litigation in the future is possible. FHN is unable to estimate an RPL range for this matter due to significant uncertainties regarding: the exact nature of each of Nationstar's claims and its position in respect of each; the number of, and the facts underlying, the claimed instances of indemnifiable events; the applicability of FHN's contractual indemnity covenants to those facts and events; and, in those cases where the facts and events might support an indemnity claim, whether any legal defenses, counterclaims, other counter-positions, or third-party claims might eliminate or reduce claims against FHN or their impact on FHN.

FHN has additional potential exposures related to its pre-2009 mortgage businesses. A few of those matters have become litigation which FHN currently estimates are immaterial, some are non-litigation claims or threats, some are mere subpoenas or other requests for information, and in some areas FHN has no indication of any active or threatened dispute. Some of those matters might eventually result in settlements, and some might eventually result in adverse litigation outcomes, but none are included in the material loss contingency liabilities mentioned above or in the RPL range mentioned above.

Mortgage Loan Repurchase and Foreclosure Liability

FHN's repurchase and foreclosure liability, primarily related to its pre-2009 mortgage businesses, is comprised of accruals to cover estimated loss content in the active pipeline (consisting of mortgage loan repurchase, make-whole, foreclosure/servicing demands and certain related exposures), estimated future inflows, and estimated loss content related to certain known claims not currently included in the active pipeline. FHN compares the estimated probable incurred losses determined under the applicable loss estimation approaches for the respective periods with current reserve levels. Changes in the estimated required liability levels are recorded as necessary through the repurchase and foreclosure provision.

Based on currently available information and experience to date, FHN has evaluated its loan repurchase, make-whole, foreclosure, and certain related exposures and has accrued for losses of $12.9 million and $14.5 million as of June 30, 2020 and December 31, 2019, respectively. Accrued liabilities for FHN's estimate of these obligations are reflected in Other liabilities on the Consolidated Condensed Statements of Condition. Charges/expense reversals to increase/decrease the liability are included within Repurchase and foreclosure provision/(provision credit) on the Consolidated Condensed Statements of Income. The estimates are based upon currently available information and fact patterns that exist as of each balance sheet date and could be subject to future changes. Changes to any one of these factors could significantly impact the estimate of FHN's liability.

OTHER DISCLOSURES

Indemnification Agreements and Guarantees

In the ordinary course of business, FHN enters into indemnification agreements for legal proceedings against its directors and officers and standard representations and warranties for underwriting agreements, merger and acquisition agreements, loan sales, contractual commitments, and various other business transactions or arrangements.

The extent of FHN's obligations under these agreements depends upon the occurrence of future events; therefore, it is not possible to estimate a maximum potential amount of payouts that could be required by such agreements.

Note 11 – Pension, Savings, and Other Employee Benefits

Pension plan. FHN sponsors a noncontributory, qualified defined benefit pension plan to employees hired or re-hired on or before September 1, 2007. Pension benefits are based on years of service, average compensation near retirement or other termination, and estimated social security benefits at age 65. Benefits under the plan are "frozen" so that years of service and compensation changes after 2012 do not affect the benefit owed. Minimum contributions are based upon actuarially determined amounts necessary to fund the total benefit obligation. Decisions to contribute to the plan are based upon pension funding requirements under the Pension Protection Act, the maximum amount deductible under the Internal Revenue Code, the actual performance of plan assets, and trends in the regulatory environment. FHN made no contributions to the qualified pension plan in 2019. Management does not currently anticipate that FHN will make a contribution to the qualified pension plan for the remainder of 2020.

FHN also maintains non-qualified plans including a supplemental retirement plan that covers certain employees whose benefits under the qualified pension plan have been limited by tax rules. These other non-qualified plans are unfunded, and contributions to these plans cover all benefits paid under the non-qualified plans.

Payments made under the non-qualified plans were $5.2 million for 2019. FHN anticipates making benefit payments under the non-qualified plans of $5.2 million in 2020.

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

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

Service cost is included in Employee compensation, incentives, and benefits in the Consolidated Condensed Statements of Income. All other components of net periodic benefit cost are included in All other expense.

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

	Pension Benefits		Other Benefits	
(Dollars in thousands)	**2020**	2019	**2020**	2019
Components of net periodic benefit cost				
Service cost	**$ 8**	$ 8	**$ 24**	$ 24
Interest cost	**5,910**	7,575	**307**	351
Expected return on plan assets	**(6,169)**	(9,173)	**(311)**	(269)
Amortization of unrecognized:				
Prior service cost/(credit)	**—**	—	**8**	—
Actuarial (gain)/loss	**3,224**	2,435	**(79)**	(117)
Net periodic benefit cost/(credit)	**$ 2,973**	$ 845	**$ (51)**	$ (11)

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

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

	Pension Benefits		Other Benefits	
(Dollars in thousands)	**2020**	2019	**2020**	2019
Components of net periodic benefit cost				
Service cost	**$ 16**	$ 16	**$ 49**	$ 48
Interest cost	**11,819**	15,150	**611**	702
Expected return on plan assets	**(12,337)**	(18,346)	**(622)**	(538)
Amortization of unrecognized:				
Prior service cost/(credit)	**—**	—	**16**	—
Actuarial (gain)/loss	**6,448**	4,870	**(154)**	(234)
Net periodic benefit cost/(credit)	**$ 5,946**	$ 1,690	**$ (100)**	$ (22)

Note 12 – Business Segment Information

FHN has four business segments: regional banking, fixed income, corporate, and non-strategic. The regional banking segment offers financial products and services, including traditional lending and deposit taking, to consumer and commercial customers in the southeast U.S. and other selected markets. Regional banking also provides investments, wealth management, financial planning, trust services and asset management, mortgage banking, credit card, and cash management. Additionally, the regional banking segment includes correspondent banking which provides credit, depository, and other banking related services to other financial institutions nationally. The fixed income segment consists of fixed income securities sales, trading, underwriting, and strategies for institutional clients in the U.S. and abroad, as well as loan sales, portfolio advisory services, and derivative sales. The corporate segment consists of unallocated corporate expenses, expense on subordinated debt issuances, bank-owned life insurance, unallocated interest income associated with excess equity, net impact of raising incremental capital, revenue and expense associated with deferred compensation plans, funds management, tax credit investment activities, derivative valuation adjustments related to prior sales of Visa Class B shares, gain/(loss) on extinguishment of debt, acquisition- and integration-related costs, expenses associated with rebranding initiatives, and various charges related to restructuring, repositioning, and efficiency efforts. The non-strategic segment consists of run-off consumer lending activities, pre-2009 mortgage banking elements, and the associated ancillary revenues and expenses related to these businesses. Non-strategic also includes the wind-down trust preferred loan portfolio and exited businesses.

Periodically, FHN adapts its segments to reflect managerial or strategic changes. FHN may also modify its methodology of allocating expenses and equity among segments which could change historical segment results. Business segment revenue, expense, asset, and equity levels reflect those which are specifically identifiable or which are allocated based on an internal allocation method. Because the allocations are based on internally developed assignments and allocations, to an extent they are subjective. Generally, all assignments and allocations have been consistently applied for all periods presented.

The following table reflects the amounts of consolidated revenue, expense, tax, and average assets for each segment for the three and six months ended June 30:

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2020**	2019	**2020**	2019
Consolidated				
Net interest income	**$ 305,344**	$ 303,610	**$ 608,146**	$ 598,118
Provision/(provision credit) for loan losses (a)	**110,000**	13,000	**255,000**	22,000
Noninterest income	**206,269**	157,993	**381,025**	299,038
Noninterest expense	**332,168**	300,394	**643,487**	596,484
Income/(loss) before income taxes	**69,445**	148,209	**90,684**	278,672
Provision/(benefit) for income taxes	**12,780**	34,467	**17,547**	61,525
Net income/(loss)	**$ 56,665**	$ 113,742	**$ 73,137**	$ 217,147
Average assets	**$ 47,934,074**	$ 41,243,007	**$ 45,742,993**	$ 41,064,093

(a) Increase in provision expense for the three and six months ended June 30, 2020 is primarily due to the economic forecast attributable to the COVID-19 pandemic.

Note 12 – Business Segment Information (Continued)

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2020**	2019	**2020**	2019
Regional Banking				
Net interest income	**$ 349,749**	$ 297,534	**$ 649,936**	$ 583,636
Provision/(provision credit) for loan losses (a)	**108,311**	17,776	**253,752**	31,218
Noninterest income	**79,312**	81,565	**161,208**	154,626
Noninterest expense	**202,297**	192,413	**413,331**	391,043
Income/(loss) before income taxes	**118,453**	168,910	**144,061**	316,001
Provision/(benefit) for income taxes	**26,948**	39,788	**31,349**	73,909
Net income/(loss)	**$ 91,505**	$ 129,122	**$ 112,712**	$ 242,092
Average assets	**$ 35,732,966**	$ 30,210,728	**$ 33,952,986**	$ 29,515,773
Fixed Income				
Net interest income	**$ 13,545**	$ 6,171	**$ 24,459**	$ 13,503
Noninterest income	**113,235**	65,622	**208,958**	119,429
Noninterest expense	**83,039**	55,534	**164,102**	106,067
Income/(loss) before income taxes	**43,741**	16,259	**69,315**	26,865
Provision/(benefit) for income taxes	**10,679**	3,840	**16,778**	6,297
Net income/(loss)	**$ 33,062**	$ 12,419	**$ 52,537**	$ 20,568
Average assets	**$ 3,260,362**	$ 3,127,305	**$ 3,512,277**	$ 2,988,548
Corporate				
Net interest income/(expense)	**$ (63,493)**	$ (7,146)	**$ (76,852)**	$ (15,060)
Noninterest income (b)	**12,943**	9,401	**9,225**	22,754
Noninterest expense (b) (c) (d)	**43,218**	56,873	**58,667**	98,652
Income/(loss) before income taxes	**(93,768)**	(54,618)	**(126,294)**	(90,958)
Provision/(benefit) for income taxes	**(25,097)**	(13,525)	**(31,469)**	(25,296)
Net income/(loss)	**$ (68,671)**	$ (41,093)	**$ (94,825)**	$ (65,662)
Average assets	**$ 8,168,307**	$ 6,827,937	**$ 7,476,249**	$ 7,439,591
Non-Strategic				
Net interest income	**$ 5,543**	$ 7,051	**$ 10,603**	$ 16,039
Provision/(provision credit) for loan losses (a)	**1,689**	(4,776)	**1,248**	(9,218)
Noninterest income	**779**	1,405	**1,634**	2,229
Noninterest expense	**3,614**	(4,426)	**7,387**	722
Income/(loss) before income taxes	**1,019**	17,658	**3,602**	26,764
Provision/(benefit) for income taxes	**250**	4,364	**889**	6,615
Net income/(loss)	**$ 769**	$ 13,294	**$ 2,713**	$ 20,149
Average assets	**$ 772,439**	$ 1,077,037	**$ 801,481**	$ 1,120,181

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

(a) Increase in provision expense for the three and six months ended June 30, 2020 is primarily due to the economic forecast attributable to the COVID-19 pandemic.

(b) Balance for the six months ended June 30, 2020 includes a decrease due to fluctuations in deferred compensation income driven by equity market valuations and mirrored by changes in deferred compensation expense, which is included in employee compensation expense.

(c) 2020 and 2019 include acquisition-related expenses and restructuring-related costs associated with efficiency initiatives; refer to Note 2 - Acquisitions and Divestitures and Note 17 - Restructuring, Repositioning, and Efficiency for additional information.

(d) Three and six months ended June 30, 2019 includes $9.1 million of asset impairments, professional fees, and other customer-contact and technology-related expenses associated with rebranding initiatives.

Note 12 – Business Segment Information (Continued)

The following tables reflect a disaggregation of FHN's noninterest income by major product line and reportable segment for the three months ended June 30, 2020 and 2019:

	Three months ended June 30, 2020				
(Dollars in thousands)	**Regional Banking**	**Fixed Income**	**Corporate**	**Non-Strategic**	**Consolidated**
Noninterest income:					
Fixed income (a)	**$ 81**	**$ 112,340**	**$ —**	**$ —**	**$ 112,421**
Deposit transactions and cash management	**29,541**	**—**	**1,204**	**42**	**30,787**
Brokerage, management fees and commissions	**13,800**	**—**	**—**	**—**	**13,800**
Trust services and investment management	**7,750**	**—**	**(17)**	**—**	**7,733**
Bankcard income	**6,551**	**—**	**74**	**27**	**6,652**
BOLI (b)	**—**	**—**	**6,380**	**—**	**6,380**
Debt securities gains/(losses), net (b)	**—**	**—**	**—**	**—**	**—**
Equity securities gains/(losses), net (b)	**—**	**—**	**(1,493)**	**—**	**(1,493)**
All other income and commissions (c)	**21,589**	**895**	**6,795**	**710**	**29,989**
Total noninterest income	**$ 79,312**	**$ 113,235**	**$ 12,943**	**$ 779**	**$ 206,269**

(a) Includes $8.8 million of underwriting, portfolio advisory, and other noninterest income in scope of Accounting Standards Codification ("ASC") 606, "Revenue From Contracts With Customers."
(b) Represents noninterest income excluded from the scope of ASC 606. Amount is presented for informational purposes to reconcile total non-interest income.
(c) Includes other service charges, ATM and interchange fees, electronic banking fees, and insurance commission in scope of ASC 606.

	Three months ended June 30, 2019				
(Dollars in thousands)	Regional Banking	Fixed Income	Corporate	Non- Strategic	Consolidated
Noninterest income:					
Fixed income (a)	$ 46	$ 65,262	$ —	$ 1,106	$ 66,414
Deposit transactions and cash management	30,632	1	1,707	34	32,374
Brokerage, management fees and commissions	14,120	—	—	—	14,120
Trust services and investment management	7,902	—	(14)	—	7,888
Bankcard income	6,597	—	60	(302)	6,355
BOLI (b)	—	—	5,126	—	5,126
Debt securities gains/(losses), net (b)	—	—	(267)	—	(267)
Equity securities gains/(losses), net (b)	—	—	316	—	316
All other income and commissions (c)	22,268	359	2,473	567	25,667
Total noninterest income	$ 81,565	$ 65,622	$ 9,401	$ 1,405	$ 157,993

Certain previously reported amounts have been reclassified to agree with current presentation.
(a) Includes $7.1 million of underwriting, portfolio advisory, and other noninterest income in scope of Accounting Standards Codification ("ASC") 606, "Revenue From Contracts With Customers."
(b) Represents noninterest income excluded from the scope of ASC 606. Amount is presented for informational purposes to reconcile total non-interest income.
(c) Includes other service charges, ATM and interchange fees, electronic banking fees, and insurance commission in scope of ASC 606.

Note 12 – Business Segment Information (Continued)

The following tables reflect a disaggregation of FHN's noninterest income by major product line and reportable segment for the six months ended June 30, 2020 and 2019:

	Six Months Ended June 30, 2020				
(Dollars in thousands)	Regional Banking	Fixed Income	Corporate	Non-Strategic	Consolidated
Noninterest income:					
Fixed income (a)	**$ 202**	**$ 207,854**	**$ —**	**$ —**	**$ 208,056**
Deposit transactions and cash management	**58,368**	**—**	**2,640**	**69**	**61,077**
Brokerage, management fees and commissions	**29,205**	**—**	**—**	**—**	**29,205**
Trust services and investment management	**14,963**	**—**	**(35)**	**—**	**14,928**
Bankcard income	**13,703**	**—**	**143**	**59**	**13,905**
BOLI (b)	**—**	**—**	**10,969**	**—**	**10,969**
Debt securities gains/(losses), net (b)	**—**	**—**	**—**	**—**	**—**
Equity securities gains/(losses), net (b)	**—**	**—**	**(1,468)**	**—**	**(1,468)**
All other income and commissions (c) (d)	**44,767**	**1,104**	**(3,024)**	**1,506**	**44,353**
Total noninterest income	**$ 161,208**	**$ 208,958**	**$ 9,225**	**$ 1,634**	**$ 381,025**

(a) Includes $18.1 million of underwriting, portfolio advisory, and other noninterest income in scope of Accounting Standards Codification ("ASC") 606, "Revenue From Contracts With Customers."
(b) Represents noninterest income excluded from the scope of ASC 606. Amount is presented for informational purposes to reconcile total non-interest income.
(c) Includes other service charges, ATM and interchange fees, electronic banking fees, and insurance commission in scope of ASC 606.
(d) Corporate balance includes negative deferred compensation income driven by equity market valuations.

	Six Months Ended June 30, 2019				
(Dollars in thousands)	Regional Banking	Fixed Income	Corporate	Non- Strategic	Consolidated
Noninterest income:					
Fixed income (a)	$ 63	$ 118,994	$ —	$ 1,106	$ 120,163
Deposit transactions and cash management	60,658	4	3,270	63	63,995
Brokerage, management fees and commissions	26,753	—	—	—	26,753
Trust services and investment management	14,958	—	(44)	—	14,914
Bankcard income	13,640	—	122	(455)	13,307
BOLI (b)	—	—	9,528	—	9,528
Debt securities gains/(losses), net (b)	—	—	(267)	—	(267)
Equity securities gains/(losses), net (b)	—	—	347	—	347
All other income and commissions (c)	38,554	431	9,798	1,515	50,298
Total noninterest income	$ 154,626	$ 119,429	$ 22,754	$ 2,229	$ 299,038

Certain previously reported amounts have been reclassified to agree with current presentation.
(a) Includes $14.4 million of underwriting, portfolio advisory, and other noninterest income in scope of Accounting Standards Codification ("ASC") 606, "Revenue From Contracts With Customers."
(b) Represents noninterest income excluded from the scope of ASC 606. Amount is presented for informational purposes to reconcile total non-interest income.
(c) Includes other service charges, ATM and interchange fees, electronic banking fees, and insurance commission in scope of ASC 606.

Note 13 – Variable Interest Entities

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

Consolidated Variable Interest Entities

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

The following table summarizes the carrying value of assets and liabilities associated with rabbi trusts used for deferred compensation plans which are consolidated by FHN as of June 30, 2020 and December 31, 2019:

(Dollars in thousands)	**June 30, 2020**	December 31, 2019
Assets:		
Other assets	**$ 93,212**	$ 91,873
Total assets	**$ 93,212**	$ 91,873
Liabilities:		
Other liabilities	**$ 71,783**	$ 70,830
Total liabilities	**$ 71,783**	$ 70,830

Nonconsolidated Variable Interest Entities

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

FHN accounts for all qualifying LIHTC investments under the proportional amortization method. Under this method an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense/

Note 13 – Variable Interest Entities (Continued)

(benefit). LIHTC investments that do not qualify for the proportional amortization method are accounted for using the equity method. Expenses associated with these investments were not material for the three or six months ended June 30, 2020 and 2019.

The following table summarizes the impact to the Provision/(benefit) for income taxes on the Consolidated Condensed Statements of Income for the three and six months ended June 30, 2020, and 2019 for LIHTC investments accounted for under the proportional amortization method.

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2020**	2019	**2020**	2019
Provision/(benefit) for income taxes:				
Amortization of qualifying LIHTC investments	**$ 5,752**	$ 4,287	**$ 11,313**	$ 8,285
Low income housing tax credits	**(4,758)**	(3,522)	**(9,356)**	(7,151)
Other tax benefits related to qualifying LIHTC investments	**(2,583)**	(1,609)	**(5,138)**	(3,219)

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

FHCIG also makes equity investments as a limited partner or non-managing member in entities that receive Historic Tax Credits pursuant to Section 47 of the Internal Revenue Code. As of June 30, 2020 and December 31, 2019, there were no investments funded through loans from community development enterprises. The purpose of these entities is the rehabilitation of historic buildings with the tax credits provided to incent private investment in the historic cores of cities and towns. These entities are considered VIEs as FHCIG, the holder of the equity investment at risk, does not have the ability to direct the activities that most significantly affect the performance of the entity through voting rights or similar rights. FHCIG could absorb losses that are significant to the entities as it has a risk of loss for its capital contributions and funding commitments to each partnership. The managing members are considered the primary beneficiaries as managerial functions give them the power to direct the activities that most significantly impact the entities' economic performance and the managing members are exposed to all losses beyond FHCIG's initial capital contributions and funding commitments.

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

On-Balance Sheet Trust Preferred Securitization. In 2007, First Horizon Bank executed a securitization of certain small issuer trust preferreds for which the underlying trust meets the definition of a VIE as the holders of the equity investment at risk do not have the

Note 13 – Variable Interest Entities (Continued)

power through voting rights, or similar rights, to direct the activities that most significantly impact the entity's economic performance. First Horizon Bank could potentially receive benefits or absorb losses that are significant to the trust based on the size and priority of the interests it retained in the securities issued by the trust. However, since First Horizon Bank did not retain servicing or other decision making rights, First Horizon Bank is not the primary beneficiary as it does not have the power to direct the activities that most significantly impact the trust's economic performance. Accordingly, First Horizon Bank has accounted for the funds received through the securitization as a term borrowing in its Consolidated Condensed Statements of Condition. First Horizon Bank has no contractual requirements to provide financial support to the trust.

Proprietary Residential Mortgage Securitizations. FHN holds variable interests (primarily principal-only strips) in proprietary residential mortgage securitization trusts it established prior to 2008 as a source of liquidity for its mortgage banking operations. Except for recourse due to breaches of representations and warranties made by FHN in connection with the sale of the loans to the trusts, the creditors of the trusts hold no recourse to the assets of FHN. Additionally, FHN has no contractual requirements to provide financial support to the trusts. Based on their restrictive nature, the trusts are considered VIEs as the holders of equity at risk do not have the power through voting rights, or similar rights, to direct the activities that most significantly impact the trusts' economic performance. However, FHN did not have the ability to participate in significant portions of a securitization trust's cash flows and FHN was not considered the primary beneficiary of the trust. Therefore, these trusts were not consolidated by FHN.

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

Commercial Loan Troubled Debt Restructurings. For certain troubled commercial loans, First Horizon Bank restructures the terms of the borrower's debt in an effort to increase the probability of receipt of amounts contractually due. Following a troubled debt restructuring, the borrower entity typically meets the definition of a VIE as the initial determination of whether an entity is a VIE must be reconsidered as events have proven that the entity's equity is not sufficient to permit it to finance its activities without additional subordinated financial support or a restructuring of the terms of its financing.

As First Horizon Bank does not have the power to direct the activities that most significantly impact such troubled commercial borrowers' operations, it is not considered the primary beneficiary even in situations where, based on the size of the financing provided, First Horizon Bank is exposed to potentially significant benefits and losses of the borrowing entity. First Horizon Bank has no contractual requirements to provide financial support to the borrowing entities beyond certain funding commitments established upon restructuring of the terms of the debt that allows for preparation of the underlying collateral for sale.

Sale Leaseback Transaction. First Horizon Bank has entered into an agreement with a single asset leasing entity for the sale and leaseback of an office building. In conjunction with this transaction, First Horizon Bank loaned funds to a related party of the buyer that were used for the purchase price of the building. First Horizon Bank also entered into a construction loan agreement with the single asset entity for renovation of the building. Since this transaction did not qualify as a sale prior to 2019, it was accounted for using the deposit method which created a net asset or liability for all cash flows between First Horizon Bank and the buyer. Upon adoption of ASU 2016-02 the transaction qualified as a seller-financed sale-leaseback. The buyer-lessor in this transaction meets the definition of a VIE as it does not have sufficient equity at risk since First Horizon Bank is providing the funding for the purchase and renovation. A related party of the buyer-lessor has the power to direct the activities that most significantly impact the operations and could potentially receive benefits or absorb losses that are significant to the transactions, making it the primary beneficiary. Therefore, First Horizon Bank does not consolidate the leasing entity.

Proprietary Trust Preferred Issuances. In conjunction with the acquisition of CBF, FHN acquired junior subordinated debt underlying multiple issuances of trust preferred debt by institutions previously acquired by CBF. All of the remaining trusts are considered VIEs because the ownership interests from the capital contributions to these trusts are not considered "at risk" in evaluating whether the holders of the equity investments at risk in the trusts have the power through voting rights, or similar rights, to direct the activities that most significantly impact the entities' economic performance. Thus, FHN cannot be the trusts' primary beneficiary because its ownership interests in the trusts are not considered variable interests as they are not considered "at risk". Consequently, none of the trusts are consolidated by FHN.

Note 13 – Variable Interest Entities (Continued)

The following table summarizes FHN's nonconsolidated VIEs as of June 30, 2020:

(Dollars in thousands)	Maximum Loss Exposure	Liability Recognized	Classification
Type			
Low income housing partnerships	$ 248,712	$ 124,318	(a)
Other tax credit investments (b)	5,959	—	Other assets
Small issuer trust preferred holdings (c)	209,177	—	Loans, net of unearned income
On-balance sheet trust preferred securitization	32,144	82,030	(d)
Proprietary residential mortgage securitizations	628	—	Trading securities
Holdings of agency mortgage-backed securities (c)	4,561,144	—	(e)
Commercial loan troubled debt restructurings (f)	43,432	—	Loans, net of unearned income
Sale-leaseback transaction	18,052	—	(g)
Proprietary trust preferred issuances (h)	—	167,014	Term borrowings

(a) Maximum loss exposure represents $124.4 million of current investments and $124.3 million of accrued contractual funding commitments. Accrued funding commitments represent unconditional contractual obligations for future funding events, and are also recognized in Other liabilities. FHN currently expects to be required to fund these accrued commitments by the end of 2024.
(b) A liability is not recognized as investments are written down over the life of the related tax credit. Maximum loss exposure represents the value of current investments.
(c) Maximum loss exposure represents the value of current investments. A liability is not recognized as FHN is solely a holder of the trusts' securities.
(d) Includes $112.5 million classified as Loans, net of unearned income, and $1.7 million classified as Trading securities which are offset by $82.0 million classified as Term borrowings.
(e) Includes $.7 billion classified as Trading securities and $3.9 billion classified as Securities available-for-sale.
(f) Maximum loss exposure represents $43.4 million of current receivables and contractual funding commitments on loans related to commercial borrowers involved in a troubled debt restructuring were non-material.
(g) Maximum loss exposure represents the current loan balance plus additional funding commitments.
(h) No exposure to loss due to nature of FHN's involvement.

The following table summarizes FHN's nonconsolidated VIEs as of December 31, 2019:

(Dollars in thousands)	Maximum Loss Exposure	Liability Recognized	Classification
Type			
Low income housing partnerships	$ 237,668	$ 136,404	(a)
Other tax credit investments (b) (c)	6,282	—	Other assets
Small issuer trust preferred holdings (d)	238,397	—	Loans, net of unearned income
On-balance sheet trust preferred securitization	33,265	80,908	(e)
Proprietary residential mortgage securitizations	941	—	Trading securities
Holdings of agency mortgage-backed securities (d)	4,537,685	—	(f)
Commercial loan troubled debt restructurings (g)	45,169	—	Loans, net of unearned income
Sale-leaseback transaction	18,111	—	(h)
Proprietary trust preferred issuances (i)	—	167,014	Term borrowings

(a) Maximum loss exposure represents $101.3 million of current investments and $136.4 million of accrued contractual funding commitments. Accrued funding commitments represent unconditional contractual obligations for future funding events, and are also recognized in Other liabilities. FHN currently expects to be required to fund these accrued commitments by the end of 2023.
(b) A liability is not recognized as investments are written down over the life of the related tax credit.
(c) Maximum loss exposure represents current investment balance. As of December 31, 2019, there were no investments funded through loans from community development enterprises.
(d) Maximum loss exposure represents the value of current investments. A liability is not recognized as FHN is solely a holder of the trusts' securities.
(e) Includes $112.5 million classified as Loans, net of unearned income, and $1.7 million classified as Trading securities which are offset by $80.9 million classified as Term borrowings.
(f) Includes $.5 billion classified as Trading securities and $4.0 billion classified as Securities available-for-sale.
(g) Maximum loss exposure represents $43.4 million of current receivables and $1.8 million of contractual funding commitments on loans related to commercial borrowers involved in a troubled debt restructuring.
(h) Maximum loss exposure represents the current loan balance plus additional funding commitments less amounts received from the buyer-lessor.
(i) No exposure to loss due to nature of FHN's involvement.

Note 14 – Derivatives

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

Credit risk represents the potential loss that may occur if a party to a transaction fails to perform according to the terms of the contract. The measure of credit exposure is the replacement cost of contracts with a positive fair value. FHN manages credit risk by entering into financial instrument transactions through national exchanges, primary dealers or approved counterparties, and by using mutual margining and master netting agreements whenever possible to limit potential exposure. FHN also maintains collateral posting requirements with certain counterparties to limit credit risk. Daily margin posted or received with central clearinghouses is considered a legal settlement of the related derivative contracts which results in a net presentation for each contract in the Consolidated Condensed Statements of Condition. Treatment of daily margin as a settlement has no effect on hedge accounting or gains/losses for the applicable derivative contracts. On June 30, 2020 and December 31, 2019, respectively, FHN had $230.2 million and $136.6 million of cash receivables and $130.6 million and $53.0 million of cash payables related to collateral posting under master netting arrangements, inclusive of collateral posted related to contracts with adjustable collateral posting thresholds and over-collateralized positions, with derivative counterparties. With exchange-traded contracts, the credit risk is limited to the clearinghouse used. For non-exchange traded instruments, credit risk may occur when there is a gain in the fair value of the financial instrument and the counterparty fails to perform according to the terms of the contract and/or when the collateral proves to be of insufficient value. See additional discussion regarding master netting agreements and collateral posting requirements later in this note under the heading "Master Netting and Similar Agreements." Market risk represents the potential loss due to the decrease in the value of a financial instrument caused primarily by changes in interest rates or the prices of debt instruments. FHN manages market risk by establishing and monitoring limits on the types and degree of risk that may be undertaken. FHN continually measures this risk through the use of models that measure value-at-risk and earnings-at-risk.

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

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

Trading Activities

FHN's fixed income segment trades U.S. Treasury, U.S. Agency, government-guaranteed loan, mortgage-backed, corporate and municipal fixed income securities, and other securities for distribution to customers. When these securities settle on a delayed basis, they are considered forward contracts. Fixed income also enters into interest rate contracts, including caps, swaps, and floors, for its customers. In addition, fixed income enters into futures and option contracts to economically hedge interest rate risk associated with a portion of its securities inventory. These transactions are measured at fair value, with changes in fair value recognized currently in fixed income noninterest income. Related assets and liabilities are recorded on the Consolidated Condensed Statements of Condition as Derivative assets and Derivative liabilities. The FHN Financial Risk Committee and the Credit Risk Management Committee collaborate to mitigate credit risk related to these transactions. Credit risk is controlled through credit approvals, risk control limits, and ongoing monitoring procedures. Total trading revenues were $100.3 million and $54.5 million for the three months ended

Note 14 – Derivatives (Continued)

June 30, 2020 and 2019, and $178.6 million and $99.0 million for the six months ended June 30, 2020 and 2019, respectively. Trading revenues are inclusive of both derivative and non-derivative financial instruments, and are included in Fixed income noninterest income on the Consolidated Condensed Statements of Income.

The following tables summarize FHN's derivatives associated with fixed income trading activities as of June 30, 2020 and December 31, 2019:

	June 30, 2020		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Customer interest rate contracts	**$ 3,667,914**	**$ 254,246**	**$ 1,827**
Offsetting upstream interest rate contracts	**3,667,914**	**7,454**	**17,667**
Forwards and futures purchased	**7,351,632**	**31,853**	**787**
Forwards and futures sold	**7,744,323**	**3,555**	**29,696**

	December 31, 2019		
(Dollars in thousands)	Notional	Assets	Liabilities
Customer interest rate contracts	$ 2,697,522	$ 65,768	$ 6,858
Offsetting upstream interest rate contracts	2,697,522	2,583	3,994
Option contracts purchased	40,000	131	—
Forwards and futures purchased	9,217,350	17,029	3,187
Forwards and futures sold	9,403,112	3,611	16,620

Interest Rate Risk Management

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

These contracts do not qualify for hedge accounting and are measured at fair value with gains or losses included in current earnings in Noninterest expense on the Consolidated Condensed Statements of Income.

FHN designated a derivative transaction in a hedging strategy to manage interest rate risk on $400.0 million of senior debt issued by First Horizon Bank prior to its maturity in December 2019. This qualified for hedge accounting under ASC 815-20 using the long-haul method. FHN entered into a pay floating, receive fixed interest rate swap to hedge the interest rate risk of the senior debt. First Horizon Bank early redeemed the $400.0 million senior debt on November 1, 2019.

FHN has designated a derivative transaction in a hedging strategy to manage interest rate risk on $500.0 million of senior debt which matures in December 2020. This qualifies for hedge accounting under ASC 815-20 using the long-haul method. FHN entered into a pay floating, receive fixed interest rate swap to hedge the interest rate risk of the senior debt.

Note 14 – Derivatives (Continued)

The following tables summarize FHN's derivatives associated with interest rate risk management activities as of June 30, 2020 and December 31, 2019:

	June 30, 2020		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Customer Interest Rate Contracts Hedging			
Hedging Instruments and Hedged Items:			
Customer interest rate contracts	**$ 3,679,991**	**$ 297,233**	**$ 258**
Offsetting upstream interest rate contracts	**3,679,991**	**4,877**	**24,922**
Debt Hedging			
Hedging Instruments:			
Interest rate swaps	**$ 500,000**	**$ 27**	**N/A**
Hedged Items:			
Term borrowings:			
Par	**N/A**	**N/A**	**$ 500,000**
Cumulative fair value hedging adjustments	**N/A**	**N/A**	**2,142**
Unamortized premium/(discount) and issuance costs	**N/A**	**N/A**	**(296)**
Total carrying value	**N/A**	**N/A**	**$ 501,846**

	December 31, 2019		
(Dollars in thousands)	Notional	Assets	Liabilities
Customer Interest Rate Contracts Hedging			
Hedging Instruments and Hedged Items:			
Customer interest rate contracts	$ 3,044,067	$ 90,394	$ 3,515
Offsetting upstream interest rate contracts	3,044,067	3,537	9,735
Debt Hedging			
Hedging Instruments:			
Interest rate swaps	$ 500,000	N/A	$ 69
Hedged Items:			
Term borrowings:			
Par	N/A	N/A	$ 500,000
Cumulative fair value hedging adjustments	N/A	N/A	(1,604)
Unamortized premium/(discount) and issuance costs	N/A	N/A	(740)
Total carrying value	N/A	N/A	$ 497,656

Note 14 – Derivatives (Continued)

The following table summarizes gains/(losses) on FHN's derivatives associated with interest rate risk management activities for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
(Dollars in thousands)	**Gains/(Losses)**	Gains/(Losses)	**Gains/(Losses)**	Gains/(Losses)
Customer Interest Rate Contracts Hedging				
Hedging Instruments and Hedged Items:				
Customer interest rate contracts (a)	**$ 15,844**	$ 50,706	**$ 211,396**	$ 79,818
Offsetting upstream interest rate contracts (a)	**(15,844)**	(50,706)	**(211,396)**	(79,818)
Debt Hedging				
Hedging Instruments:				
Interest rate swaps (b)	**$ (737)**	$ 6,697	**$ 4,197**	$ 10,976
Hedged Items:				
Term borrowings (a) (c)	**720**	(6,605)	**(3,745)**	(10,871)

(a) Gains/losses included in All other expense within the Consolidated Condensed Statements of Income.
(b) Gains/losses included in the Interest expense.
(c) Represents gains and losses attributable to changes in fair value due to interest rate risk as designated in ASC 815-20 hedging relationships.

In first quarter 2016, FHN entered into a pay floating, receive fixed interest rate swap in a hedging strategy to manage its exposure to the variability in cash flows related to the interest payments for the following five years on $250 million principal of debt instruments, which primarily consist of held-to-maturity trust preferred loans that have variable interest payments based on 3-month LIBOR. In first quarter 2017, FHN initiated cash flow hedges of $650 million notional amount that had initial durations between three years and seven years. The debt instruments primarily consist of held-to-maturity commercial loans that have variable interest payments based on 1-month LIBOR. $200 million of these swaps expired in first quarter 2020. These qualify for hedge accounting as cash flow hedges under ASC 815-20. All changes in the fair value of these derivatives are recorded as a component of AOCI. Amounts are reclassified from AOCI to earnings as the hedged cash flows affect earnings. Interest paid or received for these swaps is recognized as an adjustment to interest income of the assets whose cash flows are being hedged.

The following tables summarize FHN's derivative activities associated with cash flow hedges as of June 30, 2020 and December 31, 2019:

	June 30, 2020		
(Dollars in thousands)	**Notional**	**Assets**	**Liabilities**
Cash Flow Hedges			
Hedging Instruments:			
Interest rate swaps	**$ 700,000**	**$ 29**	**$ 48**
Hedged Items:			
Variability in cash flows related to debt instruments (primarily loans)	**N/A**	**$ 700,000**	**N/A**

	December 31, 2019		
(Dollars in thousands)	Notional	Assets	Liabilities
Cash Flow Hedges			
Hedging Instruments:			
Interest rate swaps	$ 900,000	N/A	$ 241
Hedged Items:			
Variability in cash flows related to debt instruments (primarily loans)	N/A	$ 900,000	N/A

Note 14 – Derivatives (Continued)

The following table summarizes gains/(losses) on FHN's derivatives associated with cash flow hedges for the three and six months ended June 30, 2020 and 2019:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
(Dollars in thousands)	**Gains/(Losses)**	Gains/(Losses)	**Gains/(Losses)**	Gains/(Losses)
Cash Flow Hedges				
Hedging Instruments:				
Interest rate swaps (a)	**$ 69**	$ 11,896	**$ 17,443**	$ 19,114
Gain/(loss) recognized in Other comprehensive income/(loss)	**1,640**	7,575	**14,795**	11,511
Gain/(loss) reclassified from AOCI into Interest income	**(1,623)**	1,334	**(1,717)**	2,785

(a) Approximately $9.6 million of pre-tax gains are expected to be reclassified into earnings in the next twelve months.

Other Derivatives

In conjunction with the sales of a portion of its Visa Class B shares in 2010 and 2011, FHN and the purchaser entered into derivative transactions whereby FHN will make or receive cash payments whenever the conversion ratio of the Visa Class B shares into Visa Class A shares is adjusted. FHN is also required to make periodic financing payments to the purchasers until all of Visa's covered litigation matters are resolved. In third quarter 2018, FHN sold the remainder of its Visa Class B shares, entering into a similar derivative arrangement with the counterparty. All of these derivatives extend until the end of Visa's Covered Litigation matters. In September 2018, Visa reached a preliminary settlement for one class of plaintiffs in its Payment Card Interchange matter which later received final court approval in December 2019. In accordance with the agreement terms, several individual plaintiffs opted out of the settlement and have the opportunity to separately pursue resolution with Visa. Settlement has not been reached with the second class of plaintiffs in this matter and other covered litigation matters are also pending judicial resolution. Accordingly, the value and timing for completion of Visa's Covered Litigation matters are uncertain.

The derivative transaction executed in third quarter 2018 includes a contingent accelerated termination clause based on the credit ratings of FHN and First Horizon Bank. FHN has not received or paid collateral related to this contract.

As of June 30, 2020 and December 31, 2019, the derivative liabilities associated with the sales of Visa Class B shares were $18.0 million and $22.8 million, respectively. See Note 17 - Fair Value of Assets & Liabilities for discussion of the valuation inputs and processes for these Visa-related derivatives.

FHN utilizes cross currency swaps and cross currency interest rate swaps to economically hedge its exposure to foreign currency risk and interest rate risk associated with non-U.S. dollar denominated loans. As of June 30, 2020 and December 31, 2019, these loans were valued at $13.8 million and $18.4 million, respectively. The balance sheet amount and the gains/losses associated with these derivatives were not significant.

Related to its loan participation/syndication activities, FHN enters into risk participation agreements, under which it assumes exposure for, or receives indemnification for, borrowers' performance on underlying interest rate derivative contracts. FHN's counterparties in these contracts are other lending institutions involved in the loan participation/syndication arrangements for which the underlying interest rate derivative contract is intended to hedge interest rate risk for the borrower. FHN will make (other institution is the lead bank) or receive (FHN is the lead bank) payments for risk participations if the borrower defaults on its obligation to perform under the terms of its interest rate derivative agreement with the lead bank in the participation. As of June 30, 2020 the notional values of FHN's risk participations were $93.8 million of derivative assets and $246.1 million of derivative liabilities. The notional value for risk participation/syndication agreements is consistent with the percentage of participation in the lending arrangement. FHN's maximum exposure or benefit in the risk participation agreements is contingent on the fair value of the underlying interest rate derivative contracts for which the borrower is in a liability position at the time of default. FHN monitors the credit risk associated with the borrowers to which the risk participations relate through the same credit risk assessment process utilized for establishing credit loss estimates for its loan portfolio. These credit risk estimates are included in the determination of fair value for the risk participations. As of June 30, 2020, FHN had recognized $170 thousand of derivative assets and $830 thousand of derivative liabilities associated with risk participation agreements.

Master Netting and Similar Agreements

As previously discussed, FHN uses master netting agreements, mutual margining agreements and collateral posting requirements to minimize credit risk on derivative

Note 14 – Derivatives (Continued)

contracts. Master netting and similar agreements are used when counterparties have multiple derivatives contracts that allow for a "right of setoff," meaning that a counterparty may net offsetting positions and collateral with the same counterparty under the contract to determine a net receivable or payable. The following discussion provides an overview of these arrangements which may vary due to the derivative type and market in which a derivative transaction is executed.

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

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

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

The net fair value, determined by individual counterparty, of all interest rate derivative instruments with adjustable collateral posting thresholds was $253.7 million of assets and $3.8 million of liabilities on June 30, 2020, and $63.1 million of assets and $6.4 million of liabilities on December 31, 2019. As of June 30, 2020 and December 31, 2019, FHN had received collateral of $340.0 million and $148.5 million and posted collateral of $43.5 million and $18.4 million, respectively, in the normal course of business related to these agreements.

Certain agreements entered into prior to required central clearing also contain accelerated termination provisions, inclusive of the right of offset, if a counterparty's credit rating falls below a specified level. If a counterparty's debt rating (including FHN's and First Horizon Bank's) were to fall below these minimums, these provisions would be triggered, and the counterparties could terminate the agreements and require immediate settlement of all derivative contracts under the agreements. The net fair value, determined by individual counterparty, of all interest rate derivative instruments with credit-risk-related contingent accelerated termination provisions was $253.6 million of assets and $25.5 million of liabilities on June 30, 2020, and $63.1 million of assets and $10.3 million of liabilities on December 31, 2019. As of June 30, 2020 and December 31, 2019, FHN had received collateral of $340.0 million and $148.5 million and posted collateral of $65.1 million and $22.7 million, respectively, in the normal course of business related to these contracts.

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

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

Note 14 – Derivatives (Continued)

The following table provides details of derivative assets and collateral received as presented on the Consolidated Condensed Statements of Condition as of June 30, 2020 and December 31, 2019:

(Dollars in thousands)	Gross amounts of recognized assets	Gross amounts offset in the Statements of Condition	Net amounts of assets presented in the Statements of Condition (a)	Gross amounts not offset in the Statements of Condition		Net amount
				Derivative liabilities available for offset	Collateral received	
Derivative assets:						
June 30, 2020						
Interest rate derivative contracts	**$ 564,037**	**$ —**	**$ 564,037**	**$ (2,253)**	**$ (348,497)**	**$ 213,287**
Forward contracts	**35,408**	**—**	**35,408**	**(6,927)**	**(12,590)**	**15,891**
	$ 599,445	**$ —**	**$ 599,445**	**$ (9,180)**	**$ (361,087)**	**$ 229,178**
December 31, 2019						
Interest rate derivative contracts	$ 162,344	$ —	$ 162,344	$ (5,604)	$ (143,334)	$ 13,406
Forward contracts	20,640	—	20,640	(13,292)	(2,000)	5,348
	$ 182,984	$ —	$ 182,984	$ (18,896)	$ (145,334)	$ 18,754

(a) Included in Derivative assets on the Consolidated Condensed Statements of Condition. As of June 30, 2020 and December 31, 2019, $.3 million and $.1 million, respectively, of derivative assets have been excluded from these tables because they are generally not subject to master netting or similar agreements.

The following table provides details of derivative liabilities and collateral pledged as presented on the Consolidated Condensed Statements of Condition as of June 30, 2020 and December 31, 2019:

(Dollars in thousands)	Gross amounts of recognized liabilities	Gross amounts offset in the Statements of Condition	Net amounts of liabilities presented in the Statements of Condition (a)	Gross amounts not offset in the Statements of Condition		Net amount
				Derivative assets available for offset	Collateral pledged	
Derivative liabilities:						
June 30, 2020						
Interest rate derivative contracts	**$ 44,743**	**$ —**	**$ 44,743**	**$ (2,253)**	**$ (38,832)**	**$ 3,658**
Forward contracts	**30,483**	**—**	**30,483**	**(6,927)**	**(23,556)**	**—**
	$ 75,226	**$ —**	**$ 75,226**	**$ (9,180)**	**$ (62,388)**	**$ 3,658**
December 31, 2019						
Interest rate derivative contracts	$ 24,431	$ —	$ 24,431	$ (5,604)	$ (18,689)	$ 138
Forward contracts	19,807	—	19,807	(13,292)	(6,515)	—
	$ 44,238	$ —	$ 44,238	$ (18,896)	$ (25,204)	$ 138

(a) Included in Derivative liabilities on the Consolidated Condensed Statements of Condition. As of June 30, 2020 and December 31, 2019, $19.2 million and $23.2 million, respectively, of derivative liabilities (primarily Visa-related derivatives) have been excluded from these tables because they are generally not subject to master netting or similar agreements.

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

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

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

The following table provides details of Securities purchased under agreements to resell as presented on the Consolidated Condensed Statements of Condition and collateral pledged by counterparties as of June 30, 2020 and December 31, 2019:

				Gross amounts not offset in the Statements of Condition		
(Dollars in thousands)	Gross amounts of recognized assets	Gross amounts offset in the Statements of Condition	Net amounts of assets presented in the Statements of Condition	Offsetting securities sold under agreements to repurchase	Securities collateral (not recognized on FHN's Statements of Condition)	Net amount
Securities purchased under agreements to resell:						
June 30, 2020	**$ 302,267**	**$ —**	**$ 302,267**	**$ (23,207)**	**$ (277,660)**	**$ 1,400**
December 31, 2019	586,629	—	586,629	(21,004)	(562,702)	2,923

The following table provides details of Securities sold under agreements to repurchase as presented on the Consolidated Condensed Statements of Condition and collateral pledged by FHN as of June 30, 2020 and December 31, 2019:

				Gross amounts not offset in the Statements of Condition		
(Dollars in thousands)	Gross amounts of recognized liabilities	Gross amounts offset in the Statements of Condition	Net amounts of liabilities presented in the Statements of Condition	Offsetting securities purchased under agreements to resell	Securities/ government guaranteed loans collateral	Net amount
Securities sold under agreements to repurchase:						
June 30, 2020	**$ 1,482,585**	**$ —**	**$ 1,482,585**	**$ (23,207)**	**$ (1,459,297)**	**$ 81**
December 31, 2019	716,925	—	716,925	(21,004)	(695,879)	42

Due to the short duration of Securities sold under agreements to repurchase and the nature of collateral involved, the risks associated with these transactions are considered minimal.

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

The following tables provide details, by collateral type, of the remaining contractual maturity of Securities sold under agreements to repurchase as of June 30, 2020 and December 31, 2019:

	June 30, 2020		
(Dollars in thousands)	**Overnight and Continuous**	**Up to 30 Days**	**Total**
Securities sold under agreements to repurchase:			
U.S. treasuries	**$ 539,974**	**$ —**	**$ 539,974**
Government agency issued MBS	**512,170**	**14,442**	**526,612**
Government agency issued CMO	**—**	**6,052**	**6,052**
Other U.S. government agencies	**139,756**	**—**	**139,756**
Government guaranteed loans (SBA and USDA)	**270,191**	**—**	**270,191**
Total Securities sold under agreements to repurchase	**$ 1,462,091**	**$ 20,494**	**$ 1,482,585**

	December 31, 2019		
(Dollars in thousands)	Overnight and Continuous	Up to 30 Days	Total
Securities sold under agreements to repurchase:			
U.S. treasuries	$ 41,364	$ —	$ 41,364
Government agency issued MBS	341,173	4,545	345,718
Other U.S. government agencies	54,924	—	54,924
Government guaranteed loans (SBA and USDA)	274,919	—	274,919
Total Securities sold under agreements to repurchase	$ 712,380	$ 4,545	$ 716,925

Note 16 – Fair Value of Assets & Liabilities

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

- Level 1—Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2—Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3—Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models, and similar techniques.

Note 16 – Fair Value of Assets & Liabilities (Continued)

Recurring Fair Value Measurements

The following table presents the balance of assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

	June 30, 2020			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Trading securities—fixed income:				
U.S. treasuries	$ —	$ 119,121	$ —	$ 119,121
Government agency issued MBS	—	431,765	—	431,765
Government agency issued CMO	—	226,732	—	226,732
Other U.S. government agencies	—	91,203	—	91,203
States and municipalities	—	17,467	—	17,467
Corporate and other debt	—	229,556	—	229,556
Equity, mutual funds, and other	—	(22)	—	(22)
Total trading securities—fixed income	—	1,115,822	—	1,115,822
Trading securities—mortgage banking	—	—	628	628
Loans held-for-sale (elected fair value)	—	—	13,263	13,263
Securities available-for-sale:				
U.S. treasuries	—	999,975	—	999,975
Government agency issued MBS	—	2,487,382	—	2,487,382
Government agency issued CMO	—	1,415,265	—	1,415,265
Other U.S. government agencies	—	417,292	—	417,292
States and municipalities	—	90,383	—	90,383
Corporate and other debt	—	40,413	—	40,413
Interest-Only Strip (elected fair value)	—	—	25,446	25,446
Total securities available-for-sale	—	5,450,710	25,446	5,476,156
Other assets:				
Deferred compensation mutual funds	48,572	—	—	48,572
Equity, mutual funds, and other	22,692	—	—	22,692
Derivatives, forwards and futures	35,408	—	—	35,408
Derivatives, interest rate contracts	—	563,866	—	563,866
Derivatives, other	—	260	170	430
Total other assets	106,672	564,126	170	670,968
Total assets	$ 106,672	$ 7,130,658	$ 39,507	$ 7,276,837
Trading liabilities—fixed income:				
U.S. treasuries	$ —	$ 195,753	$ —	$ 195,753
Other U.S.government agencies	—	578	—	578
States and municipalities	—	756	—	756
Corporate and other debt	—	35,655	—	35,655
Total trading liabilities—fixed income	—	232,742	—	232,742
Other liabilities:				
Derivatives, forwards and futures	30,483	—	—	30,483
Derivatives, interest rate contracts	—	44,722	—	44,722
Derivatives, other	—	369	18,815	19,184
Total other liabilities	30,483	45,091	18,815	94,389
Total liabilities	$ 30,483	$ 277,833	$ 18,815	$ 327,131

Note 16 – Fair Value of Assets & Liabilities (Continued)

The following table presents the balance of assets and liabilities measured at fair value on a recurring basis as of December 31, 2019:

	December 31, 2019			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Trading securities—fixed income:				
U.S. treasuries	$ —	$ 134,844	$ —	$ 134,844
Government agency issued MBS	—	268,024	—	268,024
Government agency issued CMO	—	250,652	—	250,652
Other U.S. government agencies	—	124,972	—	124,972
States and municipalities	—	120,744	—	120,744
Corporate and other debt	—	445,253	—	445,253
Equity, mutual funds, and other	—	777	—	777
Total trading securities—fixed income	—	1,345,266	—	1,345,266
Trading securities—mortgage banking	—	—	941	941
Loans held-for-sale (elected fair value)	—	—	14,033	14,033
Securities available-for-sale:				
U.S. treasuries	—	100	—	100
Government agency issued MBS	—	2,348,517	—	2,348,517
Government agency issued CMO	—	1,670,492	—	1,670,492
Other U.S. government agencies	—	306,092	—	306,092
States and municipalities	—	60,526	—	60,526
Corporate and other debt	—	40,540	—	40,540
Interest-Only Strip (elected fair value)	—	—	19,136	19,136
Total securities available-for-sale	—	4,426,267	19,136	4,445,403
Other assets:				
Deferred compensation mutual funds	46,815	—	—	46,815
Equity, mutual funds, and other	22,643	—	—	22,643
Derivatives, forwards and futures	20,640	—	—	20,640
Derivatives, interest rate contracts	—	162,413	—	162,413
Derivatives, other	—	62	—	62
Total other assets	90,098	162,475	—	252,573
Total assets	$ 90,098	$ 5,934,008	$ 34,110	$ 6,058,216
Trading liabilities—fixed income:				
U.S. treasuries	$ —	$ 406,380	$ —	$ 406,380
Other U.S. government agencies	—	88	—	88
Government agency issued MBS	—	33	—	33
Corporate and other debt	—	99,080	—	99,080
Total trading liabilities—fixed income	—	505,581	—	505,581
Other liabilities:				
Derivatives, forwards and futures	19,807	—	—	19,807
Derivatives, interest rate contracts	—	24,412	—	24,412
Derivatives, other	—	466	22,795	23,261
Total other liabilities	19,807	24,878	22,795	67,480
Total liabilities	$ 19,807	$ 530,459	$ 22,795	$ 573,061

Note 16 – Fair Value of Assets & Liabilities (Continued)

Changes in Recurring Level 3 Fair Value Measurements

The changes in Level 3 assets and liabilities measured at fair value for the three months ended June 30, 2020 and 2019, on a recurring basis are summarized as follows:

	Three Months Ended June 30, 2020			
(Dollars in thousands)	Trading securities	Interest- only strips- AFS	Loans held-for-sale	Net derivative liabilities
Balance on April 1, 2020	$ 785	$ 23,104	$ 13,584	$ (20,890)
Total net gains/(losses) included in:				
Net income	(157)	(1,233)	422	(201)
Purchases	—	—	—	—
Sales	—	—	—	—
Settlements	—	—	(743)	2,446
Net transfers into/(out of) Level 3	—	3,575 (b)	—	—
Balance on June 30, 2020	$ 628	$ 25,446	$ 13,263	$ (18,645)
Net unrealized gains/(losses) included in net income	$ — (a)	$ (959) (c)	$ 422 (a)	$ (201) (d)

	Three Months Ended June 30, 2019			
(Dollars in thousands)	Trading securities	Interest-only-strips-AFS	Loans held-for-sale	Net derivative liabilities
Balance on April 1, 2019	$ 1,397	$ 13,195	$ 15,751	$ (28,970)
Total net gains/(losses) included in:				
Net income	8	(141)	321	(19)
Purchases	—	—	10	—
Sales	—	(14,199)	—	—
Settlements	(150)	—	(990)	2,444
Net transfers into/(out of) Level 3	—	18,937 (b)	—	—
Balance on June 30, 2019	$ 1,255	$ 17,792	$ 15,092	$ (26,545)
Net unrealized gains/(losses) included in net income	$ (36) (a)	$ (543) (c)	$ 321 (a)	$ (19) (d)

(a) Primarily included in mortgage banking income on the Consolidated Condensed Statements of Income.
(b) Transfers into interest-only strips - AFS level 3 measured on a recurring basis reflect movements from loans held-for-sale (Level 2 nonrecurring).
(c) Primarily included in fixed income on the Consolidated Condensed Statements of Income.
(d) Included in Other expense.

Note 16 – Fair Value of Assets & Liabilities (Continued)

The changes in Level 3 assets and liabilities measured at fair value for the six months ended June 30, 2020 and 2019, on a recurring basis are summarized as follows:

	Six Months Ended June 30, 2020			
(Dollars in thousands)	Trading securities	Interest- only strips- AFS	Loans held-for-sale	Net derivative liabilities
Balance on January 1, 2020	$ 941	$ 19,136	$ 14,033	$ (22,795)
Total net gains/(losses) included in:				
Net income	(313)	(2,528)	751	(712)
Purchases	—	5,481	—	—
Sales	—	(8,703)	—	—
Settlements	—	—	(1,521)	4,862
Net transfers into/(out of) Level 3	—	12,060 (b)	—	—
Balance on June 30, 2020	$ 628	$ 25,446	$ 13,263	$ (18,645)
Net unrealized gains/(losses) included in net income	$ — (a)	$ (1,813) (c)	$ 751 (a)	$ (712) (d)

	Six Months Ended June 30, 2019			
(Dollars in thousands)	Trading securities	Interest-only-strips-AFS	Loans held-for-sale	Net derivative liabilities
Balance on January 1, 2019	$ 1,524	$ 9,902	$ 16,273	$ (31,540)
Total net gains/(losses) included in:				
Net income	29	(1,399)	816	116
Purchases	—	86	10	—
Sales	—	(27,211)	—	—
Settlements	(298)	—	(2,007)	4,879
Net transfers into/(out of) Level 3	—	36,414 (b)	—	—
Balance on June 30, 2019	$ 1,255	$ 17,792	$ 15,092	$ (26,545)
Net unrealized gains/(losses) included in net income	$ (66) (a)	$ (1,435) (c)	$ 816 (a)	$ 116 (d)

(a) Primarily included in mortgage banking income on the Consolidated Condensed Statements of Income.
(b) Transfers into interest-only strips - AFS level 3 measured on a recurring basis reflect movements from loans held-for-sale (Level 2 nonrecurring).
(c) Primarily included in fixed income on the Consolidated Condensed Statements of Income.
(d) Included in Other expense.

There were no net unrealized gains/(losses) for Level 3 assets and liabilities included in other comprehensive income as of June 30, 2020 and 2019.

Note 16 – Fair Value of Assets & Liabilities (Continued)

Nonrecurring Fair Value Measurements

From time to time, FHN may be required to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from the application of lower of cost or market ("LOCOM") accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis which were still held on the Consolidated Condensed Statements of Condition at June 30, 2020, and December 31, 2019, respectively, the following tables provide the level of valuation assumptions used to determine each adjustment and the related carrying value.

	Carrying value at June 30, 2020			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Loans held-for-sale—SBAs and USDA	$ —	$ 643,445	$ 774	$ 644,219
Loans held-for-sale—first mortgages	—	—	504	504
Loans, net of unearned income (a)	—	—	66,062	66,062
OREO (b)	—	—	13,177	13,177
Other assets (c)	—	—	9,835	9,835

	Carrying value at December 31, 2019			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Loans held-for-sale—SBAs and USDA	$ —	$ 492,595	$ 929	$ 493,524
Loans held-for-sale—first mortgages	—	—	516	516
Loans, net of unearned income (a)	—	—	42,208	42,208
OREO (b)	—	—	15,660	15,660
Other assets (c)	—	—	10,608	10,608

(a) Represents carrying value of loans for which adjustments are required to be based on the appraised value of the collateral less estimated costs to sell. Write-downs on these loans are recognized as part of provision for loan losses.
(b) Represents the fair value and related losses of foreclosed properties that were measured subsequent to their initial classification as OREO. Balance excludes OREO related to government insured mortgages.
(c) Represents tax credit investments accounted for under the equity method.

For assets measured on a nonrecurring basis which were still held on the Consolidated Condensed Statements of Condition at period end, the following table provides information about the fair value adjustments recorded during the three and six months ended June 30, 2020 and 2019:

	Net gains/(losses) Three Months Ended June 30		Net gains/(losses) Six Months Ended June 30	
(Dollars in thousands)	**2020**	2019	**2020**	2019
Loans held-for-sale—SBAs and USDA	**$ (1,247)**	$ (1,074)	**$ (2,208)**	$ (1,293)
Loans held-for-sale—first mortgages	**(4)**	10	**1**	25
Loans, net of unearned income (a)	**(1,274)**	(4,639)	**(6,113)**	(4,436)
OREO (b)	**(142)**	(9)	**(169)**	26
Other assets (c)	**(426)**	(267)	**(772)**	(942)
	$ (3,093)	$ (5,979)	**$ (9,261)**	$ (6,620)

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

Note 16 – Fair Value of Assets & Liabilities (Continued)

In 2019, FHN recognized $4.6 million of impairments and $.7 million of impairment reversals, respectively, related to dispositions of acquired properties and $1.5 million of impairments for lease assets related to continuing acquisition integration efforts associated with reduction of leased office space and branch optimization. Related to its restructuring, repositioning, and efficiency efforts, FHN recognized $14.0 million of impairments and $1.4 million of impairment reversals, respectively, for tangible long-lived assets and lease assets. Related to the Company's rebranding initiative, FHN recognized $7.1 million of impairments within the Corporate segment for long-lived tangible assets, primarily signage, related to the company's rebranding initiative. These amounts were recognized in the Corporate segment.

Lease asset impairments recognized in 2019 represent the reduction in value of the right-of-use assets associated with leases that are being exited in advance of the contractual lease expiration.

Impairments are measured using a discounted cash flow methodology, which is considered a Level 3 valuation.

Impairments of long-lived tangible assets reflect locations where the associated land and building are either owned or leased. The fair values of owned sites were determined using estimated sales prices from appraisals and broker opinions less estimated costs to sell with adjustments upon final disposition. The fair values of owned assets in leased sites (e.g., leasehold improvements) were determined using a discounted cash flow approach, based on the revised estimated useful lives of the related assets. Both measurement methodologies are considered Level 3 valuations. Impairment adjustments recognized upon disposition of a location are considered Level 2 valuations.

Note 16 – Fair Value of Assets & Liabilities (Continued)

Level 3 Measurements

The following tables provide information regarding the unobservable inputs utilized in determining the fair value of Level 3 recurring and non-recurring measurements as of June 30, 2020 and December 31, 2019:

(Dollars in thousands)

Level 3 Class	Fair Value at June 30, 2020	Valuation Techniques	Unobservable Input	Values Utilized	
				Range	Weighted Average (d)
Available-for-sale- securities SBA-interest only strips	$ 25,446	Discounted cash flow	Constant prepayment rate	12%	12%
			Bond equivalent yield	14% - 15%	15%
Loans held-for-sale - residential real estate	13,767	Discounted cash flow	Prepayment speeds - First mortgage	5% - 15%	5.8%
			Foreclosure losses	50% - 65%	63%
			Loss severity trends - First mortgage	4% - 21% of UPB	13.6%
Loans held-for-sale- unguaranteed interest in SBA loans	774	Discounted cash flow	Constant prepayment rate	8% - 12%	10%
			Bond equivalent yield	8%	8%
Derivative liabilities, other	18,645	Discounted cash flow	Visa covered litigation resolution amount	$5.4 billion - $6.0 billion	$5.8 billion
			Probability of resolution scenarios	10% - 50%	16%
			Time until resolution	9 - 33 months	24 months
Loans, net of unearned income (a)	66,062	Appraisals from comparable properties	Marketability adjustments for specific properties	0% - 10% of appraisal	NM
		Other collateral valuations	Borrowing base certificates adjustment	20% - 50% of gross value	NM
			Financial Statements/Auction values adjustment	0% - 25% of reported value	NM
OREO (b)	13,177	Appraisals from comparable properties	Adjustment for value changes since appraisal	0% - 10% of appraisal	NM
Other assets (c)	9,835	Discounted cash flow	Adjustments to current sales yields for specific properties	0% - 15% adjustment to yield	NM
		Appraisals from comparable properties	Marketability adjustments for specific properties	0% - 25% of appraisal	NM

NM - Not meaningful.

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

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

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

(d) Weighted averages are determined by the relative fair value of the instruments or the relative contribution to an instrument's fair value.

Note 16 – Fair Value of Assets & Liabilities (Continued)

(Dollars in thousands)

Level 3 Class	Fair Value at December 31, 2019	Valuation Techniques	Unobservable Input	Values Utilized	
				Range	Weighted Average (d)
Available-for-sale-securities SBA-interest only strips	$ 19,136	Discounted cash flow	Constant prepayment rate	12%	12%
			Bond equivalent yield	16% - 17%	16%
Loans held-for-sale - residential real estate	14,549	Discounted cash flow	Prepayment speeds - First mortgage	3% - 14%	4.1%
			Prepayment speeds - HELOC	0% - 12%	7.6%
			Foreclosure losses	50% - 66%	64%
			Loss severity trends - First mortgage	3% - 24% of UPB	14.3%
			Loss severity trends - HELOC	0% - 72% of UPB	50%
Loans held-for-sale-unguaranteed interest in SBA loans	929	Discounted cash flow	Constant prepayment rate	8% - 12%	10%
			Bond equivalent yield	9%	9%
Derivative liabilities, other	22,795	Discounted cash flow	Visa covered litigation resolution amount	$5.4 billion - $6.0 billion	$5.8 billion
			Probability of resolution scenarios	10% - 50%	16%
			Time until resolution	15 - 39 months	29 months
Loans, net of unearned income (a)	42,208	Appraisals from comparable properties	Marketability adjustments for specific properties	0% - 10% of appraisal	NM
		Other collateral valuations	Borrowing base certificates adjustment	20% - 50% of gross value	NM
			Financial Statements/Auction values adjustment	0% - 25% of reported value	NM
OREO (b)	15,660	Appraisals from comparable properties	Adjustment for value changes since appraisal	0% - 10% of appraisal	NM
Other assets (c)	10,608	Discounted cash flow	Adjustments to current sales yields for specific properties	0% - 15% adjustment to yield	NM
		Appraisals from comparable properties	Marketability adjustments for specific properties	0% - 25% of appraisal	NM

NM - Not meaningful.

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

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

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

(d) Weighted averages are determined by the relative fair value of the instruments or the relative contribution to an instrument's fair value.

Note 16 – Fair Value of Assets & Liabilities (Continued)

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

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

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

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

Loans, net of unearned income and Other Real Estate Owned. Collateral-dependent loans and OREO are primarily valued using appraisals based on sales of comparable properties in the same or similar markets. Other collateral (receivables, inventory, equipment, etc.) is valued through borrowing base certificates, financial statements and/or auction valuations. These valuations are discounted based on the quality of reporting, knowledge of the marketability/collectability of the collateral and historical disposition rates.

Other assets – tax credit investments. The estimated fair value of tax credit investments accounted for under the equity method is generally determined in relation to the yield (i.e., future tax credits to be received) an acquirer of these investments would expect in relation to the yields experienced on current new issue and/or secondary market transactions. Thus, as tax credits are recognized, the future yield to a market participant is reduced, resulting in consistent impairment of the individual investments. Individual investments are reviewed for impairment quarterly, which may include the consideration of additional marketability discounts related to specific investments which typically includes consideration of the underlying property's appraised value.

Fair Value Option

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

Repurchased loans are recognized within loans held-for-sale at fair value at the time of repurchase, which includes consideration of the credit status of the loans and the estimated liquidation value. FHN has elected to continue recognition of these loans at fair value in periods subsequent to reacquisition. Due to the credit-distressed nature of the vast majority of repurchased loans and the related loss severities experienced upon repurchase, FHN believes that the fair value election provides a more timely recognition of changes in value for these loans that occur subsequent to repurchase. Absent the fair value election, these loans would be subject to valuation at the LOCOM value, which would prevent subsequent values from exceeding the initial fair value, determined at the time of repurchase, but would require recognition of subsequent declines in value. Thus, the fair value election provides for a more timely recognition of any potential future recoveries in asset values while not affecting the requirement to recognize subsequent declines in value.

Note 16 – Fair Value of Assets & Liabilities (Continued)

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

	June 30, 2020		
(Dollars in thousands)	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Residential real estate loans held-for-sale reported at fair value:			
Total loans	**$ 13,263**	**$ 17,857**	**$ (4,594)**
Nonaccrual loans	**2,740**	**5,774**	**(3,034)**
Loans 90 days or more past due and still accruing	**186**	**322**	**(136)**

	December 31, 2019		
(Dollars in thousands)	Fair value carrying amount	Aggregate unpaid principal	Fair value carrying amount less aggregate unpaid principal
Residential real estate loans held-for-sale reported at fair value:			
Total loans	$ 14,033	$ 19,278	$ (5,245)
Nonaccrual loans	3,532	6,646	(3,114)
Loans 90 days or more past due and still accruing	163	268	(105)

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

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2020**	2019	**2020**	2019
Changes in fair value included in net income:				
Mortgage banking noninterest income				
Loans held-for-sale	**$ 422**	$ 321	**$ 751**	$ 816

For the three and six months ended June 30, 2020 and 2019, the amount for residential real estate loans held-for-sale included an insignificant amount of gain in pretax earnings that is attributable to changes in instrument-specific credit risk. The portion of the fair value adjustments related to credit risk was determined based on estimated default rates and estimated loss severities. Interest income on residential real estate loans held-for-sale measured at fair value is calculated based on the note rate of the loan and is recorded in the interest income section of the Consolidated Condensed Statements of Income as interest on loans held-for-sale.

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

Determination of Fair Value

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

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

Note 16 – Fair Value of Assets & Liabilities (Continued)

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

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

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

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

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

Non-mortgage consumer loans held-for-sale are valued using committed bids for specific loans or loan portfolios or current market pricing for similar assets with adjustments for differences in credit standing (delinquency, historical default rates for similar loans), yield, collateral values and prepayment rates. If pricing for similar assets is not available, a discounted cash flow methodology is utilized, which incorporates all of these factors into an estimate of investor required yield for the discount rate.

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

Collateral-Dependent loans. For loans measured using the estimated fair value of collateral less costs to sell, fair value is estimated using appraisals of the collateral. Collateral values are monitored and additional write-downs are recognized if it is determined that the estimated collateral values have declined further. Estimated costs to sell are based on current amounts of disposal costs for similar assets. Carrying value is considered to reflect fair value for these loans.

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

Valuations of other derivatives (primarily interest rate related swaps) are based on inputs observed in active markets for similar instruments. Typical inputs include the LIBOR curve, Overnight Indexed Swap ("OIS") curve, option volatility, and option skew. In measuring the fair value of these derivative assets and liabilities, FHN has elected to consider credit risk based on the net exposure to individual counterparties. Credit risk is mitigated for these instruments through the use of mutual margining and master netting agreements as well as collateral posting requirements. For derivative contracts with daily cash margin requirements that are considered settlements, the

Note 16 – Fair Value of Assets & Liabilities (Continued)

daily margin amount is netted within derivative assets or liabilities. Any remaining credit risk related to interest rate derivatives is considered in determining fair value through evaluation of additional factors such as customer loan grades and debt ratings. Foreign currency related derivatives also utilize observable exchange rates in the determination of fair value. The determination of fair value for FHN's derivative liabilities associated with its prior sales of Visa Class B shares are classified within Level 3 in the fair value measurements disclosure as previously discussed in the unobservable inputs discussion.

The fair value of risk participations is determined in reference to the fair value of the related derivative contract between the borrower and the lead bank in the participation structure, which is determined consistent with the valuation process discussed above. This value is adjusted for the pro rata portion of the reference derivative's notional value and an assessment of credit risk for the referenced borrower.

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

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

Investments in the stock of the Federal Reserve Bank and Federal Home Loan Banks are recognized at historical cost in the Consolidated Condensed Statements of Condition which is considered to approximate fair value. Investments in mutual funds are measured at the funds' reported closing net asset values. Investments in equity securities are valued using quoted market prices when available.

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

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

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

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

The following fair value estimates are determined as of a specific point in time utilizing various assumptions and estimates. The use of assumptions and various valuation techniques, as well as the absence of secondary markets for certain financial instruments, reduces the comparability of fair value disclosures between financial institutions. Due to market illiquidity, the fair values for loans, net of unearned income, loans held-for-sale, and term borrowings as of June 30, 2020 and December 31, 2019, involve the use of significant internally-developed pricing assumptions for certain components of these line items. The assumptions and valuations utilized for this disclosure are considered to reflect inputs that market participants would use in transactions involving these instruments as of the measurement date. The valuations of legacy assets, particularly consumer loans within the Non-Strategic segment and TRUPS loans, are influenced by changes in economic conditions since origination and risk perceptions of the financial sector. These considerations affect the estimate of a potential acquirer's cost of capital and cash flow volatility assumptions from these assets and the resulting fair value measurements may depart significantly from FHN's internal estimates of the intrinsic value of these assets.

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

Note 16 – Fair Value of Assets & Liabilities (Continued)

The following table summarizes the book value and estimated fair value of financial instruments recorded in the Consolidated Condensed Statements of Condition as of June 30, 2020:

	June 30, 2020				
	Book Value	Fair Value			
(Dollars in thousands)		Level 1	Level 2	Level 3	Total
Assets:					
Loans, net of unearned income and allowance for loan losses					
Commercial:					
Commercial, financial and industrial	$ 21,075,171	$ —	$ —	$ 21,216,054	$ 21,216,054
Commercial real estate	4,756,056	—	—	4,768,706	4,768,706
Consumer:					
Consumer real estate (a)	5,908,636	—	—	6,085,159	6,085,159
Credit card & other	431,193	—	—	438,644	438,644
Total loans, net of unearned income and allowance for loan losses	32,171,056	—	—	32,508,563	32,508,563
Short-term financial assets:					
Interest-bearing cash	3,135,844	3,135,844	—	—	3,135,844
Federal funds sold	113,000	—	113,000	—	113,000
Securities purchased under agreements to resell	302,267	—	302,267	—	302,267
Total short-term financial assets	3,551,111	3,135,844	415,267	—	3,551,111
Trading securities (b)	1,116,450	—	1,115,822	628	1,116,450
Loans held-for-sale					
Mortgage loans (elected fair value) (b)	13,263	—	—	13,263	13,263
USDA & SBA loans- LOCOM	644,219	—	648,383	792	649,175
Other consumer loans- LOCOM	4,758	—	4,758	—	4,758
Mortgage loans- LOCOM	83,415	—	—	83,415	83,415
Total loans held-for-sale	745,655	—	653,141	97,470	750,611
Securities available-for-sale (b)	5,476,156	—	5,450,710	25,446	5,476,156
Securities held-to-maturity	10,000	—	—	9,881	9,881
Derivative assets (b)	599,704	35,408	564,126	170	599,704
Other assets:					
Tax credit investments	257,547	—	—	257,705	257,705
Deferred compensation mutual funds	48,572	48,572	—	—	48,572
Equity, mutual funds, and other (c)	343,825	22,692	—	321,133	343,825
Total other assets	649,944	71,264	—	578,838	650,102
Total assets	$ 44,320,076	$ 3,242,516	$ 8,199,066	$ 33,220,996	$ 44,662,578
Liabilities:					
Defined maturity deposits	$ 2,655,702	$ —	$ 2,695,759	$ —	$ 2,695,759
Trading liabilities (b)	232,742	—	232,742	—	232,742
Short-term financial liabilities:					
Federal funds purchased	778,529	—	778,529	—	778,529
Securities sold under agreements to repurchase	1,482,585	—	1,482,585	—	1,482,585
Other short-term borrowings	130,583	—	130,583	—	130,583
Total short-term financial liabilities	2,391,697	—	2,391,697	—	2,391,697
Term borrowings:					
Real estate investment trust-preferred	46,270	—	—	47,000	47,000
Secured borrowings	15,370	—	—	15,370	15,370
Junior subordinated debentures	145,262	—	—	138,950	138,950
Other long term borrowings	1,825,574	—	1,877,080	—	1,877,080
Total term borrowings	2,032,476	—	1,877,080	201,320	2,078,400
Derivative liabilities (b)	94,389	30,483	45,091	18,815	94,389
Total liabilities	$ 7,407,006	$ 30,483	$ 7,242,369	$ 220,135	$ 7,492,987

(a) In first quarter 2020, the Permanent Mortgage portfolio was combined into Consumer Real Estate portfolio, all prior periods were revised for comparability.
(b) Classes are detailed in the recurring and nonrecurring measurement tables.
(c) Level 1 primarily consists of mutual funds with readily determinable fair values. Level 3 includes restricted investments in FHLB-Cincinnati stock of $190.4 million and FRB stock of $130.7 million.

Note 16 – Fair Value of Assets & Liabilities (Continued)

The following table summarizes the book value and estimated fair value of financial instruments recorded in the Consolidated Statements of Condition as of December 31, 2019:

	December 31, 2019				
	Book Value	Fair Value			
(Dollars in thousands)		Level 1	Level 2	Level 3	Total
Assets:					
Loans, net of unearned income and allowance for loan losses					
Commercial:					
Commercial, financial and industrial	$ 19,928,605	$ —	$ —	$ 20,096,397	$ 20,096,397
Commercial real estate	4,300,905	—	—	4,300,489	4,300,489
Consumer:					
Consumer real estate	6,148,696	—	—	6,334,187	6,334,187
Credit card & other	482,598	—	—	487,079	487,079
Total loans, net of unearned income and allowance for loan losses	30,860,804	—	—	31,218,152	31,218,152
Short-term financial assets:					
Interest-bearing cash	482,405	482,405	—	—	482,405
Federal funds sold	46,536	—	46,536	—	46,536
Securities purchased under agreements to resell	586,629	—	586,629	—	586,629
Total short-term financial assets	1,115,570	482,405	633,165	—	1,115,570
Trading securities (a)	1,346,207	—	1,345,266	941	1,346,207
Loans held-for-sale					
Mortgage loans (elected fair value) (a)	14,033	—	—	14,033	14,033
USDA & SBA loans- LOCOM	493,525	—	495,323	947	496,270
Other consumer loans- LOCOM	5,197	—	5,197	—	5,197
Mortgage loans- LOCOM	81,035	—	—	81,035	81,035
Total loans held-for-sale	593,790	—	500,520	96,015	596,535
Securities available-for-sale (a)	4,445,403	—	4,426,267	19,136	4,445,403
Securities held-to-maturity	10,000	—	—	10,001	10,001
Derivative assets (a)	183,115	20,640	162,475	—	183,115
Other assets:					
Tax credit investments	247,075	—	—	244,755	244,755
Deferred compensation assets	46,815	46,815	—	—	46,815
Equity, mutual funds, and other (b)	229,352	22,643	—	206,709	229,352
Total other assets	523,242	69,458	—	451,464	520,922
Total assets	$ 39,078,131	$ 572,503	$ 7,067,693	$ 31,795,709	$ 39,435,905
Liabilities:					
Deposits:					
Defined maturity	$ 3,618,337	$ —	$ 3,631,090	$ —	$ 3,631,090
Trading liabilities (a)	505,581	—	505,581	—	505,581
Short-term financial liabilities:					
Federal funds purchased	548,344	—	548,344	—	548,344
Securities sold under agreements to repurchase	716,925	—	716,925	—	716,925
Other short-term borrowings	2,253,045	—	2,253,045	—	2,253,045
Total short-term financial liabilities	3,518,314	—	3,518,314	—	3,518,314
Term borrowings:					
Real estate investment trust-preferred	46,236	—	—	47,000	47,000
Secured Borrowings	21,975	—	—	21,975	21,975
Junior subordinated debentures	144,593	—	—	142,375	142,375
Other long term borrowings	578,564	—	574,287	—	574,287
Total term borrowings	791,368	—	574,287	211,350	785,637
Derivative liabilities (a)	67,480	19,807	24,878	22,795	67,480
Total liabilities	$ 8,501,080	$ 19,807	$ 8,254,150	$ 234,145	$ 8,508,102

Certain previously reported amounts have been reclassified to agree with current presentation.
(a) Classes are detailed in the recurring and nonrecurring measurement tables.
(b) Level 1 primarily consists of mutual funds with readily determinable fair values. Level 3 includes restricted investments in FHLB-Cincinnati stock of $76.0 million and FRB stock of $130.7 million.

Note 16 – Fair Value of Assets & Liabilities (Continued)

The following table presents the contractual amount and fair value of unfunded loan commitments and standby and other commitments as of June 30, 2020 and December 31, 2019:

	Contractual Amount		Fair Value	
(Dollars in thousands)	**June 30, 2020**	December 31, 2019	**June 30, 2020**	December 31, 2019
Unfunded Commitments:				
Loan commitments	**$ 12,945,839**	$ 12,355,220	**$ 2,492**	$ 3,656
Standby and other commitments	**469,567**	459,268	**6,112**	5,513

Note 17 – Restructuring, Repositioning, and Efficiency

Beginning in 2019, FHN initiated a company-wide review of business practices with the goal of optimizing its expense base to improve profitability and create capacity to reinvest savings into technology and revenue production activities. Restructuring, repositioning, and efficiency charges related to these corporate-driven actions were not significant in the first half 2020 and were $30.8 million in the first half 2019 and are included in the Corporate segment. Significant expenses resulted from the following actions:

- Severance and other employee costs primarily related to efficiency initiatives within corporate and bank services functions which are classified as Employee compensation, incentives and benefits within noninterest expense.
- Expense largely related to the identification of efficiency opportunities within the organization which is reflected in Professional fees.
- Expense related to costs associated with asset impairments which is reflected in Other expense.

Settlement of the obligations arising from current initiatives will be funded from operating cash flows.

Total expense recognized for the three and six months ended June 30, 2020 and 2019 is presented in the table below:

	Three Months Ended June 30		Six Months Ended June 30	
Dollars in thousands	**2020**	2019	**2020**	2019
Employee compensation, incentives and benefits	**$ 32**	$ 2,557	**$ 89**	$ 9,062
Professional fees	**7**	4,242	**14**	8,537
Occupancy	**—**	72	**2**	889
Other	**1**	11,797	**(102)**	12,332
Total restructuring, repositioning, and efficiency charges	**$ 40**	$ 18,668	**$ 3**	$ 30,820

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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General Information

First Horizon National Corporation (“FHN”) began as a community bank chartered in 1864. FHN's sole class of common stock, $.625 par value, is listed and trades on the New York Stock Exchange LLC under the symbol FHN.

FHN is the parent company of First Horizon Bank. First Horizon Bank's principal divisions and subsidiaries operate under the brands of First Horizon Bank, First Horizon Advisors, and FHN Financial. FHN offers regional banking, wealth management and capital market services through the First Horizon family of companies. First Horizon Bank and First Horizon Advisors provide consumer and commercial banking and wealth management services. FHN Financial, which operates partly through a division of First Horizon Bank and partly through subsidiaries, is an industry leader in fixed income sales, trading, and strategies for institutional clients in the U.S. and abroad. First Horizon Bank has over 270 banking offices in seven southeastern U.S. states, and FHN Financial has 29 offices in 18 states across the U.S.

Segments

FHN is composed of the following operating segments:

- Regional banking segment offers financial products and services, including traditional lending and deposit taking, to consumer and commercial customers primarily in the southeast U.S. and other selected markets. Regional banking also provides investments, wealth management, financial planning, trust services and asset management, mortgage banking, credit card, and cash management. Additionally, the regional banking segment includes correspondent banking which provides credit, depository, and other banking related services to other financial institutions nationally.
- Fixed income segment consists of fixed income securities sales, trading, underwriting, and strategies for institutional clients in the U.S. and abroad, as well as loan sales, portfolio advisory services, and derivative sales.
- Corporate segment consists of unallocated corporate expenses, expense on subordinated debt issuances, bank-owned life insurance, unallocated interest income associated with excess equity, net impact of raising incremental capital, revenue and expense associated with deferred compensation plans, funds management, tax credit investment activities, derivative valuation adjustments related to prior sales of Visa Class B shares, gain/(loss) on extinguishment of debt, acquisition- and integration-related costs, expenses associated with rebranding initiatives, and various charges related to restructuring, repositioning, and efficiency efforts.
- Non-strategic segment consists of run-off consumer lending activities, pre-2009 mortgage banking elements, 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.

Significant Recent Transactions

On July 1, 2020, FHN and IBERIABANK Corporation ("IBKC") closed their merger-of-equals transaction. FHN issued approximately 242 million shares of FHN common stock, plus three new series of preferred stock (Series B, Series C, and Series D) in a transaction valued at $2.5 billion. At the time of closing, IBKC operated 319 offices in 12 states, mostly in the southern and southeastern U.S. In the merger: FHN acquired approximately $34.7 billion in assets, including approximately $26.1 billion in loans, and $3.5 billion in AFS securities; and, FHN assumed approximately $28.3 billion of IBKC deposits. Due to the timing of the merger closing in relation to quarter end and the uncertainty of valuations in the current economic environment, FHN's assessment of the fair value of IBKC's assets and liabilities is incomplete. However, FHN currently expects to recognize a purchase accounting gain of approximately $500 million.

On July 17, 2020, First Horizon Bank completed its purchase of 30 branches from Truist Bank. As part of the transaction, FHN assumed approximately $2.2 billion of branch deposits for a 3.40 percent deposit premium and purchased approximately $423.7 million of branch loans. The acquired branches are in communities in North Carolina (20 branches), Virginia (8 branches), and Georgia (2 branches).

In relation to all acquisitions, FHN's operating results include the operating results of the acquired assets and assumed liabilities subsequent to the acquisition date. Refer to Note 2 – Acquisitions and Divestitures in this report and in Item 7 to FHN’s Annual Report on Form 10-K for the year ended December 31, 2019 for additional information.

In April 2020, First Horizon Bank issued $450 million of 5.750% Subordinated Notes due May 1, 2030. Interest payments are due semi-annually on May 1 and November 1, commencing November 1, 2020. The sale of the Notes resulted in net proceeds to the Company of approximately $446 million. The notes qualify as Tier 2 capital for the Bank as well as FHN, up to certain regulatory limits for minority capital instruments.

In May 2020, FHN issued $450 million of 3.550% Senior Notes due May 26, 2023 and $350 million of 4.000% Senior Notes due May 26, 2025. Interest payments are due semi-annually on May 26 and November 26, commencing November 26, 2020. The sale of these notes resulted in net proceeds to the Company of approximately $795 million.

In May 2020, FHN issued 1,500 shares having an aggregate liquidation preference of $150 million of Series E Non-Cumulative Perpetual Preferred Stock for net proceeds of approximately $145 million. Dividends on the Series E Preferred Stock, if declared, accrue and are payable quarterly, in arrears, at a rate of 6.500% per annum. For the issuance, FHN issued depositary shares, each of which represents a fractional ownership interest in a share of FHN's preferred stock. The Series E Preferred Stock qualifies as Tier 1 Capital for FHN.

For the purpose of this management's discussion and analysis ("MD&A"), earning assets have been expressed as averages, unless otherwise noted, and loans have been disclosed net of unearned income. The following financial discussion should be read with the accompanying unaudited Consolidated Condensed Financial Statements and Notes in this report. Additional information including the 2019 financial statements, notes, and MD&A is provided in Item 7 and 8 to FHN's Annual Report on Form 10-K for the year ended December 31, 2019.

ADOPTION OF ACCOUNTING UPDATES

Effective January 1, 2020 FHN adopted ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," (CECL); which resulted in a $106.4 million increase to the allowance for loan losses ("ALLL") and a $24.0 million increase to the reserve for unfunded commitments, resulting in a $96.1 million decrease of retained earnings (net of taxes). See Note 1– Financial Information for additional information.

Non-GAAP Measures

Certain measures are included in the narrative and tables in this MD&A that are "non-GAAP", meaning (under U.S. financial reporting rules) they are not presented in accordance with generally accepted accounting principles ("GAAP") in the U.S. and also are not codified in U.S. banking regulations currently applicable to FHN.

Although other entities may use calculation methods that differ from those used by FHN for non-GAAP measures, FHN's management believes such measures are relevant to understanding the capital position or financial results of FHN. Non-GAAP measures are reported to FHN's management and Board of Directors through various internal reports.

Presentation of regulatory measures, even those which are not GAAP, provide a meaningful base for comparability to other financial institutions subject to the same regulations as FHN, as demonstrated by their use by banking regulators in reviewing capital adequacy of financial institutions. Although not GAAP terms, these regulatory measures are not considered "non-GAAP" under U.S. financial reporting rules as long as their presentation conforms to regulatory standards.

Regulatory measures used in this MD&A include: common equity tier 1 capital, generally defined as common equity less goodwill, other intangibles, and certain other required regulatory deductions; tier 1 capital, generally defined as the sum of core capital (including common equity and instruments that cannot be redeemed at the option of the holder) adjusted for certain items under risk based capital regulations; and risk-weighted assets ("RWA"), which is a measure of total on- and off-balance sheet assets adjusted for credit and market risk, used to determine regulatory capital ratios.

The non-GAAP measures presented in this filing are pre-provision net revenue ("PPNR"), return on average tangible common equity ("ROTCE"), tangible common equity to tangible assets ("TCE/TA"), and tangible book value per common share. Refer to table 23 for a reconciliation of the non-GAAP to GAAP measures and presentation of the most comparable GAAP items.

Forward-Looking Statements

This MD&A contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21 E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") with respect to FHN's beliefs, plans, goals, expectations, and estimates. Forward-looking statements are not a representation of historical information, but instead pertain to future operations, strategies, financial results or other developments. The words "believe," "expect," "anticipate," "intend," "estimate," "should," "is likely," "will," "going forward" and other expressions that indicate future events and 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 the control of FHN, and many of which, with respect to future business decisions and actions, are subject to change and which could cause actual results to differ materially from those contemplated or implied by forward-looking statements or historical performance. Examples of uncertainties and contingencies include factors previously disclosed in FHN's recent annual, quarterly, and current reports filed with the U.S. Securities and Exchange Commission (the "SEC"), as well as the following factors, among others: the possibility that the anticipated benefits of FHN's 2020 merger with IBERIABANK Corporation (the "2020 merger") will not be realized when expected or at all, including as a result of the impact of, or problems arising from, the integration of the two companies or as a result of the strength of the economy and competitive factors in any or all of FHN's market areas; the possibility that the 2020 merger may be more expensive to integrate than anticipated, including as a result of unexpected factors or events; diversion of management's attention from ongoing business operations and opportunities; potential adverse reactions or changes to business or employee relationships resulting from the 2020 merger; FHN's success in executing its business plans and strategies following the 2020 merger, and managing the risks involved in the foregoing; the potential impacts on FHN's businesses of the coronavirus COVID-19 pandemic, including negative impacts from quarantines, market declines, and volatility, and changes in customer behavior related to the COVID-19 pandemic; and other factors that may affect future results of FHN.

FHN cautions that the foregoing list of important factors that may affect future results is not exhaustive. Additional factors that could cause results to differ materially from those contemplated by forward-looking statements can be found in FHN's annual report on Form 10-K for the year ended December 31, 2019, and its quarterly report on Form 10-Q for the period ended March 31, 2020, both filed with the SEC and available on the SEC's website, http://www.sec.gov, and also available in the "Investor Relations" section of FHN's website, http://www.FirstHorizon.com, under the heading "SEC Filings," and in other documents FHN files with the SEC.

Financial Summary

As previously mentioned, effective January 1, 2020, FHN adopted ASU 2016-13, (Current Expected Credit Loss methodology or "CECL"). The application of CECL can result in greater volatility of estimated credit loss estimates particularly in periods of rapid changes in macroeconomic projections when compared to the prior incurred loss estimation methodology. FHN's operating results for the three and six months ended June 30, 2020 were negatively impacted by further deterioration in the overall macroeconomic forecast largely tied to the Coronavirus Disease 2019 ("COVID-19") pandemic resulting in a significant increase in provision for loan losses and the reserve for unfunded commitments.

Second quarter 2020 net income available to common shareholders was $52.3 million, or $.17 per diluted share, compared to net income available to common of $109.3 million, or $.35 per diluted share in second quarter 2019. For the six months ended June 30, 2020, net income available to common shareholders was $64.3 million, or $0.21 per diluted share, compared to net income available to common of $208.4 million, or $.66 per diluted share, for the six months ended June 30, 2019.

Total revenue increased 11 percent and 10 percent to $511.6 million and $989.2 million for the three and six months ended June 30, 2020 from $461.6 million and $897.2 million for the three and six months ended June 30, 2019.

NII increased a modest 1 percent to $305.3 million in second quarter 2020 as strong loan growth in loans to mortgage companies and PPP lending and deposit pricing discipline more than offset the negative impact of interest rates on loans.

Noninterest income increased 31 percent, or $48.3 million, in second quarter 2020 driven by strong fixed income revenue and higher deferred compensation income, somewhat offset by the negative impacts of the COVID-19 pandemic on fee income.

For the six months ended June 30, 2020 NII increased 2 percent to $608.1 million and was driven by the same trends impacting the second quarter increase in NII.

Noninterest income increased 27 percent, or $82.0 million, to $381.0 million in the first six months of 2020. The increase in fee income for the year-to-date period was also driven by strong fixed income revenue. Deferred compensation income decreased in the first half of 2020 driven by the timing of and extreme variability in equity market valuations in both 2020 and 2019, offsetting a portion of this increase.

Noninterest expense increased 11 percent and 8 percent to $332.2 million and $643.5 million for the three and six months ended June 30, 2020 from $300.4 million and $596.5 million for the three and six months ended June 30, 2019. The expense increase for 2020 was due in large part to higher fixed income variable compensation, an increase in credit expense on unfunded commitments associated with declines and deterioration in economic forecasts attributable to the COVID-19 pandemic, and a net increase in litigation charges driven by a favorable expense reversal in second quarter 2019, somewhat offset by lower

restructuring and rebranding related expenses. For second quarter 2020, higher deferred compensation expense also contributed to the increase in noninterest expense.

Asset quality trends were relatively stable in second quarter 2020 reflecting continued underwriting discipline, ongoing portfolio management, and continued prudent credit risk management. The allowance for loan losses increased to $537.9 million on June 30, 2020 from $200.3 million on December 31, 2019, reflecting further deterioration in the overall macro-economic outlook under CECL, as well as the adoption impact of $106.4 million. Net charge-offs as a percentage of loans was .20 percent for second quarter 2020 and 30+ day delinquencies declined to .13 percent from .19 percent at December 31, 2019.

Common Equity Tier 1, Tier 1, Total Capital, and Leverage ratios were 9.25 percent, 10.69 percent, 12.47 percent, and 8.55 percent, respectively, in second quarter 2020 compared to 9.25 percent, 10.24 percent, 11.34 percent, and 9.04 percent, respectively, in second quarter 2019. Average assets increased to $47.9 billion and $45.7 billion for the three and six months ended June 30, 2020 from $41.2 billion and $41.1 billion for the three and six months ended June 30, 2019. Average loans and deposits increased to $34.0 billion and $37.5 billion, respectively, in second quarter 2020, up 18 percent and 17 percent from second quarter 2019. For the six months ended June 30, 2020, Average loans and deposits increased 15 percent and 9 percent, respectively to $32.2 billion and $35.2 billion. Average Shareholders' equity increased to $5.1 billion for the three and six months ended June 30, 2020 from $4.9 billion and $4.8 billion, respectively, for the three and six months ended June 30, 2019. Period-end Shareholders' equity increased to $5.2 billion on June 30, 2020 from $4.9 billion on June 30, 2019.

Key Performance Indicators

	As of or for the three months ended June 30,		As of or for the six months ended June 30,	
(Dollars in thousands, except per share data)	**2020**	2019	**2020**	2019
Pre-Provision Net Revenue ("PPNR") (a)	**$ 179,445**	$ 161,209	**$ 354,684**	$ 300,672
Diluted earnings per common share	**$ 0.17**	$ 0.35	**$ 0.21**	$ 0.66
Return on average assets (annualized) (b)	**0.48%**	1.11%	**0.32%**	1.07%
Return on average common equity ("ROCE") (annualized) (c)	**4.50%**	9.79%	**2.79%**	9.45%
Return on average tangible common equity ("ROTCE") (annualized) (a) (d)	**6.74%**	15.20%	**4.19%**	19.63%
Net interest margin (e)	**2.90%**	3.34%	**3.02%**	3.32%
Fee income to total revenue (f)	**40.49%**	34.22%	**38.61%**	33.33%
Efficiency ratio (g)	**64.74%**	65.08%	**64.96%**	66.49%
Allowance for loan losses to loans	**1.64%**	0.65%	**1.64%**	0.65%
Net charge-offs to average loans (annualized)	**0.20%**	0.07%	**0.15%**	0.07%
Total period-end equity to period-end assets	**10.71%**	11.68%	**10.71%**	11.68%
Tangible common equity to tangible assets ("TCE/TA") (a)	**6.63%**	7.29%	**6.63%**	7.29%
Cash dividends declared per common share	**$ 0.15**	$ 0.14	**$ 0.30**	$ 0.28
Book value per common share	**$ 14.96**	$ 14.51	**$ 14.96**	$ 14.51
Tangible book value per common share (a)	**$ 9.99**	$ 9.47	**$ 9.99**	$ 9.47
Common equity Tier 1	**9.25%**	9.25%	**9.25%**	9.25%
Market capitalization (millions)	**$ 3,111.10**	$ 4,665.30	**$ 3,111.10**	$ 4,665.30

(a) Represents a non-GAAP measure which is reconciled in the non-GAAP to GAAP reconciliation in table 23.
(b) Calculated using net income divided by average assets.
(c) Calculated using net income available to common shareholders divided by average common equity.
(d) Calculated using net income available to common shareholders divided by average tangible common equity.
(e)Net interest margin is computed using total net interest income adjusted to an FTE basis assuming a statutory federal income tax rate of 21 percent and, where applicable, state income taxes.
(f)Ratio is fee income excluding securities gains/(losses) to total revenue excluding securities gains/(losses).
(g)Ratio is noninterest expense to total revenue excluding securities gains/(losses).

Key financial ratios were negatively impacted during the three and six months ended June 30, 2020 by the large increase in loan loss provision expense due to the deterioration in the economic forecast related to the effects of the COVID-19 pandemic.

Regional Banking

Second quarter 2020 regional banking pre-tax income was $118.5 million, down from $168.9 million in second quarter 2019. For the six months ended June 30, 2020, regional banking pre-tax income was $144.1 million compared to $316.0 million for the six months ended June 30, 2019. The decrease in pre-tax income in 2020 largely reflected an increase in the provision for loan losses and higher credit expense on unfunded commitments somewhat offset by an increase in revenue.

Total revenue increased 13 percent, or $50 million, to $429.1 million in second quarter 2020 from $379.1 million in second quarter 2019, primarily driven by an increase in NII. The increase in NII was primarily due to strong loan growth tied to loans to mortgage companies and PPP lending, deposit pricing discipline, and wider loan spreads (with offset in the corporate segment) compared to second quarter 2019. Noninterest income decreased 3 percent or $2.3 million to $79.3 million in second quarter 2020 from $81.6 million in the prior year. Fee income was negatively impacted by the COVID-19 pandemic in second quarter 2020, resulting in lower NSF fee income as a result of a decline in transaction volume and fee waivers, other service charges, and brokerage fees. Noninterest income was positively impacted by a $4.6 million debit card incentive payment recognized in second quarter 2020, as well as increases in fees from mortgage banking activities and derivative sales relative to second quarter 2019.

Provision expense increased to $108.3 million in second quarter 2020 from $17.8 million in second quarter 2019, primarily driven by deterioration in the economic forecast attributable to the effects of the COVID-19 pandemic.

Noninterest expense was $202.3 million in second quarter 2020, up from $192.4 million in second quarter 2019. The increase in expense was primarily driven by an $11.7 million increase in the credit expense on unfunded commitments due to the economic forecast attributable to the COVID-19 pandemic. An increase in FDIC premium expense due to balance sheet growth and expected loss severity ratios as well as $1.0 million of additional credit risk adjustments related to Regional Banking interest rate derivatives and swap participations also contributed to the overall increase in expenses in second quarter 2020 compared to the prior year. These increases were somewhat offset by lower personnel-related expenses driven by a head-count reduction compared to second quarter 2019.

Total revenue increased 10 percent, or $72.9 million, to $811.1 million in the first half of 2020 from $738.3 million in the first half of 2019, driven by increases in NII and noninterest income. The increase in NII for the year-to-date period of 2020 was driven by the same factors impacting the quarterly trend. Noninterest income increased 4 percent or $6.6 million to $161.2 million in the first half of 2020 from $154.6 million in the prior year. The increase was primarily driven by higher fees from derivative sales and the $4.6 million debit card incentive payment previously mentioned. To a lesser extent an increase in brokerage, management fees and commissions driven by higher advisory revenue and annuity income as a result of increased transaction volume, and higher income associated mortgage banking activities also contributed to the increase in noninterest income for the six months ended June 30, 2020. A decline in NSF fee income, primarily in second quarter 2020, partially offset a portion of the overall increase relative to the first half of 2019.

Provision expense increased to $253.8 million for the six months ended June 30, 2020 from $31.2 million for the six months ended June 30, 2019, driven by deterioration in the economic forecast attributable to the effects of the COVID-19 pandemic.

Noninterest expense was $413.3 million for the six months ended June 30, 2020, up from $391.0 million for the six months ended June 30, 2019. The increase in expense was primarily driven by a $20.5 million increase in the credit expense on unfunded commitments due to the economic forecast attributable to the COVID-19 pandemic. An increase in FDIC premium expense and $2.0 million of additional credit risk adjustments also contributed to the expense increase in the first half of 2020 compared to the prior year. A reduction in personnel expense, largely attributable to a reduction in headcount partially mitigated the increase in noninterest expense for the six months ended June 30, 2020.

Fixed Income

Fixed income pre-tax income increased to $43.7 million in second quarter 2020 from $16.3 million in second quarter 2019. For the six months ended June 30, 2020 fixed income pre-tax income increased to $69.3 million from $26.9 million for the six months ended June 30, 2019. Results reflect higher revenue, partially offset by an increase in expenses.

Noninterest income increased 73 percent, or $47.6 million, to $113.2 million in second quarter 2020 from $65.6 million in second quarter 2019. Average daily revenue (“ADR”) increased to $1.6 million in second quarter 2020 from $866 thousand in second quarter 2019, due to favorable market conditions including low rates, market volatility and increased depository liquidity. Other product revenue was $13.0 million in second quarter 2020, up from $11.1 million in the prior year, primarily driven by increases in fees from derivative sales. NII was $13.5 million in second quarter 2020, up from $6.2 million in second quarter 2019, primarily due to higher spreads on inventory positions compared to prior year.

Noninterest expense increased 50 percent, or $27.5 million, to $83.0 million in second quarter 2020 from $55.5 million in second quarter 2019, primarily driven by higher variable compensation due to higher fixed income sales revenues.

Noninterest income increased 75 percent, or $89.6 million, to $209.0 million in the first half of 2020 from $119.4 million in the first half of 2019. Fixed income product revenue increased to $178.6 million for the six months ended June 30, 2020 from $99.0 million for the six months ended June 30, 2019, largely driven by the same factors impacting the quarterly period, partially offset by elevated levels of trading losses driven by extreme market volatility in first quarter 2020 compared to the prior year. Other product revenue was $30.3 million in the first half of 2020, up 48 percent from $20.4 million in the prior year, primarily driven by increases in fees from derivative sales. NII was $24.5 million and $13.5 million, respectively, for the six months ended June 30, 2020 and 2019. The increase was due in large part to higher spreads on inventory positions in addition to higher inventory balances compared to prior year.

Noninterest expense was $164.1 million for the six months ended June 30, 2020 compared to $106.1 million for the six months ended June 30, 2019, primarily driven by higher variable compensation due to increased commissionable revenues.

Corporate

The pre-tax loss for the corporate segment was $93.8 million in second quarter 2020 compared to $54.6 million in second quarter 2019. For the six months ended June 30, 2020 the pre-tax loss for the corporate segment was $126.3 million compared to $91.0 million in the prior year.

Net interest expense was $63.5 million and $7.1 million in second quarter 2020 and 2019, respectively. Net interest expense was negatively impacted by funds transfer pricing ("FTP") methodology (with offset in regional banking segment). Noninterest income/(loss)(including securities gain/losses) in second quarter 2020 was $12.9 million, up from $9.4 million in second quarter 2019, primarily due to an increase in deferred compensation income driven by equity market valuations relative to the prior year.

Noninterest expense decreased 24 percent or $13.7 million to $43.2 million in second quarter 2020 from $56.9 million in second quarter 2019. The decrease in expense for second quarter 2020 was primarily driven by decreases in restructuring costs associated with efficiency initiatives and rebranding expenses relative to second quarter 2019. This expense decrease was somewhat offset by increases in deferred compensation expense, acquisition related charges, and pension expense.

Net interest expense was $76.9 million and $15.1 million for the six months ended June 30, 2020 and 2019, respectively, as net interest expense for the six months ended June 30, 2020 was also negatively impacted by FTP. Noninterest income/(loss)(including securities gain/losses) in the first half of 2020 was $9.2 million compared to $22.8 million in the first half of 2019, the decrease in noninterest income for the year-to-date period of 2020 was primarily due to a decrease in deferred compensation income driven by the timing of and extreme variability in equity market valuations in both 2020 and 2019.

Noninterest expense decreased 41 percent or $40.0 million to $58.7 million for the six months ended June 30, 2020 from $98.7 million for the six months ended June 30, 2019. The decrease in expense for the six months ended June 30, 2020 was primarily driven by decreases in restructuring costs associated with efficiency initiatives, deferred compensation expense, and rebranding expenses, somewhat offset by higher acquisition related charges and an increase in pension expense.

Non-Strategic

The non-strategic segment had pre-tax income of $1.0 million in second quarter 2020 compared to $17.7 million in second quarter 2019. For the six months ended June 30, 2020 the non-strategic segment had pre-tax income of $3.6 million compared to $26.8 million for the six months ended June 30, 2019. The decrease in results for both periods was largely driven by an increase in loan loss provision expense and an increase in noninterest expense, coupled with a decline in NII relative to the prior year.

Total revenue was $6.3 million in second quarter 2020 down from $8.5 million in second quarter 2019. NII decreased to $5.5 million in second quarter 2020 from $7.1 million in second quarter 2019, primarily due to continued run-off of the loan portfolios. Noninterest income was $.8 million and $1.4 million in second quarter 2020 and 2019, respectively.

The provision for loan losses within the non-strategic segment was an expense of $1.7 million in second quarter 2020 compared to a provision credit of $4.8 million in second quarter 2019. The increase in provision expense in second quarter 2020 was due to additional consumer reserves driven by deterioration in the economic forecast attributable to the effects of the COVID-19 pandemic.

Noninterest expense increased $8.0 million to $3.6 million in second quarter 2020. Noninterest expense in second quarter 2019 was a net credit driven by an $8.3 million expense reversal related to the favorable resolution of a legal matter.

For the six months ended June 30, 2020, total revenue was $12.2 million down from $18.3 million for the six months ended June 30, 2019. NII decreased to $10.6 million in the first half of 2020 from $16.0 million in the first half of 2019, driven by the continued run-off of the loan portfolios. Noninterest income was $1.6 million and $2.2

million, respectively, for the six months ended June 30, 2020 and 2019.

The provision for loan losses within the non-strategic segment was an expense of $1.2 million for the six months ended June 30, 2020 compared to a provision credit of $9.2 million in the prior year. The same factors impacting the quarterly change in loan loss provisioning levels also drove the change for the year-to-date period.

Noninterest expense was $7.4 million and $.7 million, respectively, for the six months ended June 30, 2020 and 2019. The increase in noninterest expense in the first half of 2020 was the result of the favorable impact of the litigation expense reversal previously mentioned on expenses during the first half of 2019.

Income Statement Review

Total consolidated revenue was $511.6 million in second quarter 2020, up 11 percent from $461.6 million in second quarter 2019, driven by increases in noninterest income and NII. Provision expense increased significantly from $13.0 million in second quarter 2019 to $110.0 million in second quarter 2020 primarily driven by deterioration in the economic forecast attributable to the effects of the COVID-19 pandemic. Total consolidated expenses increased 11 percent to $332.2 million in second quarter 2020 from $300.4 million in second quarter 2019, driven by an increase in personnel-related expense, higher credit expense on unfunded commitments, and an increase in acquisition-related charges somewhat offset by lower restructuring and rebranding related expenses.

For the six months ended June 30, 2020 total consolidated revenue was $989.2 million, up 10 percent from $897.2 million for the six months ended June 30, 2019, driven by a 27 percent increase in noninterest income and a 2 percent increase in NII. Provision expense increased from $22.0 million in the first half of 2019 to $255.0 million in the first half of 2020 driven by deterioration in the economic forecast attributable to the effects of the COVID-19 pandemic. Total consolidated expenses increased 8 percent to $643.5 million for the six months ended June 30, 2020 from $596.5 million for the six months ended June 30, 2019, and were driven by the same factors that impacted the quarterly increase in total consolidated noninterest expense.

Net Interest Income

Net interest income was $305.3 million in second quarter 2020, up from $303.6 million in second quarter 2019. The increase in NII was primarily attributable to strong loan growth tied to loans to mortgage companies and PPP lending and deposit pricing discipline, somewhat offset by the negative impact of interest rates on loans (including LIBOR and Prime) compared to second quarter 2019. For the six months ended June 30, 2020 NII was $608.1 million, up from $598.1 million for the six months ended June 30, 2019. The same factors that contributed to the second quarter 2020 increase in NII also drove the increase in NII for the year-to-date period of 2020 relative to the prior year. Average earning assets were increased to $42.7 billion and $40.7 billion for the three and six months ended June 30, 2020 from $36.7 billion and $36.5 billion for the three and six months ended June 30, 2019. The increase in average earning assets for both second quarter and year-to-date 2020 was primarily driven by loan growth. For the six months ended June 30, 2020 an increase in interest-bearing cash also contributed to the increase in average earning assets relative to the prior year.

For purposes of computing yields and the net interest margin, FHN adjusts net interest income to reflect tax-exempt income on an equivalent pre-tax basis, which provides comparability of net interest income arising from both taxable and tax-exempt sources.

The consolidated net interest margin was 2.90 percent in second quarter 2020, down 44 basis points from 3.34 percent in second quarter 2019. The net interest spread was 2.75 percent in second quarter 2020, down 19 basis points from 2.94 percent in second quarter 2019. For the six months ended June 30, 2020, the net interest margin was 3.02 percent, down 30 basis points from 3.32 percent for the six months ended June 30, 2019. The decline in NIM for the three and six months ended June 30, 2020 was primarily the result of the negative impact of interest rates (including LIBOR and Prime) relative to 2019, somewhat mitigated by deposit pricing discipline and the impact of PPP accretion. For second quarter 2020 an increase in average excess cash at the Fed also negatively impacted NIM relative to the prior year.

Table 1—Net Interest Margin

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Assets:				
Earning assets:				
Loans, net of unearned income:				
Commercial loans	**3.56%**	5.05%	**3.92%**	5.06%
Consumer loans	**4.00**	4.65	**4.17**	4.62
Total loans, net of unearned income	**3.65**	4.95	**3.97**	4.95
Loans held-for-sale	**3.61**	5.36	**4.08**	5.64
Investment securities:				
U.S. government agencies	**2.05**	2.61	**2.19**	2.64
States and municipalities	**3.48**	3.31	**3.43**	3.76
Corporates and other debt	**4.71**	4.41	**4.69**	4.39
U.S. treasuries	**0.12**	NM	**0.12**	NM
Other	**33.42**	34.73	**33.67**	34.64
Total investment securities	**2.23**	2.74	**2.37**	2.76
Trading securities	**2.48**	3.41	**2.73**	3.60
Other earning assets:				
Federal funds sold	**0.22**	2.74	**0.44**	2.66
Securities purchased under agreements to resell (a)	**(0.08)**	2.23	**0.74**	2.22
Interest-bearing cash	**0.09**	2.28	**0.35**	2.37
Total other earning assets	**0.06**	2.27	**0.49**	2.34
Interest income / total earning assets	**3.29%**	4.52%	**3.60%**	4.51%
Liabilities:				
Interest-bearing liabilities:				
Interest-bearing deposits:				
Savings	**0.36%**	1.29%	**0.60%**	1.32%
Other interest-bearing deposits	**0.13**	0.98	**0.38**	1.02
Time deposits	**1.31**	2.01	**1.51**	1.96
Total interest-bearing deposits	**0.38**	1.32	**0.63**	1.33
Federal funds purchased	**0.12**	2.43	**0.57**	2.46
Securities sold under agreements to repurchase	**0.36**	2.08	**0.79**	2.07
Fixed income trading liabilities	**1.11**	2.75	**1.56**	2.87
Other short-term borrowings	**0.17**	2.66	**0.94**	2.77
Term borrowings	**3.96**	4.96	**3.97**	4.93
Interest expense / total interest-bearing liabilities	**0.54**	1.58	**0.79**	1.57
Net interest spread	**2.75%**	2.94%	**2.81%**	2.94%
Effect of interest-free sources used to fund earning assets	**0.15**	0.40	**0.21**	0.38
Net interest margin (b)	**2.90%**	3.34%	**3.02%**	3.32%

NM – Not meaningful
(a)Second quarter 2020 yield driven by negative market rates on reverse repurchase agreements.
(b)Calculated using total net interest income adjusted for FTE assuming a statutory federal income tax rate of 21 percent and, where applicable, state income taxes.

FHN's net interest margin is primarily impacted by its balance sheet mix, including the levels of fixed and floating rate loans, rate sensitive and non-rate sensitive liabilities, cash levels, trading inventory levels as well as loan fees and cash basis income. For the remainder of 2020, NIM will also depend on potentially modest loan growth, rate impact from the elevated spread of LIBOR to Fed Funds, widening credit spreads, PPP fees, Fixed Income trading inventory and the extent of assets moving to nonaccrual status.

PROVISION FOR LOAN LOSSES

The provision for loan losses is the charge to earnings that management determines to be necessary to maintain the ALLL at a sufficient level to reflect management's estimate of expected credit losses in the loan portfolio. Provision expense was $110.0 million and $255.0 million for the three and six months ended June 30, 2020, calculated under the CECL methodology adopted January 1, 2020, compared to $13.0 million and $22.0 million for the three and six months ended June 30, 2019 calculated under the "incurred loss" methodology. The increase in provision expense was due to the economic forecast attributable to the COVID-19 pandemic, and to a much lesser extent associated with loan growth. For additional information about the provision for loan losses refer to the Regional Banking and Non-Strategic sections of the Business Line Review section in this MD&A. For additional information about general asset quality trends refer to the Asset Quality section in this MD&A.

NONINTEREST INCOME

Noninterest income (including securities gains/(losses)) was $206.3 million in second quarter 2020 and represented 40 percent of total revenue compared to $158.0 million in second quarter 2019 and 34 percent. The increase in noninterest income in second quarter 2020 was primarily driven by higher fixed income revenue and an increase in deferred compensation income relative to second quarter 2019, somewhat offset by the negative impact of the COVID-19 pandemic on fee income.

For the six months ended June 30, 2020, noninterest income (including securities gains/(losses)) was $381.0 million and represented 39 percent of total revenue compared to $299.0 million for the six months ended June 30, 2019 and 33 percent. The increase in noninterest income for the year-to-date period of 2020 was primarily driven by higher fixed income revenue, somewhat offset by a decrease in deferred compensation income relative to the first half of 2019.

Fixed Income Noninterest Income

Fixed income noninterest income was $112.4 million in second quarter 2020, a 69 percent increase from $66.4 million in second quarter 2019. The increase in second quarter 2020 was largely driven by favorable market conditions including low rates, market volatility and increased depository liquidity. Revenue from other products was $12.1 million and $11.9 million in second quarter 2020 and 2019, respectively. The modest increase was primarily driven by increases in derivative sales.

For the six months ended June 30, 2020, fixed income noninterest income was $208.1 million, up 73 percent from $120.2 million for the six months ended June 30, 2019. The increase in the first half of 2020 was largely driven by the same factors impacting the quarterly period, partially offset by elevated levels of trading losses driven by extreme market volatility in first quarter 2020 compared to the prior year. Revenue from other products increased 39 percent to $29.4 million for the year-to-date period of 2020 from $21.2 million in 2019, driven by increases in derivative sales.

The following table summarizes FHN's fixed income noninterest income for the three and six months ended June 30, 2020 and 2019.

Table 2—Fixed Income Noninterest Income

	Three Months Ended June 30			Six Months Ended June 30		
(Dollars in thousands)	**2020**	2019	Percent Change	**2020**	2019	Percent Change
Noninterest income:						
Fixed income	**$ 100,272**	$ 54,533	84%	**$ 178,626**	$ 99,005	80%
Other product revenue	**12,149**	11,881	2%	**29,430**	21,158	39%
Total fixed income noninterest income	**$ 112,421**	$ 66,414	69%	**$ 208,056**	$ 120,163	73%

Deposit Transactions and Cash Management

Fees from deposit transactions and cash management activities were $30.8 million and $61.1 million for the three and six months ended June 30, 2020 down 5 percent from $32.4 million and $64.0 million for the three and six months ended June 30, 2019. In 2020, NSF fees decreased from pandemic-related impacts such as a decline in transaction volume and fee waivers.These decreases were somewhat off set by a $4.6 million debit card incentive payment recognized in second quarter 2020 and increased fees from cash management activities.

Brokerage, Management Fees and Commissions

Noninterest income from brokerage, management fees and commissions was $13.8 million and $29.2 million for the three and six months ended June 30, 2020 compared to $14.2 million and $26.8 million for the three and six months ended June 30, 2019. The increase for the six months ended June 30, 2020 was primarily driven by higher advisory revenue and annuity income as a result of increased transaction volume in first quarter 2020.

Other Noninterest Income

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

Revenue from all other income and commissions increased $4.3 million to $30.0 million in second quarter 2020 from $25.7 million in second quarter 2019. The increase in all other income and commissions in second quarter 2020 was largely due to a $6.2 million increase in deferred compensation income driven by equity market valuations relative to the prior year. Deferred compensation income fluctuates with changes in the market value of the underlying investments and is mirrored by changes in deferred compensation expense which is included in personnel expense. Additionally, increases in mortgage banking income and higher fees from derivative sales also contributed to the increase in all other income and commissions in second quarter 2020, but were partially offset by decreases in other service charges and dividend income relative to second quarter 2019.

For the six months ended June 30, 2020 revenue from all other income and commissions decreased $5.9 million to $44.4 million from $50.3 million for the six months ended June 30, 2019. The decrease in all other income and commissions in second quarter 2020 was largely due to a $8.7 million decrease in deferred compensation income and lower dividend income. The decline in deferred compensation income was driven by the timing of and extreme variability in equity market valuations in both 2020 and 2019. Higher fees from derivative sales relative to first quarter 2019 and an increase related to mortgage banking activities offset a portion of the overall decline in other noninterest income.

The following table provides detail regarding FHN’s other income.

Table 3—Other Income

(Dollars in thousands)	Three Months Ended June 30		Percent Change	Six Months Ended June 30		Percent Change
	2020	2019		**2020**	2019	
Other income:						
Deferred compensation (a)	**$ 8,171**	$ 1,938	NM	**$ (1,336)**	$ 7,412	NM
Other service charges	**4,582**	5,624	(19)%	**9,801**	9,493	3 %
Mortgage banking	**4,138**	2,572	61 %	**6,569**	4,458	47 %
ATM and interchange fees	**4,009**	4,262	(6)%	**8,221**	7,503	10 %
Letter of credit fees	**1,559**	1,253	24 %	**3,021**	2,621	15 %
Electronic banking fees	**1,182**	1,267	(7)%	**2,212**	2,538	(13)%
Dividend income (b)	**1,057**	1,809	(42)%	**2,187**	4,122	(47)%
Insurance commissions	**401**	566	(29)%	**1,190**	1,190	*
Gain/(loss) on extinguishment of debt	**—**	—	NM	**—**	(1)	NM
Other	**4,890**	6,376	(23)%	**12,488**	10,962	14 %
Total	**$ 29,989**	$ 25,667	17 %	**$ 44,353**	$ 50,298	(12)%

NM – Not meaningful
* Amount is less than one percent.
(a) Amounts are driven by market conditions and are mirrored by changes in deferred compensation expense which is included in employee compensation expense; six months ended June 30, 2020 decrease driven by variability in equity market valuations.
(b) Represents dividend income from Federal Reserve Bank ("FRB") and Federal Home Loan Bank ("FHLB") holdings. Variability largely driven by dividend rate.

NONINTEREST EXPENSE

Total noninterest expense increased 11 percent to $332.2 million in second quarter 2020 from $300.4 million in second quarter 2019. For the six months ended June 30, 2020 noninterest expense increased 8 percent to $643.5 million from $596.5 million for the six months ended June 30, 2019. The increase in noninterest expense for the quarter and year-to-date periods of 2020 was primarily driven by an increase in personnel-related expense, higher credit expense on unfunded commitments associated with the economic forecast attributable to the COVID-19 pandemic, and an increase in acquisition-related charges.

Expenses in second quarter 2019 were favorably impacted by an $8.3 million expense reversal related to the resolution of legal matters which also contributed to the year-over-year increase in noninterest expense for both the three and six months ended June 30, 2020. These increases were somewhat offset by restructuring costs associated with the identification of efficiency opportunities within the organization, asset impairments, and rebranding expenses recognized in the three and six months ended June 30, 2019.

Employee Compensation, Incentives, and Benefits

Employee compensation, incentives, and benefits (personnel expense), the largest component of noninterest expense, increased $28.6 million in second quarter 2020 to $200.3 million from $171.6 million in second quarter 2019. The increase in personnel expense in second quarter 2020 was primarily driven by higher variable compensation due to higher fixed income sales revenue, as well as increases in deferred compensation expense driven by equity market valuations and acquisition-related costs. A reduction in headcount and lower restructuring costs associated with the identification of efficiency opportunities within the organization favorably impacted personnel expense in second quarter 2020 relative to the second quarter 2019, offsetting a portion of the overall increase in personnel expenses.

For the six months ended June 30, 2020 personnel expense was $383.7 million, up $34.2 million from $349.6 million for the six months ended June 30, 2019. The increase in personnel expense for the year-to-date period was also driven by higher variable compensation due to increased commissionable revenues within Fixed Income. For the year-to-date period of 2020 deferred compensation expense decreased $9.4 million driven by the timing of and extreme variability in equity market valuations in both 2020 and 2019. Additionally, a decrease in restructuring costs associated with the identification of efficiency opportunities within the organization and a reduction in headcount also offset a portion of the overall increase in personnel expenses for the first half of 2020.

Professional Fees

Professional fees were $10.3 million in second quarter 2020, down from $11.3 million in second quarter 2019. The decrease in professional fees was primarily driven by lower restructuring costs associated with the identification of efficiency opportunities within the organization, largely offset by an increase in merger and acquisition related expenses.

Professional fees were $17.3 million in the first half of 2020 compared to $23.6 million in the first half of 2019. The decrease in professional fees for the first half of 2020 was also primarily driven by lower restructuring costs, somewhat offset by higher merger and acquisition related expenses. Additionally, strategic investments recognized in first quarter 2019 to analyze growth potential and product mix for new markets also contributed to the year-over-year decline in professional fees.

FDIC premium expense

FDIC premium expense increased 51 percent to $6.4 million in second quarter 2020 from $4.3 million in second quarter 2019. For the six months ended June 30, 2020, FDIC premium expense increased 55 percent to $13.2 million from $8.5 million for the six months ended June 30, 2019. The increase for both periods was driven by balance sheet growth and expected loss severity ratios.

Legal Fees

Legal fees were $2.5 million in second quarter 2020, down from $6.5 million in second quarter 2019. Legal fees were $4.3 million in the first half of 2020, down from $9.3 million in the first half of 2019. The decrease in legal fees was driven by lower acquisition related expenses in 2020 relative to the prior year.

Other Noninterest Expense

Other expense includes expenses associated with unfunded commitments, expenses associated with the non-service components of net periodic pension and post-retirement cost, other insurance and tax expenses, miscellaneous loan costs, supplies, costs associated with employee training and dues, customer relation expenses, travel and entertainment, expenses associated with OREO, tax credit investments expenses, losses from litigation and regulatory matters, and various other expenses.

All other expenses increased 25 percent to $35.8 million in second quarter 2020 from $28.7 million in second quarter 2019. The increase was primarily driven by an $11.6 million increase in credit expense on unfunded commitments driven by deterioration in the economic forecast attributable to the effects of the COVID-19 pandemic and an $8.3 million expense reversal recognized in second quarter 2019 associated with the resolution of a legal matter which favorably impacted all other expenses in the prior year. Additionally, a $2.4 million increase in pension-related costs also contributed to the overall increase in all other expenses in second quarter 2020 related to prior year. These increases were partially offset by costs associated with asset impairments and technology related costs associated with restructuring and rebranding initiatives recognized in second quarter 2019 and a decrease in travel and entertainment expenses.

All other expenses increased 44 percent to $69.0 million for the six months ended June 30, 2020 from $48.0 million for the six months ended June 30, 2019. The increase was largely the result of a $21.2 million increase in credit expense on unfunded commitments related to the COVID-19 pandemic and the $8.3 million litigation expense reversal recognized in 2019 previously mentioned. Additionally, a $4.5 million increase in pension-related costs contributed to the increase in all other expenses for the first half of 2020. These increases were somewhat offset by costs associated with asset impairments and technology related costs associated with restructuring and rebranding initiatives recognized in second quarter 2019 and a decrease in travel and entertainment expenses.

The following table provides detail regarding FHN’s other expense.

Table 4—Other Expense

(Dollars in thousands)	Three Months Ended June 30		Percent Change	Six Months Ended June 30		Percent Change
	2020	2019		**2020**	2019	
Other expense:						
Credit expense on unfunded commitments (a)	**$ 11,158**	$ (489)	NM	**$ 20,388**	$ (93)	NM
Non-service components of net periodic pension and post-retirement cost	**2,961**	559	NM	**5,469**	991	NM
Other insurance and taxes	**2,599**	2,495	4 %	**5,278**	5,189	2 %
Miscellaneous loan costs	**2,356**	857	NM	**3,450**	1,884	83 %
Supplies	**1,933**	1,342	44 %	**4,344**	3,146	38 %
Employee training and dues	**654**	1,251	(48)%	**1,995**	2,708	(26)%
Customer relations	**632**	1,540	(59)%	**2,636**	3,139	(16)%
Travel and entertainment	**474**	2,906	(84)%	**3,183**	5,618	(43)%
OREO	**437**	25	NM	**253**	(341)	NM
Tax credit investments	**426**	267	60 %	**772**	942	(18)%
Litigation and regulatory matters (b)	**3**	(8,230)	NM	**16**	(8,217)	NM
Other	**12,118**	26,158	(54)%	**21,193**	33,046	(36)%
Total	**$ 35,751**	$ 28,681	25 %	**$ 68,977**	$ 48,012	44 %

Certain previously reported amounts have been reclassified to agree with current presentation.
NM – Not meaningful

(a) Three and six months ended June 30, 2020 increases largely driven by the economic forecast attributable to the COVID-19 pandemic.

(b) Litigation and regulatory matters for the three and six months ended June 30, 2019 includes an $8.3 million expense reversal related to the settlement of litigation matters within the Non-Strategic segment.

INCOME TAXES

FHN recorded an income tax provision of $12.8 million in second quarter 2020, compared to $34.5 million in second quarter 2019. For the six months ended June 30, 2020 and 2019, FHN recorded an income tax provision of $17.5 million and $61.5 million, respectively. The effective tax rate for the three and six months ended June 30, 2020 was approximately 18 percent and 19 percent compared to 23 percent and 22 percent for the three and six months ended June 30, 2019.

The Company's effective tax rate is favorably affected by recurring items such as bank-owned life insurance, tax-exempt income, and credits and other tax benefits from affordable housing investments. The effective rate is unfavorably affected by the non-deductibility of a portion of the Company's FDIC premium and executive compensation expenses. The Company's effective tax rate also may be affected by items that may occur in any given period but are not consistent from period to period, such as changes in the deferred tax asset valuation allowance and changes in unrecognized tax benefits. The rate also may be affected by items resulting from business combinations.

A deferred tax asset ("DTA") or deferred tax liability ("DTL") is recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax consequence is calculated by applying enacted statutory tax rates, applicable to future years, to these temporary differences. As of June 30, 2020, FHN's gross DTA (net of a valuation allowance) and gross DTL were $310.1 million and $205.4 million, respectively, resulting in a net DTA of $104.7 million at June 30, 2020, compared with a net DTA of $69.0 million at December 31, 2019.

As of June 30, 2020, FHN had deferred tax asset balances related to federal and state income tax carryforwards of $37.5 million and $1.2 million, respectively, which will expire at various dates.

FHN believes that it will be able to realize the value of its DTA and that no valuation allowance is needed. FHN monitors its DTA and the need for a valuation allowance on a quarterly basis.

RESTRUCTURING, REPOSITIONING, AND EFFICIENCY INITIATIVES

Beginning in 2019, FHN initiated a company-wide review of business practices with the goal of optimizing its expense base to improve profitability and create capacity to reinvest savings into technology and revenue production activities. The net charges for restructuring, repositioning, and efficiency initiatives were not significant in the first half of 2020 and were $30.8 million in the first half of 2019. These expenses are primarily associated with severance and other employee costs, professional fees, and

costs associated with asset impairments. Due to the broad nature of the actions being taken, many components of expense are expected to benefit from the current efficiency initiatives. See Note 17 - Restructuring, Repositioning, and Efficiency for additional information.

Statement of Condition Review

Total period-end assets were $48.6 billion on June 30, 2020, up 12 percent from $43.3 billion on December 31, 2019. The increase in period-end assets was primarily driven by higher levels of interest-bearing cash, strong loan growth, and increases in available-for-sale ("AFS") securities and derivative assets. These increases were somewhat offset by an increase in the allowance for loan losses due to the Adoption of ASU 2016-13, “Measurement of Credit Losses on Financial Instruments,” or (“CECL”) and all related ASUs on January 1, 2020 and additional reserves recognized in first and second quarter 2020 due to the economic forecast attributable to the COVID-19 pandemic.

Average assets increased 12 percent to $47.9 billion in second quarter 2020 from $42.9 billion in fourth quarter 2019. The increase in average assets was largely driven by loan growth and higher levels of interest-bearing cash. Increases in FHLB stock and derivative assets also contributed to the increase in average assets during second quarter 2020, somewhat offset by lower average balances of securities purchased under agreements to resell ("asset repos") and an increase in the ALLL due to the adoption of CECL and additional loan loss reserves due to the COVID-19 pandemic.

Total period-end liabilities were $43.4 billion on June 30, 2020, a 14 percent increase from $38.2 billion on December 31, 2019. The net increase in period-end liabilities was primarily due to an influx of deposits. Additionally, increases in term borrowings, securities sold under agreements to repurchase, and federal funds purchased ("FFP") also contributed to the increase in period-end liabilities, but were somewhat offset by a decrease in short-term borrowings. In second quarter 2020, average liabilities increased to $42.8 billion from $37.8 billion in fourth quarter 2019. The increase in average liabilities was also driven by strong deposit growth and an increase in term borrowings.

EARNING ASSETS

Earning assets consist of loans, investment securities, loans HFS, and other earning assets such as trading securities and interest-bearing cash. Average earning assets increased 12 percent and 16 percent to $42.7 billion in second quarter 2020 from $38.2 billion and $36.7 billion, respectively, in fourth quarter 2019 and second quarter 2019. A more detailed discussion of the major line items follows.

Loans

Period-end loans increased 5 percent and 10 percent to $32.7 billion as of June 30, 2020 from $31.1 billion on December 31, 2019 and $29.7 billion as of June 30, 2019. The increase in period-end loan balances compared to December 31, 2019 was primarily driven by PPP lending. Average loans increased to $34.0 billion in second quarter 2020 compared to $30.7 billion in fourth quarter 2019 and $28.7 billion in second quarter 2019.

The following table summarizes FHN's average loans for quarters-ended June 30, 2020 and December 31, 2019.

Table 5—Average Loans

	Quarter Ended June 30, 2020		Quarter Ended December 31, 2019		
(Dollars in thousands)	**Amount**	**Percent of total**	Amount	Percent of total	Growth Rate
Commercial:					
Commercial, financial, and industrial	**$ 22,694,432**	**67%**	$ 19,739,937	64%	15 %
Commercial real estate	**4,709,676**	**14**	4,263,597	14	10
Total commercial	**27,404,108**	**81**	24,003,534	78	14
Consumer:					
Consumer real estate (a) (b)	**6,087,485**	**18**	6,194,134	20	(2)
Credit card, OTC and other	**476,088**	**1**	508,651	2	(6)
Total consumer	**6,563,573**	**19**	6,702,785	22	(2)
Total loans, net of unearned income	**$ 33,967,681**	**100%**	$ 30,706,319	100%	11 %

* Amount is less than one percent.
(a) Balance as December 31, 2019 includes $7.1 million of restricted and secured real estate loans.

(b) In first quarter 2020, the Permanent Mortgage portfolio was combined into Consumer Real Estate portfolio, all prior periods were revised for comparability.

C&I loans are the largest component of the loan portfolio, comprising 67 percent of total loans in second quarter 2020 and 64 percent fourth quarter 2019. C&I loans increased 15 percent from fourth quarter 2019, largely driven by PPP lending and higher balances within mortgage warehouse lending. Commercial real estate loans experienced a net increase of 10 percent to $4.7 billion in second quarter 2020.

Average consumer loans declined 2 percent from fourth quarter 2019 to $6.6 billion in second quarter 2020, largely driven by the continued wind-down of portfolios within the Non-strategic segment and declines in home equity lines of credit within the Regional Banking segment.

Investment Securities

FHN's investment portfolio consists principally of debt securities, including government agency issued mortgage-backed securities ("MBS") and government agency issued collateralized mortgage obligations ("CMO"), substantially all of which are classified as available-for-sale. FHN utilizes the securities portfolio as a source of income, liquidity and collateral for repurchase agreements, for public funds, and as a tool for managing risk of interest rate movements. Period-end investment securities were $5.5 billion on June 30, 2020 up from $4.5 billion on December 31, 2019.

Average investment securities were $4.5 billion in second quarter 2020 and $4.4 billion in fourth quarter 2019, representing 11 percent of average earning assets in second quarter 2020 and 12 percent in fourth quarter 2019. The increase in period-end and average investment securities was driven by FHN's reinvestment strategy in 2020 coupled with excess levels of cash from strong customer liquidity. FHN manages the size and mix of the investment portfolio to assist in asset liability management, provide liquidity, and optimize risk adjusted returns.

Loans Held-for-Sale

Loans HFS consists of small business, other consumer loans, the mortgage warehouse, USDA, student, and home equity loans. On June 30, 2020, and December 31, 2019, loans HFS were $745.7 million and $593.8 million, respectively. The average balance of loans HFS increased to $731.3 million in second quarter 2020 from $581.8 million in fourth quarter 2019. The increase in period-end and average loans HFS was primarily driven by an increase in small business loans, somewhat offset by a decrease in USDA loans.

Other Earning Assets

Other earning assets include trading securities (fixed income trading inventory), securities purchased under agreements to resell ("asset repos"), federal funds sold ("FFS"), and interest-bearing deposits with the Fed and other financial institutions. Other earning assets averaged $3.5 billion in second quarter 2020, a 38 percent increase from $2.5 billion in fourth quarter 2019. The increase in average other earning assets was primarily driven by strong customer liquidity that led to higher balances of interest-bearing cash and, to a lesser extent, an increase in fixed income trading inventory relative to fourth quarter 2019. Fixed income's trading inventory fluctuates daily based on customer demand. These increases were somewhat offset by a decline in asset repos, which are used in fixed income trading activities and generally fluctuate with the level of fixed income trading liabilities (short-positions) as securities collateral from asset repo transactions are used to fulfill trades. Other earning assets were $4.7 billion on June 30, 2020, up from $2.5 billion on December 31, 2019, primarily driven by an increase in interest-bearing cash, partially offset by decreases in asset repos and trading securities.

The following table summarizes FHN's average other earning assets for quarters-ended June 30, 2020 and December 31, 2019.

Table 6—Average Other Earning Assets

	Quarter Ended June 30, 2020		Quarter Ended December 31, 2019		
(Dollars in thousands)	**Amount**	**Percent of total**	Amount	Percent of total	Growth Rate
Other earning assets					
Interest-bearing cash	**$ 1,619,686**	**47%**	$ 586,495	23%	NM
Trading securities	**1,419,868**	**41**	1,263,633	50	12 %
Securities purchased under agreements to resell	**393,539**	**11**	645,979	26	(39)
Federal funds sold	**28,208**	**1**	9,700	1	NM
Total other earning assets	**$ 3,461,301**	**100%**	$ 2,505,807	100%	38 %

Non-earning assets

Period-end non-earning assets were $5.0 billion and $4.7 billion on June 30, 2020 and December 31, 2019, respectively, driven largely by increases in derivative assets, equity investments (primarily FHLB stock), and fixed income receivables, partially offset by an increase in the ALLL. Derivative assets and fixed income receivable balances were higher as a result of market volatility during the first half of 2020 and an increase in required margin posting. The increase in the ALLL was due to the adoption of ASU 2016-13 (CECL) on January 1, 2020 and additional reserves established during first and second quarter 2020 due to the deterioration in the economic forecast related to the effects of the COVID-19 pandemic.

Deposits

Average deposits increased $4.7 billion and $5.6 billion to $37.5 billion in second quarter 2020, from $32.8 billion in fourth quarter 2019 and $32.0 billion in second quarter 2019. Period-end deposits increased 16 percent and 17 percent, respectively, to $37.8 billion on June 30, 2020, from $32.4 billion on December 31, 2019 and $32.3 billion on June 30, 2019. The increase in both average and period-end balances from December 31, 2019 and June 30, 2019 was largely the result of significant customer deposit inflows beginning in March 2020 as brokerage customers exited equity markets to move in cash positions given the market volatility associated with the COVID-19 pandemic, as well as management's decision in first quarter 2020 to increase market-indexed deposits (given the favorable benefits of this funding source in lower interest-rate environments). The influx in noninterest-bearing deposits during the first half of 2020 resulted in an increase in the percentage of average noninterest-bearing deposits from 26 percent of total deposits in fourth quarter 2019 to 30 percent of total deposits in second quarter 2020.

The following table summarizes FHN's average deposits for quarters-ended June 30, 2020 and December 31, 2019.

Table 7—Average Deposits

	Quarter Ended June 30, 2020		Quarter Ended December 31, 2019		
(Dollars in thousands)	**Amount**	**Percent of total**	Amount	Percent of total	Growth Rate
Interest-bearing deposits:					
Consumer	**$ 14,153,186**	**38%**	$ 13,718,820	42%	3 %
Commercial	**6,002,315**	**16**	6,145,681	19	(2)
Market-indexed (a)	**6,055,468**	**16**	4,370,025	13	39
Total interest-bearing deposits	**26,210,969**	**70**	24,234,526	74	8
Noninterest-bearing deposits	**11,315,526**	**30**	8,542,521	26	32
Total deposits	**$ 37,526,495**	**100%**	$ 32,777,047	100%	14 %

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

Short-Term Borrowings

Short-term borrowings (federal funds purchased ("FFP"), securities sold under agreements to repurchase, trading liabilities, and other short-term borrowings) averaged $3.0 billion in second quarter 2020, down 10 percent from $3.3 billion in fourth quarter 2019. As noted in the table below, the decrease in short-term borrowings between second quarter 2020 and fourth quarter 2019 was primarily driven by decreases in other short-term borrowings, trading liabilities, and FFP, partially offset by an increase in securities sold under agreements to repurchase. Other short-term borrowings balances fluctuate largely based on the level of FHLB borrowing as a result of loan demand, deposit levels and balance sheet funding strategies. Trading liabilities fluctuates based on expectations of customer demand. FFP fluctuates depending on the amount of excess funding of FHN's correspondent bank customers. Period-end short-term borrowings decreased 35 percent to $2.6 billion on June 30, 2020 from $4.0 billion on December 31, 2019, primarily driven by a decrease in other short-term borrowings, as FHN was able to use an influx of customer deposits to support balance sheet funding. To a lesser extent trading liabilities also decreased on a period-end basis, somewhat offset by increases in securities purchased under agreements to resell and FFP.

Table 8—Average Short-Term Borrowings

(Dollars in thousands)	Quarter Ended June 30, 2020 Amount	Quarter Ended June 30, 2020 Percent of total	Quarter Ended December 31, 2019 Amount	Quarter Ended December 31, 2019 Percent of total	Growth Rate
Short-term borrowings:					
Federal funds purchased	**$ 1,037,107**	**35%**	$ 1,163,701	35%	(11)%
Securities sold under agreements to repurchase	**1,011,339**	**34**	701,213	21	44
Other short-term borrowings	**555,032**	**19**	844,558	26	(34)
Trading liabilities	**352,433**	**12**	585,889	18	(40)
Total short-term borrowings	**$ 2,955,911**	**100%**	$ 3,295,361	100%	(10)%

Term Borrowings

Term borrowings include senior and subordinated borrowings with original maturities greater than one year. Average term borrowings were $1.4 billion in second quarter 2020 and $.9 billion in fourth quarter 2019. Period-end term borrowings were $2.0 billion on June 30, 2020, up from $.8 billion on December 31, 2019. The increase in term borrowings on both an average and period-end basis was the result of the issuance of $450 million of subordinated notes by First Horizon Bank in April 2020, and the issuance of $800 million of senior notes by FHN in May 2020.

Other Liabilities

Period-end other liabilities were $1.0 billion on June 30, 2020 and December 31, 2019.

Capital

Management's objectives are to provide capital sufficient to cover the risks inherent in FHN's businesses, to maintain excess capital to well-capitalized standards, and to assure ready access to the capital markets. Period-end equity increased to $5.2 billion on June 30, 2020 from $5.1 billion on December 31, 2019. Average equity increased to $5.1 billion in second quarter 2020 from $5.0 billion in fourth quarter 2019. The increase in period-end and average equity was primarily due to the issuance of 1,500 shares of Series E Non-Cumulative Perpetual Preferred Stock in May 2020 and a decrease in accumulated other comprehensive income ("AOCI"), largely the result of an increase in unrealized gains associated with AFS debt securities. These increases were partially offset by the adoption impact of ASU 2016-13 (CECL) which resulted in a net decrease to retained earnings of $96.1 million on January 1, 2020, coupled with common and preferred dividends paid, somewhat offset by net income recognized since fourth quarter 2019.

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

Table 9—Regulatory Capital and Ratios

(Dollars in thousands)	June 30, 2020	December 31, 2019
Shareholders' equity	**$ 4,912,954**	$ 4,780,577
Modified CECL transitional amount (a)	**158,948**	—
FHN non-cumulative perpetual preferred	**(240,289)**	(95,624)
Common equity	**$ 4,831,613**	$ 4,684,953
Regulatory adjustments:		
Disallowed goodwill and other intangibles	**(1,496,625)**	(1,505,971)
Net unrealized (gains)/losses on securities available-for-sale	**(118,327)**	(31,079)
Net unrealized (gains)/losses on pension and other postretirement plans	**269,430**	273,914
Net unrealized (gains)/losses on cash flow hedges	**(16,305)**	(3,227)
Disallowed deferred tax assets	**(11,491)**	(8,610)
Other deductions from common equity tier 1	**(849)**	(1,044)
Common equity tier 1	**$ 3,457,446**	$ 3,408,936
FHN non-cumulative perpetual preferred	**240,289**	95,624
Qualifying noncontrolling interest—First Horizon Bank preferred stock	**294,816**	255,890
Tier 1 capital	**$ 3,992,551**	$ 3,760,450
Tier 2 capital	**667,100**	394,435
Total regulatory capital	**$ 4,659,651**	$ 4,154,885
Risk-Weighted Assets		
First Horizon National Corporation	**$ 37,360,843**	$ 37,045,782
First Horizon Bank	**37,037,629**	36,626,993
Average Assets for Leverage		
First Horizon National Corporation	**46,683,933**	41,583,446
First Horizon Bank	**46,111,262**	40,867,365

	June 30, 2020		December 31, 2019	
	Ratio	Amount	Ratio	Amount
Common Equity Tier 1				
First Horizon National Corporation	**9.25%**	**$ 3,457,446**	9.20%	$ 3,408,936
First Horizon Bank	**9.84**	**3,644,724**	9.38	3,433,867
Tier 1				
First Horizon National Corporation	**10.69**	**3,992,551**	10.15	3,760,450
First Horizon Bank	**10.64**	**3,939,540**	10.18	3,728,683
Total				
First Horizon National Corporation	**12.47**	**4,659,651**	11.22	4,154,885
First Horizon Bank	**13.05**	**4,835,218**	10.77	3,944,613
Tier 1 Leverage				
First Horizon National Corporation	**8.55**	**3,992,551**	9.04	3,760,450
First Horizon Bank	**8.54**	**3,939,540**	9.12	3,728,683

(a) The modified CECL transitional amount is calculated as defined in the CECL interim final rule issued by the banking regulators on March 27, 2020 and includes the full amount of the impact to retained earnings from the initial adoption of CECL plus 25 percent of the change in the adjusted allowance for credit losses ("AACL") since FHN's initial adoption of CECL through June 30, 2020.

Banking regulators define minimum capital ratios for bank holding companies and their bank subsidiaries. Based on the capital rules and definitions prescribed by the banking regulators, should any depository institution's capital ratios decline below predetermined levels, it would become subject to a series of increasingly restrictive regulatory actions. The system categorizes a depository institution's capital position into one of five categories ranging from well-capitalized to critically under-capitalized. For an institution the size of FHN to qualify as well-capitalized, Common Equity Tier 1, Tier 1 Capital, Total Capital, and Leverage capital ratios must be at least 6.5 percent, 8 percent, 10 percent, and 5 percent, respectively. Furthermore, beginning January 1, 2019, a capital conservation buffer of 50 basis points above these levels must be maintained on the Common Equity Tier 1, Tier 1

Capital and Total Capital ratios to avoid restrictions on dividends, share repurchases and certain discretionary bonuses.

As of June 30, 2020, each of FHN and First Horizon Bank had sufficient capital to qualify as well-capitalized institutions and to meet the capital conservation buffer requirement. The second quarter 2020 capital ratios for both FHN and First Horizon Bank are calculated under the interim final rule issued by the banking regulators in late March 2020 to delay the effects of CECL on regulatory capital for two years, followed by a three-year transition period. For both FHN and First Horizon Bank, the risk-based regulatory capital ratios increased in second quarter 2020 relative to fourth quarter 2019 primarily due to the impact of net income less dividends during the first half of 2020 and, for the Bank only, a reduction of $100 million in its equity investment in its financial subsidiary, FHN Financial Securities Corp. In addition, the Tier 1 Capital ratio for FHN benefited from the issuance of $150 million of Non-Cumulative Perpetual Preferred Stock, Series E, and the Total Capital ratios for both FHN and First Horizon Bank benefited from the Bank's issuance of $450 million of Tier 2 qualifying subordinated notes. The Tier 1 leverage ratio declined for both FHNC and First Horizon Bank as average assets for leverage in the second quarter 2020 increased relative to fourth quarter 2019. During 2020, capital ratios are expected to remain above well-capitalized standards plus the required capital conservation buffer.

Common Stock Purchase Programs

Pursuant to board authority, FHN may repurchase shares of its common stock from time to time and will evaluate the level of capital and take action designed to generate or use capital, as appropriate, for the interests of the shareholders, subject to legal and regulatory restrictions. Two common stock purchase programs currently authorized are discussed below. FHN's board has not authorized a preferred stock purchase program.

General Authority

On January 23, 2018, FHN announced a $250 million share purchase authority with an expiration date of January 31, 2020. On January 29, 2019, FHN announced a $250 million increase in that authority along with an extension of the expiration date to January 31, 2021. Purchases may be made in the open market or through privately negotiated transactions and are subject to market conditions, accumulation of excess equity, prudent capital management, and legal and regulatory restrictions. As of June 30, 2020, $229.3 million in purchases had been made under this authority at an average price per share of $15.09, $15.07 excluding commissions. Management currently does not anticipate purchasing a material number of shares under this authority during 2020.

Table 10a—Issuer Purchases of Common Stock - General Authority

(Dollar values and volume in thousands, except per share data)	Total number of shares purchased	Average price paid per share (a)	Total number of shares purchased as part of publicly announced programs	Maximum approximate dollar value that may yet be purchased under the programs
2020				
April 1 to April 30	—	NA	—	$ 270,654
May 1 to May 31	—	NA	—	270,654
June 1 to June 30	—	NA	—	270,654
Total	—	N/A	—	

N/A - not applicable
(a) Represents total costs including commissions paid.

Compensation Authority

A consolidated compensation plan share purchase program was announced on August 6, 2004. This program consolidated into a single share purchase program all of the previously authorized compensation plan share programs as well as the renewal of the authorization to purchase shares for use in connection with two compensation plans for which the share purchase authority had expired.

The total amount authorized under this consolidated compensation plan share purchase program, inclusive of a program amendment on April 24, 2006, is 29.6 million shares calculated before adjusting for stock dividends distributed through January 1, 2011. The authorization has been reduced for that portion which relates to compensation plans for which no options remain outstanding. The shares may be purchased over the option exercise period of the various compensation plans on or before December 31, 2023. Purchases may be made in the

open market or through privately negotiated transactions and are subject to market conditions, accumulation of excess equity, prudent capital management, and legal and regulatory restrictions. As of June 30, 2020, the maximum number of shares that may be purchased under the program was 24.1 million shares. Management currently does not anticipate purchasing a material number of shares under this authority during 2020.

Table 10b—Issuer Purchase of Common Stock - Compensation Authority

(Volume in thousands, except per share data)	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Maximum number of shares that may yet be purchased under the programs
2020				
April 1 to April 30	**1**	$ 7.18	**1**	$ 24,315
May 1 to May 31	**182**	8.03	**182**	24,134
June 1 to June 30	*	12.09	*	24,133
Total	**183**	$ 8.04	**183**	

* - amount less than 500 shares.

Asset Quality

Loan Portfolio Composition

FHN groups its loans into portfolio segments based on internal classifications reflecting the manner in which the ALLL is established and how credit risk is measured, monitored, and reported. From time to time, and if conditions are such that certain subsegments are uniquely affected by economic or market conditions or are experiencing greater deterioration than other components of the loan portfolio, management may determine the ALLL at a more granular level. Commercial loans are composed of commercial, financial, and industrial ("C&I") and commercial real estate ("CRE"). Consumer loans are composed of consumer real estate; and credit card and other. In first quarter 2020, FHN consolidated its permanent mortgage portfolio into consumer real estate. Loans previously classified in permanent mortgage included primarily jumbo mortgages and one-time-close ("OTC") completed construction loans in the non-strategic segment that were originated through pre-2009 mortgage businesses. FHN has a concentration of residential real estate loans (19 percent of total loans). Industry concentrations are discussed under the heading C&I below.

Consolidated key asset quality metrics for each of these portfolios can be found in Table 17 – Asset Quality by Portfolio. Credit underwriting guidelines are outlined in Item 7 of FHN's Annual Report on Form 10-K for the year ended December 31, 2019, in the Loan Portfolio Composition discussion in the Asset Quality Section beginning on page 67 and continuing to page 87. FHN's credit underwriting guidelines and loan product offerings as of June 30, 2020, are generally consistent with those reported and disclosed in the Company's Form 10-K for the year ended December 31, 2019.

COMMERCIAL LOAN PORTFOLIOS

C&I

The C&I portfolio was $21.4 billion on June 30, 2020, and is comprised of loans used for general business purposes. Typical products include working capital lines of credit, term loan financing of owner-occupied real estate and fixed assets, and trade credit enhancement through letters of credit. The largest geographical concentrations of balances as of June 30, 2020, are in Tennessee (32 percent), North Carolina (11 percent), California (7 percent), Florida (7 percent), Texas (6 percent), Georgia (4 percent), and South Carolina (3 percent), with no other state representing more than 3 percent of the portfolio.

The following table provides the composition of the C&I portfolio by industry as of June 30, 2020, and December 31, 2019. For purposes of this disclosure, industries are determined based on the North American Industry Classification System ("NAICS") industry codes used by Federal statistical agencies in classifying business establishments for the collection, analysis, and publication of statistical data related to the U.S. business economy.

Table 11—C&I Loan Portfolio by Industry

(Dollars in thousands)	June 30, 2020 Amount	June 30, 2020 Percent	December 31, 2019 Amount	December 31, 2019 Percent
Industry:				
Loans to mortgage companies	**$ 4,020,591**	**19%**	$ 4,410,883	22%
Finance & insurance	**2,530,808**	**12**	2,778,411	14
Health care & social assistance	**1,850,006**	**9**	1,499,178	8
Accommodation & food service	**1,741,834**	**8**	1,364,833	7
Real estate rental & leasing (a)	**1,547,227**	**7**	1,454,336	7
Wholesale trade	**1,413,665**	**6**	1,372,147	7
Manufacturing	**1,303,421**	**6**	1,150,701	6
Other (education, arts, entertainment, etc) (b)	**6,986,341**	**33**	6,020,602	29
Total C&I loan portfolio	**$ 21,393,893**	**100%**	$ 20,051,091	100%

(a) Leasing, rental of real estate, equipment, and goods.
(b) Industries in this category each comprise less than 5 percent for 2020.

Industry Concentrations

Loan concentrations are considered to exist for a financial institution when there are loans to numerous borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions. 31 percent of FHN's C&I portfolio (Finance and insurance plus Loans to mortgage companies) could be affected by items that uniquely impact the financial services industry. Except "Finance and Insurance" and "Loans to Mortgage Companies", as discussed below, on June 30, 2020, FHN did not have any other concentrations of C&I loans in any single industry of 10 percent or more of total loans.

Loans to Mortgage Companies

The balance of loans to mortgage companies was 19 percent of the C&I portfolio as of June 30, 2020, 22 percent as of December 31, 2019 and 20 percent as of June 30, 2019, and includes balances related to both home purchase and refinance activity. This portfolio class, which generally fluctuates with mortgage rates and seasonal factors, includes commercial lines of credit to qualified mortgage companies primarily for the temporary warehousing of eligible mortgage loans prior to the borrower's sale of those mortgage loans to third party investors. Generally, lending to mortgage lenders increases when there is a decline in mortgage rates and decreases when rates rise. In periods of economic uncertainty, this trend may not occur even if interest rates are declining. In second quarter 2020, 35 percent of the loans funded were home purchases and 65 percent were refinance transactions.

Finance and Insurance

The finance and insurance component represents 12 percent of the C&I portfolio as of June 30, 2020, compared to 14 percent as of December 31, 2019, and includes TRUPS (i.e., long-term unsecured loans to bank and insurance-related businesses), loans to bank holding companies, and asset-based lending to consumer finance companies. As of June 30, 2020, asset-based lending to consumer finance companies represents approximately $1.1 billion of the finance and insurance component.

TRUPS lending was originally extended as a form of "bridge" financing to participants in the pooled trust preferred securitization program offered primarily to smaller banking (generally less than $15 billion in total assets) and insurance institutions through FHN's fixed income business. Origination of TRUPS lending ceased in early 2008. Individual TRUPS are re-graded at least quarterly as part of FHN's commercial loan review process. The terms of these loans generally include a scheduled 30 year balloon payoff and include an option to defer interest for up to 20 consecutive quarters. As of June 30, 2020, no TRUP relationship was on interest deferral. As of June 30, 2020, the unpaid principal balance ("UPB") of trust preferred loans totaled $227.6 million ($172.6 million of bank TRUPS and $55.0 million of insurance TRUPS) with the UPB of other bank-related loans totaling $305.0 million. Inclusive of an amortizing discount on TRUPS of $18.4 million, total reserves (ALLL plus the amortizing discount) for TRUPS and other bank-related loans were $30.4 million, or 6 percent of outstanding UPB.

C&I Asset Quality Trends

The C&I portfolio trends have been negatively impacted in the second quarter 2020 by economic uncertainty attributable to the COVID-19 pandemic and could continue to be negatively impacted in future periods. The C&I ALLL increased $196.2 million from December 31, 2019, to $318.7 million as of June 30, 2020, primarily due to the steep decline in the economic forecast attributable to the COVID-19 pandemic and the adoption of ASU 2016-13.

The allowance as a percentage of period-end loans increased 88 basis points to 1.49 percent as of June 30, 2020, compared to .61 percent as of year-end 2019. Nonperforming C&I loans increased $53.0 million from December 31, 2019, to $127.3 million on June 30, 2020. The nonperforming loan ("NPL") ratio increased to .60 percent of C&I loans as of June 30, 2020, from .37 percent as of December 31, 2019. The increase in NPLs was primarily driven by two credits.

The following table shows C&I asset quality trends by segment.

The 30+ delinquency ratio decreased 2 basis points as of June 30, 2020. Second quarter 2020 experienced net charge-offs of $17.1 million compared to $3.3 million and $6.1 million of net charge-offs in fourth quarter 2019 and second quarter 2019, respectively. Second quarter 2020 net charge-offs were primarily driven by two credits.

Table 12—C&I Asset Quality Trends by Segment

	2020		
	Three months ended		
(Dollars in thousands)	**Regional Bank**	**Non-Strategic**	**Consolidated**
Allowance for loan losses as of April 1	**$ 244,662**	**$ 9,854**	**$ 254,516**
Charge-offs	**(18,201)**	**—**	**(18,201)**
Recoveries	**1,070**	**3**	**1,073**
Provision/(provision credit) for loan losses	**80,930**	**404**	**81,334**
Allowance for loan losses as of June 30	**$ 308,461**	**$ 10,261**	**$ 318,722**
Net charge-offs % (qtr. annualized)	**0.31%**	**NM**	**0.30%**
Allowance / net charge-offs	**4.48x**	**NM**	**4.63x**
	As of June 30		
Period-end loans	**$ 21,074,103**	**$ 319,790**	**$ 21,393,893**
Nonperforming loans	**127,345**	**—**	**127,345**
Troubled debt restructurings	**42,292**	**—**	**42,292**
30+ Delinq. % (a)	**0.03%**	**—%**	**0.03%**
NPL %	**0.60**	**—**	**0.60**
Allowance / loans %	**1.46**	**3.21**	**1.49**

	2019		
	Three months ended		
(Dollars in thousands)	Regional Bank	Non-Strategic	Consolidated
Allowance for loan losses as of April 1	$ 102,393	$ 1,320	$ 103,713
Charge-offs	(6,562)	(28)	(6,590)
Recoveries	513	6	519
Provision/(provision credit) for loan losses	18,466	(12)	18,454
Allowance for loan losses as of June 30	$ 114,810	$ 1,286	$ 116,096
Net charge-offs % (qtr. annualized)	0.14%	0.03%	0.14%
Allowance / net charge-offs	4.73x	14.47x	4.77x
	As of December 31		
Period-end loans	$ 19,721,457	$ 329,634	$ 20,051,091
Nonperforming loans	74,312	—	74,312
Troubled debt restructurings	42,199	—	42,199
30+ Delinq. % (a)	0.05%	—%	0.05%
NPL %	0.38	—	0.37
Allowance / loans %	0.62	0.02	0.61

NM—Not meaningful
Loans are expressed net of unearned income.
(a) 30+ Delinquency % includes all accounts delinquent more than one month and still accruing interest.

Commercial Real Estate

The CRE portfolio was $4.8 billion on June 30, 2020. The CRE portfolio includes both financings for commercial construction and nonconstruction loans. The largest geographical concentrations of balances as of June 30, 2020 are in North Carolina (28 percent), Tennessee (19 percent), Florida (15 percent), Texas (8 percent), South Carolina (7 percent), and Georgia (6 percent), with no other state representing more than 3 percent of the portfolio. This portfolio is segregated between the income-producing CRE class which contains loans, draws on lines and letters of credit to commercial real estate developers for the construction and mini-permanent financing of income-producing real estate, and the residential CRE class. Subcategories of income CRE consist of office (29 percent), multi-family (22 percent), retail (19 percent), industrial (12 percent), hospitality (11 percent), land/land development (2 percent), and other (5 percent).

The residential CRE class includes loans to residential builders and developers for the purpose of constructing single-family homes, condominiums, and town homes, and on a limited basis, for developing residential subdivisions. After the fulfillment of existing commitments over the near term, the residential CRE class will be in a wind-down state with the expectation of full runoff in the foreseeable future.

CRE Asset Quality Trends

The CRE portfolio asset quality trends as of June 30, 2020 were not significantly affected by the global COVID-19 pandemic, with nonperforming loans up $.2 million from December 31, 2019. However, economic uncertainty attributable to COVID-19 could impact future CRE portfolio trends. The allowance increased to $57.3 million as of June 30, 2020, from $36.1 million as of December 31, 2019 primarily due to COVID-19. Allowance as a percentage of loans increased 36 basis points from .83 percent as of December 31, 2019, to 1.19 percent as of June 30, 2020. Nonperforming loans as a percentage of total CRE loans remained the same at .04 percent as of June 30, 2020 and December 31, 2019.

Accruing delinquencies as a percentage of period-end loans decreased to .2 basis points as of June 30, 2020, from 2.0 basis point as of December 31, 2019. Net recoveries were $95 thousand in second quarter 2020 compared to net charge-offs of $209 thousand in second quarter 2019.

The following table shows commercial real estate asset quality trends by segment.

Table 13—Commercial Real Estate Asset Quality Trends by Segment

(Dollars in thousands)	2020 Three months ended Regional Bank	Non-Strategic	Consolidated
Allowance for loan losses as of April 1	**$ 46,929**	**$ 696**	**$ 47,625**
Charge-offs	**(61)**	**—**	**(61)**
Recoveries	**156**	**—**	**156**
Provision/(provision credit) for loan losses	**9,699**	**(134)**	**9,565**
Allowance for loan losses as of June 30	**$ 56,723**	**$ 562**	**$ 57,285**
Net charge-offs % (qtr. annualized)	**NM**	**—**	**NM**
Allowance / net charge-offs	**NM**	**NM**	**NM**
	As of June 30		
Period-end loans	**$ 4,793,816**	**$ 19,525**	**$ 4,813,341**
Nonperforming loans	**2,067**	**—**	**2,067**
Troubled debt restructurings	**1,120**	**—**	**1,120**
30+ Delinq. % (a)	**—%**	**—%**	**—%**
NPL %	**0.04**	**—**	**0.04**
Allowance / loans %	**1.18**	**2.88**	**1.19**

(Dollars in thousands)	2019 Three months ended Regional Bank	Non-Strategic	Consolidated
Allowance for loan losses as of April 1	$ 30,801	$ 3,581	$ 34,382
Charge-offs	(121)	—	(121)
Recoveries	(88)	—	(88)
Provision/(provision credit) for loan losses	(1,377)	157	(1,220)
Allowance for loan losses as of June 30	$ 29,215	$ 3,738	$ 32,953
Net charge-offs % (qtr. annualized)	0.02%	NM	0.02%
Allowance / net charge-offs	34.79x	NM	39.25x
	As of December 31		
Period-end loans	$ 4,292,199	$ 44,818	$ 4,337,017
Nonperforming loans	1,825	—	1,825
Troubled debt restructurings	1,200	—	1,200
30+ Delinq. % (a)	0.02%	—%	0.02%
NPL %	0.04	—	0.04
Allowance / loans %	0.79	5.32	0.83

NM—Not meaningful
Loans are expressed net of unearned income.
(a) 30+ Delinquency % includes all accounts delinquent more than one month and still accruing interest.

CONSUMER LOAN PORTFOLIOS

Consumer Real Estate

The consumer real estate portfolio was $6.1 billion on June 30, 2020, and is primarily composed of home equity lines and installment loans including restricted balances (loans consolidated under ASC 810). The largest geographical concentrations of balances as of June 30, 2020, are in Tennessee (54 percent), North Carolina (15 percent), Florida (14 percent), and California (3 percent), with no other state representing more than 3 percent of the portfolio. As of June 30, 2020, approximately 86 percent of the consumer real estate portfolio was in a first lien position. At origination, weighted average FICO score of this portfolio was 755 and refreshed FICO scores averaged 756 on June 30, 2020. Generally, performance of this portfolio is affected by life events that affect borrowers' finances, the level of unemployment, and home prices.

Home equity lines of credit ("HELOCs") comprise $1.2 billion of the consumer real estate portfolio as of June 30, 2020. FHN's HELOCs typically have a 5 or 10 year draw period followed by a 10 or 20 year repayment period, respectively. During the draw period, a borrower is able to draw on the line and is only required to make interest payments. The line is automatically frozen if a borrower becomes 45 days or more past due on payments. Once the draw period has concluded, the line is closed and the borrower is required to make both principal and interest payments monthly until the loan matures. The principal payment generally is fully amortizing, but payment amounts will adjust when variable rates reset to reflect changes in the prime rate.

As of June 30, 2020, approximately 78 percent of FHN's HELOCs are in the draw period compared to approximately 76 percent as of December 31, 2019. Based on when draw periods are scheduled to end per the line agreement, it is expected that $295.7 million, or 32 percent of HELOCs currently in the draw period, will enter the repayment period during the next 60 months. Delinquencies and charge-off rates for HELOCs that have entered the repayment period are initially higher than HELOCs still in the draw period because of the increased minimum payment requirement; however, after some seasoning, performance of these loans usually begins to stabilize. The home equity lines of the consumer real estate portfolio are being monitored closely for those nearing the end of the draw period and borrowers are initially being contacted at least 24 months before the repayment period begins to remind the customer of the terms of their agreement and to inform them of options.

The following table shows the HELOCs currently in the draw period and expected timing of conversion to the repayment period.

Table 14—HELOC Draw To Repayment Schedule

	June 30, 2020		December 31, 2019	
(Dollars in thousands)	**Repayment Amount**	**Percent**	Repayment Amount	Percent
Months remaining in draw period:				
0-12	**$ 46,112**	**5%**	$ 47,455	5%
13-24	**58,195**	**6**	58,843	6
25-36	**58,924**	**6**	65,833	7
37-48	**56,256**	**6**	67,692	7
49-60	**76,207**	**8**	75,246	7
>60	**642,628**	**69**	666,001	68
Total	**$ 938,322**	**100%**	$ 981,070	100%

Consumer Real Estate Asset Quality Trends

Overall, performance of the consumer real estate portfolio remained stable in second quarter 2020. Economic uncertainty attributable to the COVID-19 pandemic could impact future trends. The non-strategic segment is a run-off portfolio and while the absolute dollars of delinquencies and nonaccruals as well as the 30+ accruing delinquencies ratio improved from year-end, nonperforming loans ratios deteriorated. That trend of increasing deterioration of ratios in the non-strategic segment is likely to continue and may become more skewed as the portfolio shrinks and stronger borrowers are better able than weaker ones to payoff or refinance elsewhere. NPLs as a percentage of loans increased 20 basis points from year-end to 1.59 percent as of June 30, 2020. The ALLL increased $115.3 million from December 31, 2019, to $143.8 million as of June 30, 2020, primarily due to the COVID-19 pandemic and the adoption of ASU 2016-13. The allowance as a percentage of loans increased 192 basis points to 2.38 percent as of June 30, 2020, compared to year-end. The balance of nonperforming loans increased $10.6 million to $96.3 million as of June 30, 2020. Loans delinquent 30 or more days and still accruing declined from $42.9 million as of

December 31, 2019, to $32.3 million as of June 30, 2020. The portfolio realized net recoveries of $2.0 million in second quarter 2020 compared to net recoveries of $3.3 million in fourth quarter 2019 and net recoveries of $3.8 million in second quarter 2019.

The following table shows consumer real estate asset quality trends by segment.

Table 15—Consumer Real Estate Asset Quality Trends by Segment

	2020			
	Three months ended			
(Dollars in thousands)	**Regional Bank**	**Corporate**	**Non-Strategic**	**Consolidated**
Allowance for loan losses as of April 1	**$ 102,958**	**N/A**	**$ 20,064**	**$ 123,022**
Charge-offs	**(763)**	**N/A**	**(1,205)**	**(1,968)**
Recoveries	**1,410**	**N/A**	**2,577**	**3,987**
Provision/(provision credit) for loan losses	**17,280**	**N/A**	**1,436**	**18,716**
Allowance for loan losses as of June 30	**$ 120,885**	**N/A**	**$ 22,872**	**$ 143,757**
Net charge-offs % (qtr. annualized)	**NM**	**N/A**	**NM**	**NM**
Allowance / net charge-offs	**NM**	**N/A**	**NM**	**NM**
	As of June 30			
Period-end loans	**$ 5,692,309**	**$ 27,887**	**$ 332,197**	**$ 6,052,393**
Nonperforming loans	**45,678**	**1,209**	**49,437**	**96,324**
Troubled debt restructurings	**49,630**	**2,908**	**96,005**	**148,543**
30+ Delinq. % (a)	**0.42%**	**4.90%**	**2.11%**	**0.53%**
NPL %	**0.80**	**4.34**	**14.88**	**1.59**
Allowance / loans %	**2.12**	**N/A**	**6.89**	**2.38**

	2019			
	Three months ended (a)			
(Dollars in thousands)	Regional Bank	Corporate	Non-Strategic	Consolidated
Allowance for loan losses as of April 1	$ 15,203	N/A	$ 18,951	$ 34,154
Charge-offs	(826)	N/A	(888)	(1,714)
Recoveries	1,240	N/A	4,285	5,525
Provision/(provision credit) for loan losses	(912)	N/A	(5,521)	(6,433)
Allowance for loan losses as of June 30	$ 14,705	N/A	$ 16,827	$ 31,532
Net charge-offs % (qtr. annualized)	NM	N/A	NM	NM
Allowance / net charge-offs	NM	N/A	NM	NM
	As of December 31 (a)			
Period-end loans	$ 5,738,455	$ 31,473	$ 407,211	$ 6,177,139
Nonperforming loans	37,014	1,327	47,353	85,694
Troubled debt restructurings	46,031	2,457	113,758	162,246
30+ Delinq. % (b)	0.50%	5.29%	3.10%	0.70%
NPL %	0.65	4.22	11.63	1.39
Allowance / loans %	0.23	N/A	3.71	0.46

NM—Not meaningful
Loans are expressed net of unearned income.
(a) In first quarter 2020, the Permanent Mortgage portfolio was combined into Consumer Real Estate portfolio, all prior periods were revised for comparability.
(b) 30+ Delinquency % includes all accounts delinquent more than one month and still accruing interest.

Credit Card and Other

The credit card and other portfolio, which is primarily within the regional banking segment, was $.4 billion as of June 30, 2020, and primarily includes credit card receivables, other consumer-related credits, and automobile loans. The allowance increased to $18.1 million as of June 30, 2020, from $13.3 million as December 31, 2019, primarily driven by economic uncertainty attributable to the COVID-19 pandemic and the adoption of ASU 2016-13. Loans 30 days or more delinquent and accruing as a percentage of loans decreased 16 basis points from December 31, 2019, to .77 percent as of June 30, 2020. Net charge-offs were $1.6 million in second quarter 2020 compared to $2.7 million in second quarter 2019.

Table 16—Credit Card and Other Asset Quality Trends by Segment

	2020		
	Three months ended		
(Dollars in thousands)	Regional Bank	Non-Strategic	Consolidated
Allowance for loan losses as of April 1	**$ 19,003**	**$ 324**	**$ 19,327**
Charge-offs	**(2,471)**	**(206)**	**(2,677)**
Recoveries	**871**	**211**	**1,082**
Provision/(provision credit) for loan losses	**404**	**(19)**	**385**
Allowance for loan losses as of June 30	**$ 17,807**	**$ 310**	**$ 18,117**
Net charge-offs % (qtr. annualized)	**1.42%**	**NM**	**1.35%**
Allowance / net charge-offs	**2.77x**	**NM**	**2.82x**
	As of June 30		
Period-end loans	**$ 429,610**	**$ 19,700**	**$ 449,310**
Nonperforming loans	**98**	**157**	**255**
Troubled debt restructurings	**661**	**27**	**688**
30+ Delinq. % (a)	**0.74%**	**1.42%**	**0.77%**
NPL %	**0.02**	**0.79**	**0.06**
Allowance / loans %	**4.14**	**1.57**	**4.03**

	2019		
	Three months ended		
(Dollars in thousands)	Regional Bank	Non-Strategic	Consolidated
Allowance for loan losses as of April 1	$ 12,517	$ 145	$ 12,662
Charge-offs	(2,884)	(914)	(3,798)
Recoveries	887	218	1,105
Provision/(provision credit) for loan losses	1,599	600	2,199
Allowance for loan losses as of June 30	$ 12,119	$ 49	$ 12,168
Net charge-offs % (qtr. annualized)	1.84%	4.41%	2.17%
Allowance / net charge-offs	1.51x	0.02x	1.13x
	As of December 31		
Period-end loans	$ 460,742	$ 35,122	$ 495,864
Nonperforming loans	36	298	334
Troubled debt restructurings	615	38	653
30+ Delinq. % (a)	0.69%	4.05%	0.93%
NPL %	0.01	0.85	0.07
Allowance / loans %	2.87	0.09	2.68

NM—Not meaningful
Loans are expressed net of unearned income.
(a) 30+ Delinquency % includes all accounts delinquent more than one month and still accruing interest.

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

Table 17—Asset Quality by Portfolio

	June 30 2020	December 31 2019
Key Portfolio Details		
C&I		
Period-end loans ($ millions)	**$ 21,394**	$ 20,051
30+ Delinq. % (a)	**0.03%**	0.05%
NPL %	**0.60**	0.37
Charge-offs % (qtr. annualized)	**0.30**	0.07
Allowance / loans %	**1.49%**	0.61%
Allowance / net charge-offs	**4.63x**	9.25x
Commercial Real Estate		
Period-end loans ($ millions)	**$ 4,813**	$ 4,337
30+ Delinq. % (a)	**—%**	0.02%
NPL %	**0.04**	0.04
Charge-offs % (qtr. annualized)	**NM**	NM
Allowance / loans %	**1.19%**	0.83%
Allowance / net charge-offs	**NM**	NM
Consumer Real Estate (b)		
Period-end loans ($ millions)	**$ 6,053**	$ 6,177
30+ Delinq. % (a)	**0.53%**	0.70%
NPL %	**1.59**	1.39
Charge-offs % (qtr. annualized)	**NM**	NM
Allowance / loans %	**2.38%**	0.46%
Allowance / net charge-offs	**NM**	NM
Credit Card and Other		
Period-end loans ($ millions)	**$ 449**	$ 496
30+ Delinq. % (a)	**0.77%**	0.93%
NPL %	**0.06**	0.07
Charge-offs % (qtr. annualized)	**1.35**	2.29
Allowance / loans %	**4.03%**	2.68%
Allowance / net charge-offs	**2.82x**	1.14x

NM – Not meaningful

Loans are expressed net of unearned income.

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

(b) In first quarter 2020, the Permanent Mortgage portfolio was combined into Consumer Real Estate portfolio, all prior periods were revised for comparability.

Allowance for Loan Losses

Management's policy is to maintain the ALLL at a level sufficient to recognize current expected credit losses on the amortized cost basis of the loan portfolio. The total allowance for loan losses increased to $537.9 million on June 30, 2020, from $200.3 million on December 31, 2019. The ALLL as of June 30, 2020, reflects the adoption of ASU 2016-13 on January 1, 2020 and the steep decline in the economic forecast attributable to the COVID-19 pandemic. The ratio of allowance for credit losses to total loans, net of unearned income, increased 100 basis points to 1.64 percent on June 30, 2020, compared to .64 percent on December 31, 2019.

The provision for loan losses is the charge to or release of earnings necessary to maintain the ALLL at a sufficient level reflecting management's estimate of current expected losses on the amortized cost basis of the loan portfolio. Provision expense was $110.0 million in second quarter 2020, compared to $13.0 million provision expense in second quarter 2019. The increase is primarily attributable to the declining economic forecast attributable to the COVID-19 pandemic.

FHN expects asset quality trends to be impacted by the economic uncertainty attributable to the COVID-19 pandemic. The C&I portfolio reflects a broad mix of categories with the heaviest concentration in loans to mortgage companies which carry minimal credit risk. The C&I portfolio as of June 30, 2020 includes $2.1 billion of loans made under the Paycheck Protection Program ("PPP Loans") of the Small Business Administration ("SBA"). PPP loans are fully government guaranteed with the SBA. Due to the government guarantee and forgiveness provisions, PPP loans are considered to have no credit risk. The CRE portfolio metrics could be impacted by the COVID-19 pandemic due to travel and occupancy restrictions set by state and local governments affecting CRE- Hospitality and CRE-Retail. The consumer portfolio could be impacted by the COVID-19 pandemic if consumer unemployment continues to rise and customers are unable to continue making loan payments. The consumer portfolio, however, is high quality with no subprime and minimal exposure to other traditional categories of high risk lending. The remaining non-strategic consumer real estate should continue to steadily wind down; however, it could be impacted if unemployment continues to rise and borrowers have difficulty making loan payments. Asset quality metrics within non-strategic have become skewed as the portfolio continues to shrink.

Consolidated Net Charge-offs

In second quarter 2020, FHN experienced net charge-offs of $16.6 million compared to $5.2 million of net charge-offs in second quarter 2019.

The commercial portfolio experienced $17.0 million of net charge-offs in second quarter 2020 compared to $6.3 million in net charge-offs in second quarter 2019. In addition, the consumer real estate portfolio experienced net recoveries of $2.0 million in second quarter 2020 compared to $3.8 million in net recoveries in second quarter 2019. Credit card and other consumer experienced net charge-offs of $1.6 million in second quarter 2020 compared to $2.7 million a year ago.

Nonperforming Assets

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

Total nonperforming assets (including NPLs HFS) increased to $245.4 million on June 30, 2020, from $181.9 million on December 31, 2019. The nonperforming assets ratio (nonperforming assets excluding NPLs HFS to total period-end loans plus OREO and other assets) increased to .73 percent as of June 30, 2020, from .57 percent as of December 31, 2019. Portfolio nonperforming loans increased to $226.0 million as of June 30, 2020, from $162.2 million as of December 31, 2019. The increase in nonperforming loans was driven by the C&I portfolio.

The ratio of the ALLL to NPLs in the loan portfolio was 2.38 times as of June 30, 2020, compared to 1.24 times as of December 31, 2019. Certain nonperforming loans in both the commercial and consumer portfolios are deemed collateral-dependent and are charged down to an estimate of collateral value less costs to sell. Because loss content has been recognized through a partial charge-off, typically reserves are not recorded.

Table 19 provides an activity rollforward of OREO balances for June 30, 2020 and 2019. The balance of OREO, exclusive of inventory from government insured mortgages, decreased to $13.2 million as of June 30, 2020, from $16.6 million as of June 30, 2019, driven by the sale of OREO. Moreover, property values have stabilized which also affects the balance of OREO.

Table 18—Rollforward of OREO

(Dollars in thousands)	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Beginning balance	**$ 13,881**	$ 20,676	$ 15,660	$ 22,387
Valuation adjustments	**(142)**	(9)	(169)	26
New foreclosed property	**757**	1,394	1,685	3,001
Disposal	**(1,319)**	(5,468)	(3,999)	(8,821)
Ending balance, March 31 (a)	**$ 13,177**	$ 16,593	**$ 13,177**	$ 16,593

(a) Excludes OREO and receivables related to government insured mortgages of $6.4 million and $3.4 million as of June 30, 2020 and 2019, respectively.

The following table provides consolidated asset quality information for the three months ended June 30, 2020 and 2019, and as of June 30, 2020, and December 31, 2019:

Table 19—Asset Quality Information

(Dollars in thousands)	Three Months Ended June 30	
	2020	2019
Allowance for loan losses:		
Beginning balance on April 1	**$ 444,490**	$ 184,911
Provision/(provision credit) for loan losses	**110,000**	13,000
Charge-offs	**(22,907)**	(12,223)
Recoveries	**6,298**	7,061
Ending balance on June 30	**$ 537,881**	$ 192,749
Reserve for remaining unfunded commitments	**50,461**	7,524
Total allowance for loan losses and reserve for unfunded commitments	**$ 588,342**	$ 200,273
Key ratios		
Allowance / net charge-offs (a)	**8.05x**	9.31x
Net charge-offs % (b)	**0.20%**	0.07%

Nonperforming Assets by Segment	As of June 30 **2020**	As of December 31 2019
Regional Banking:		
Nonperforming loans (c)	**$ 175,188**	$ 113,187
OREO (e)	**9,210**	12,347
Total Regional Banking	**184,398**	125,534
Non-Strategic:		
Nonperforming loans (c)	**49,594**	47,651
Nonperforming loans held-for-sale net of fair value adjustment (c)	**6,219**	4,047
OREO (e)	**3,967**	3,313
Total Non-Strategic	**59,780**	55,011
Corporate:		
Nonperforming loans (c)	**1,209**	1,327
Total Corporate	**1,209**	1,327
Total nonperforming assets (c) (d)	**$ 245,387**	$ 181,872

NM - Not meaningful.
(a) Ratio is total allowance divided by annualized net charge-offs.
(b) Ratio is annualized net charge-offs divided by quarterly average loans, net of unearned income.
(c) Excludes loans that are 90 or more days past due and still accruing interest.
(d) Excludes OREO from government-insured mortgages.

Table 19—Asset Quality Information (continued)

	As of June 30 2020	As of December 31 2019
Loans and commitments:		
Total period-end loans, net of unearned income	**$ 32,708,937**	$ 31,061,111
Potential problem assets (a)	**401,049**	346,896
Loans 30 to 89 days past due	**27,156**	36,052
Loans 90 days past due (b) (c)	**14,498**	21,859
Loans held-for-sale 30 to 89 days past due (c)	**4,979**	3,732
Loans held-for-sale 30 to 89 days past due—guaranteed portion (c) (d)	**4,755**	3,424
Loans held-for-sale 90 days past due (c)	**6,336**	6,484
Loans held-for-sale 90 days past due—guaranteed portion (c) (d)	**6,233**	6,417
Remaining unfunded commitments	**$ 12,945,839**	$ 12,355,220
Key ratios		
Allowance / loans %	**1.64%**	0.64%
Allowance / NPL	**2.38x**	1.24x
NPA % (e)	**0.73%**	0.57%
NPL %	**0.69%**	0.52%

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

Past Due Loans and Potential Problem Assets

Past due loans are loans contractually past due as to interest or principal payments, but which have not yet been put on nonaccrual status. Loans in the portfolio that are 90 days or more past due and still accruing were $14.5 million on June 30, 2020, compared to $21.9 million on December 31, 2019. The decrease was primarily driven by R/E installment loans. Loans 30 to 89 days past due were $27.2 million on June 30, 2020, compared to $36.1 million on December 31, 2019. The decrease was primarily driven by the HELOC and General C&I portfolios.

Potential problem assets represent those assets where information about possible credit problems of borrowers has caused management to have serious doubts about the borrower's ability to comply with present repayment terms and includes loans past due 90 days or more and still accruing. This definition is believed to be substantially consistent with the standards established by Federal banking regulators for loans classified as substandard. Potential problem assets in the loan portfolio were $401.0 million on June 30, 2020, $346.9 million on December 31, 2019, and $279.7 million on June 30, 2019. The increase in potential problem assets compared to December 31, 2019 was due to a net increase in classified commercial loans within the C&I portfolio. The current expectation of losses from potential problem assets has been included in management's analysis for assessing the adequacy of the allowance for loan losses.

Troubled Debt Restructuring and Loan Modifications

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

On June 30, 2020 and December 31, 2019, FHN had $192.6 million and $206.3 million portfolio loans classified as TDRs, respectively. For TDRs in the loan portfolio, FHN had loan loss reserves of $13.6 million and $19.7 million, or 7 percent and 10 percent of TDR balances, as of June 30, 2020 and December 31, 2019, respectively. Additionally, FHN had $45.1 million and $51.1 million of HFS loans classified as TDRs as of June 30, 2020 and December 31, 2019, respectively.

The following table provides a summary of TDRs for the periods ended June 30, 2020 and December 31, 2019:

Table 20—Troubled Debt Restructurings

(Dollars in thousands)	**As of June 30, 2020**	As of December 31, 2019
Held-to-maturity:		
Consumer real estate (a):		
Current	**92,229**	105,525
Delinquent	**2,624**	4,634
Non-accrual (b)	**53,690**	52,087
Total consumer real estate	**148,543**	162,246
Credit card and other:		
Current	**663**	615
Delinquent	**25**	38
Non-accrual	**—**	—
Total credit card and other	**688**	653
Commercial loans:		
Current	**18,751**	10,558
Delinquent	**—**	—
Non-accrual	**24,661**	32,841
Total commercial loans	**43,412**	43,399
Total held-to-maturity	**$ 192,643**	$ 206,298
Held-for-sale:		
Current	**$ 36,371**	$ 39,014
Delinquent	**6,758**	8,008
Non-accrual	**1,923**	4,106
Total held-for-sale	**45,052**	51,128
Total troubled debt restructurings	**$ 237,695**	$ 257,426

(a) In first quarter 2020, the Permanent Mortgage portfolio was combined into Consumer Real Estate portfolio, all prior periods were revised for comparability.
(b) Balances as of June 30, 2020 and December 31, 2019, include $11.6 million and $12.6 million, respectively, of discharged bankruptcies.

Risk Management

There have been no significant changes to FHN's risk management practices as described under "Risk Management" beginning on page 88 of Item 7 to FHN's Annual Report on Form 10-K for the year ended December 31, 2019.

MARKET RISK MANAGEMENT

There have been no significant changes to FHN's market risk management practices as described under "Market Risk Management" beginning on page 89 of Item 7 to FHN's Annual Report on Form 10-K for the year ended December 31, 2019.

Value-at-Risk ("VaR") and Stress Testing

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

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

Table 21—VaR and SVaR Measures

	Three Months Ended June 30, 2020			Six Months Ended June 30, 2020			As of June 30, 2020
(Dollars in thousands)	**Mean**	**High**	**Low**	**Mean**	**High**	**Low**	
1-day							
VaR	**$ 3,038**	**$ 5,058**	**$ 1,717**	**$ 2,668**	**$ 6,783**	**$ 1,023**	**$ 2,927**
SVaR	**3,933**	**6,194**	**2,726**	**6,212**	**17,727**	**2,726**	**3,246**
10-day							
VaR	**13,261**	**19,214**	**7,603**	**10,126**	**24,880**	**1,807**	**12,929**
SVaR	**13,680**	**19,214**	**9,316**	**20,043**	**43,221**	**9,316**	**12,929**

	Three Months Ended June 30, 2019			Six Months Ended June 30, 2019			As of June 30, 2019
(Dollars in thousands)	Mean	High	Low	Mean	High	Low	
1-day							
VaR	$ 1,015	$ 1,246	$ 748	$ 1,221	$ 1,907	$ 748	$ 901
SVaR	6,266	9,595	4,700	7,239	9,629	4,700	5,356
10-day							
VaR	2,643	4,518	2,025	3,010	4,518	2,025	3,164
SVaR	16,859	22,333	13,588	19,268	28,086	13,588	13,932

	Year Ended December 31, 2019			As of December 31, 2019
(Dollars in thousands)	Mean	High	Low	
1-day				
VaR	$ 1,068	$ 1,907	$ 503	$ 1,325
SVaR	6,198	9,629	3,157	4,579
10-day				
VaR	2,824	7,000	1,499	2,233
SVaR	17,367	28,086	8,803	14,975

2020 VaR and SVaR increased due to extreme volatility as a result of economic uncertainty associated with the COVID-19 pandemic.

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

Table 22—Schedule of Risks Included in VaR

	As of June 30, 2020		As of June 30, 2019		As of December 31, 2019	
(Dollars in thousands)	**1-day**	**10-day**	1-day	10-day	1-day	10-day
Interest rate risk	**$ 1,166**	**$ 3,858**	$ 722	$ 2,495	$ 693	$ 3,929
Credit spread risk	**1,770**	**7,725**	204	450	417	828

2020 VaR and SVaR increased due to extreme volatility as a result of economic uncertainty associated with the COVID-19 pandemic.

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

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

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

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

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

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

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

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

Model Validation

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

INTEREST RATE RISK MANAGEMENT

There have been no significant changes to FHN's interest rate risk management practices as described under "Interest Rate Risk Management" beginning on page 90 of Item 7 to FHN's Annual Report on Form 10-K for the year ended December 31, 2019.

Net Interest Income Simulation Analysis

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

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

Based on a static balance sheet as of June 30, 2020, NII exposures over the next 12 months assuming rate shocks of plus 25 basis points, 50 basis points, 100 basis points, and 200 basis points are estimated to have favorable variances of 2.3 percent, 4.5 percent, 8.1 percent, and 13.0 percent, respectively compared to base NII. A steepening yield curve scenario where long-term rates increase by 50 basis points and short-term rates are static, results in a favorable NII variance of 1.6 percent. A flattening yield curve scenario where long-term rates decrease by 50 basis points and short-term rates are static, results in an unfavorable NII variance of 1.8 percent. Rate shocks of minus 25 basis points and 50 basis points result in unfavorable NII variances of 3.3 percent and 4.2 percent. These hypothetical scenarios are used to create a risk measurement framework, and do not necessarily represent management's current view of future interest rates or market developments.

FHN's net interest income has been, and likely will continue to be, impacted by the disruption from the

COVID-19 pandemic. The increase in the unemployment rate, customer loan deferral requests, the impact of government assistance programs, and other developments have influenced net interest income results. FHN is monitoring current economic trends and potential exposures closely.

CAPITAL RISK MANAGEMENT AND ADEQUACY

There have been no significant changes to FHN's capital management practices as described under "Capital Risk Management and Adequacy" on page 91 of Item 7 to FHN's Annual Report on Form 10-K for the year ended December 31, 2019.

OPERATIONAL RISK MANAGEMENT

There have been no significant changes to FHN's operational risk management practices as described under "Operational Risk Management" beginning on page 91 of Item 7 to FHN's Annual Report on Form 10-K for the year ended December 31, 2019.

COMPLIANCE RISK MANAGEMENT

There have been no significant changes to FHN's compliance risk management practices as described under "Compliance Risk Management" on page 92 of Item 7 to FHN's Annual Report on Form 10-K for the year ended December 31, 2019.

CREDIT RISK MANAGEMENT

There have been no significant changes to FHN's credit risk management practices as described under "Credit Risk Management" beginning on page 92 of Item 7 to FHN's Annual Report on Form 10-K for the year ended December 31, 2019.

LIQUIDITY RISK MANAGEMENT

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

In accordance with the Liquidity Policy, ALCO manages FHN's exposure to liquidity risk through a dynamic, real time forecasting methodology. Base liquidity forecasts are reviewed by ALCO and are updated as financial conditions dictate. In addition to the baseline liquidity reports, robust stress testing of assumptions and funds availability are periodically reviewed. FHN maintains a contingency funding plan that may be executed, should unexpected difficulties arise in accessing funding that affects FHN, the industry as a whole, or both. Subject to market conditions and compliance with applicable regulatory requirements from time to time, funds are available from a number of sources including the available-for-sale securities portfolio, dealer and commercial customer repurchase agreements, access to the overnight and term Federal Funds markets, incremental borrowing capacity at the FHLB ($5.8 billion was available at June 30, 2020), brokered deposits, loan sales, syndications, and access to the Federal Reserve Bank.

Core deposits are a significant source of funding and have historically been a stable source of liquidity for banks. Generally, core deposits represent funding from a financial institution's customer base which provide inexpensive, predictable pricing. The Federal Deposit Insurance Corporation insures these deposits to the extent authorized by law. Generally, these limits are $250 thousand per account owner for interest bearing and non-interest bearing accounts. The ratio of total loans, excluding loans HFS and restricted real estate loans, to core deposits was 102 percent on June 30, 2020 compared to 98 percent on December 31, 2019.

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

Both FHN and First Horizon Bank may access the debt markets in order to provide funding through the issuance of senior or subordinated unsecured debt subject to market conditions and compliance with applicable regulatory requirements. In May 2020, FHN issued $800 million of senior capital notes. In April 2020, First Horizon Bank issued $450 million of subordinated notes. These subordinated notes qualify as Tier 2 capital for First Horizon Bank as well as FHN, up to certain regulatory limits for minority interest capital instruments.

Both FHN and First Horizon Bank have the ability to generate liquidity by issuing preferred equity, and (for FHN) by issuing common equity, subject to market conditions and compliance with applicable regulatory requirements. In January 2013, FHN issued $100 million of Non-Cumulative Perpetual Preferred Stock, Series A, and in May 2020, FHN issued $150 million of Non-Cumulative Perpetual Preferred Stock, Series E. As of

June 30, 2020, First Horizon Bank and subsidiaries had outstanding preferred shares of $295.4 million, which are reflected as noncontrolling interest on the Consolidated Condensed Statements of Condition.

Parent company liquidity is primarily provided by cash flows stemming from dividends and interest payments collected from subsidiaries. These sources of cash represent the primary sources of funds to pay cash dividends to shareholders and principal and interest to debt holders of FHN. The amount paid to the parent company through First Horizon Bank common dividends is managed as part of FHN's overall cash management process, subject to applicable regulatory restrictions. Certain regulatory restrictions exist regarding the ability of First Horizon Bank to transfer funds to FHN in the form of cash, common dividends, loans, or advances. At any given time, the pertinent portions of those regulatory restrictions allow First Horizon Bank to declare preferred or common dividends without prior regulatory approval in an aggregate amount equal to First Horizon Bank's retained net income for the two most recent completed years plus the current year to date. For any period, First Horizon Bank's 'retained net income' generally is equal to First Horizon Bank's regulatory net income reduced by the preferred and common dividends declared by First Horizon Bank. Applying the dividend restrictions imposed under applicable federal and state rules as outlined above, the Bank's total amount available for dividends was $363.4 million as of July 1, 2020. Additionally, a capital conservation buffer of 50 basis points above well-capitalized levels (equal to an extra 2.5 percent above minimum levels) must be maintained on the Common Equity Tier 1, Tier 1 Capital and Total Capital ratios to avoid restrictions on dividends. First Horizon Bank declared and paid common dividends to the parent company in the amounts of $65 million and $115 million in first and third quarter 2020 and $345.0 million in 2019. First Horizon Bank declared and paid preferred dividends in first and second quarter 2020 and each quarter of 2019. Additionally, First Horizon Bank declared preferred dividends in third quarter 2020, payable in October 2020.

Payment of a dividend to shareholders of FHN is dependent on several factors which are considered by the Board. These factors include FHN's current and prospective capital, liquidity, and other needs, applicable regulatory restrictions, and also availability of funds to FHN through a dividend from First Horizon Bank. FHN is subject to the capital conservation buffer requirements as described in the above paragraph for First Horizon Bank. Additionally, banking regulators generally require insured banks and bank holding companies to pay cash dividends only out of current operating earnings. Consequently, the decision of whether FHN will pay future dividends and the amount of dividends will be affected by current operating results. FHN paid a cash dividend of $.15 per common share on July 1, 2020. FHN paid cash dividends of $1,550.00 per Series A preferred share on July 10, 2020, as well as $331.25 per Series B preferred share and $165.00 per Series C preferred share on August 3, 2020. In addition, in July 2020 the Board approved cash dividends per share in the following amounts:

	Dividend/share	Record Date	Payment Date
Common Stock	$ 0.15	09/11/2020	10/01/2020
Preferred Stock			
Series A	$ 1,550.00	09/28/2020	10/13/2020
Series C	$ 165.00	10/16/2020	11/02/2020
Series D	$ 305.00	10/16/2020	11/02/2020
Series E	$ 2,383.33	09/28/2020	10/13/2020

CASH FLOWS

The Consolidated Condensed Statements of Cash Flows provide information on cash flows from operating, investing, and financing activities for the six months ended June 30, 2020 and 2019. The level of cash and cash equivalents decreased $247.3 million during the first half of 2020 and $155.6 million during the first half of 2019

Net cash used by investing activities was $5.2 billion in the first half of 2020, driven by an increase in interest-bearing cash, strong loan growth and a net increase in the AFS securities portfolio as purchases outpaced proceeds from maturities and sales. Net cash used by operating activities was $.5 billion in the first half of 2020 primarily due to net cash outflows of $767.8 million related to loans held-for-sale as purchases and originations outpaced proceeds from sales and settlements and $368.6 million related to an increase in derivatives, partially offset by cash inflows of$430.5 million related to fixed income trading activities. Net cash provided in financing activities was $5.5 billion in the first half of 2020, largely driven by an inflow of deposits, proceeds from the issuance of $800 million of senior notes, $450 million of subordinated notes, and $150 million of preferred stock, somewhat offset by a decrease in short-term borrowings (primarily FHLB stock).

Net cash used by investing activities was $1.1 billion in the first half of 2019, largely driven by an increase in loan balances somewhat offset by a decrease in interest-bearing cash and a net decrease in AFS debt securities, as maturities and sales outpaced purchases. Net cash provided by financing activities was $595.7 million in the first half of 2019, primarily driven by an increase in other short-term borrowings somewhat offset by a decrease in deposits, share repurchases and cash dividends paid during the first half of 2019. The increase in short-term borrowings was primarily the result of an increase in FHLB borrowings, which fluctuate largely based on loan demand, deposit levels and balance sheet funding strategies. Net cash provided by operating activities was $347.3 million in the first half of 2019 due in large part to net cash inflows of $752.2 million related to fixed income trading activities and favorably driven cash-related net income items. Cash outflows of $605.3 million related to loans HFS negatively

impacted operating cash flows during the first half of 2019, as purchases of government guaranteed loans outpaced sales, including the sale of approximately $25 million UPB of subprime consumer loans.

Repurchase Obligations, Off-Balance Sheet Arrangements, and Other Contractual Obligations

Obligations from Pre-2009 Mortgage Businesses

Prior to September 2008 FHN originated loans through its pre-2009 mortgage business, primarily first lien home loans, with the intention of selling them. Sales typically were effected either as non-recourse whole loan sales or through non-recourse proprietary securitizations. Conventional conforming single-family residential mortgage loans were sold predominately to two government-sponsored entities, or "GSEs": Fannie Mae and Freddie Mac. Also, federally insured or guaranteed whole loans were pooled, and payments to investors were guaranteed through Ginnie Mae. Many mortgage loan originations, especially nonconforming mortgage loans, were sold to investors, or certificate-holders, predominantly through First Horizon proprietary securitizations but also, to a lesser extent, through other whole loans sold to private non-Agency purchasers. FHN used only one trustee for all of its First Horizon proprietary securitizations. In addition to First Horizon proprietary securitization and other whole loan sales activities, FHN also originated and sometimes sold or securitized second-lien, line of credit, and government-insured mortgage loans.

From these pre-2009 activities, FHN has incurred substantial losses stemming from obligations to repurchase loans, pay make-whole amounts, or otherwise resolve claims that loans which FHN originated, or FHN's servicing of those loans, were deficient in a manner for which FHN was liable. Many years ago, FHN established a repurchase and foreclosure liability, or reserve, in connection with those claims. FHN has settled many claims, and the reserve is reduced each time a claim is settled. As discussed in Note 10 - Contingencies and Other Disclosures, FHN's principal remaining exposures for those activities relate to (i) indemnification claims by underwriters, loan purchasers, and other parties which assert that FHN-originated loans caused or contributed to losses which FHN is legally obliged to indemnify, and (ii) indemnification or other claims related to FHN's servicing of pre-2009 mortgage loans.

Servicing Obligations

FHN's national servicing business was sold as part of the platform sale in 2008. A significant amount of mortgage servicing rights ("MSR") was sold at that time, and a significant amount was retained. The related servicing activities, including foreclosure and loss mitigation practices, not sold in 2008 were outsourced including a subservicing arrangement initiated in 2011 (the "2011 subservicer"). In fourth quarter 2013 and first quarter 2014, FHN sold and transferred a substantial majority of its remaining servicing obligations and servicing assets (including advances) to the 2011 subservicer. The servicing still retained by FHN is not significant and continues to be subserviced.

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

As mentioned in Note 10 - Contingencies and Other Disclosures - FHN has received a notice of indemnification claims from its 2011 subservicer, Nationstar Mortgage LLC, currently doing business as "Mr. Cooper." The notice asserts several categories of indemnity obligations by FHN to Nationstar in connection with mortgage loans under the subservicing arrangement and under the purchase transaction. This matter currently is not in formal litigation, but litigation in the future is possible.

Repurchase Accrual Methodology

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

Repurchase Accrual Approach

In determining potential loss content, claims are analyzed by purchaser, vintage, and claim type. FHN considers various inputs including claim rate estimates, historical average repurchase and loss severity rates, mortgage insurance cancellations, and mortgage insurance curtailment requests. Inputs are applied to claims in the active pipeline, as well as to historical average inflows to estimate loss content related to potential future inflows. Management also evaluates the nature of claims from purchasers and/or servicers of loans sold to determine if qualitative adjustments are appropriate.

Repurchase and Foreclosure Liability

The repurchase and foreclosure liability is comprised of accruals to cover estimated loss content in the active pipeline (consisting of mortgage loan repurchase, make-whole, foreclosure/servicing demands and certain related exposures), estimated future inflows, and estimated loss content related to certain known claims not currently

included in the active pipeline. The liability contemplates repurchase/make-whole and damages obligations and estimates for probable incurred losses associated with loan populations excluded from the settlements with the GSEs, as well as other whole loans sold, mortgage insurance cancellations rescissions, and loans included in bulk servicing sales effected prior to the settlements with the GSEs. FHN compares the estimated probable incurred losses determined under the applicable loss estimation approaches for the respective periods with current reserve levels. Changes in the estimated required liability levels are recorded as necessary through the repurchase and foreclosure provision. The repurchase and foreclosure liability decreased to $12.9 million on June 30, 2020 from $14.5 million on December 31, 2019.

Market Uncertainties and Prospective Trends

FHN’s future results could be affected both positively and negatively by several known trends. Key among those are changes in the U.S. and global economy and outlook, government actions affecting interest rates, availability and the administration of stimulus relief for the economy. Additional impacts include how the pandemic affects FHN’s customers, as well as political uncertainty, potential changes in federal policies and the potential impact to our customers, and FHN’s strategic initiatives.

FHN's performance, and the entire U.S. financial services industry, is affected considerably by the overall health of the U.S. and global economy and outlook. Furthermore, FHN may be directly or indirectly impacted by global events that impact clients and their businesses. The global COVID-19 pandemic has led to periods of significant volatility in financial commodities (including oil and gas) and other markets, and has adversely affected FHN’s and its clients' ability to conduct normal business, and could harm FHN’s business and future results of operations.

In March 2020 the Federal Reserve lowered short-term interest rates twice and started a “quantitative easing” program intended to lower longer-term interest rates and foster access to credit. The effective yields of 10-year and 30-year U.S. Treasury securities achieved record low rates and the U.S. Congress enacted relief legislation which, among other things, is intended to provide emergency credit to businesses at risk for failure from government and public actions related to the COVID-19 pandemic, and to mitigate the severity of an economic recession. These changes in interest rates and the volatility in the market are likely to negatively impact FHN’s net interest margin. In the near term, amortization of net processing fees related to government relief programs, including the Paycheck Protection Program ("PPP"), may offset a portion of the net interest margin decline.

The economic effects of the COVID-19 pandemic have significantly altered business in the U.S. and globally leading to partial or full business closures, individuals being furloughed or laid off, significant increases in unemployment, and workers being partially or wholly ordered to work from home. Disruption to FHN’s customers due to governmental and societal responses to COVID-19 are likely to adversely affect FHN’s loan and deposit fee income and could create downward loan migration and a corresponding increase in loan loss expense and reserves. In addition, loan charge-offs likely will increase over time, especially if economic disruption related to the COVID-19 pandemic continues for an extended period of time. Furthermore, government programs under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and other guidance intended to provide relief to customers through temporary modifications and deferrals, may in some instances mask or postpone reporting of credit problems and potential defaults. In these circumstances, current credit quality indicators may not be reflective of the underlying health of FHN's portfolios.

Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the COVID-19 pandemic on the businesses of FHN for the remainder of 2020 or afterward.

In 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates the London InterBank Offered Rate (“LIBOR”), announced that it intends to halt persuading or compelling banks to submit rates for the calculation of LIBOR after 2021. As a result, LIBOR as currently operated may not continue after 2021. FHN is not currently able to predict the impact that the transition from LIBOR will have on the Company; however, because FHN has instruments with floating rate terms based on LIBOR, FHN may experience increases in interest, dividends, and other costs relative to these instruments subsequent to 2021. Additionally, the transition from LIBOR could impact or change FHN’s hedge accounting practices. FHN has initiated efforts to 1) develop an inventory of affected loans, securities, and derivatives, 2) evaluate and draft modifications as needed to address loans outstanding at the time of LIBOR retirement, 3) obtain an understanding of the potential effects for applicable securities and derivatives and 4) assess revisions to product pricing structures based on alternative reference rates. In March 2020, the FASB issued ASU 2020-04, “Facilitation of the Effects of Reference Rate Reform on Financial Reporting,” which provides several optional expedients and exceptions to ease the potential burden in accounting for reference rate reform. Refer to the Accounting Changes Issued but Not Currently Effective section of Note 1 - Financial Information for additional information. Additionally, the IRS has released a proposal that is intended to facilitate the

transition of existing contracts from LIBOR to new reference rates without triggering modification accounting or taxable exchange treatment for those contracts. This proposal contains specific guidance that must be met in order to qualify for the beneficial transition approach and FHN is considering this guidance in its transition plans.

FHN has prioritized expense discipline to include reducing or controlling certain expenses including realization of merger efficiencies, enabling the investment into revenue-producing activities, customer-facing technology, and critical infrastructure. FHN remains committed to organic growth through customer retention, key hires, targeted incentives, and other traditional means.

Under applicable accounting guidance, FHN is required to record IBKC's loans at estimated fair value as of the closing date, July 1, 2020. In addition, FHN is required to assess the current expected credit losses associated with IBKC loans. That credit loss assessment will be separate from the fair value estimation, and will result in a charge to FHN's income for certain loans during third quarter 2020. FHN has not yet completed those estimations and assessments, but currently expects that the associated charge to third-quarter income will be substantial.

Lastly, while FHN has resolved most matters from the pre-2009 mortgage business, some remain unresolved. The timing or financial impact of resolution of these matters cannot be predicted with accuracy. Accordingly, the non-strategic segment may occasionally and unexpectedly impact FHN's overall quarterly results negatively or positively with reserve accruals or releases. Also, although new pre-2009 mortgage business matters of significance arise at a much slower pace than in years past and some formerly common legal claims no longer can be made due to the passage of time, potential for new pre-2009 mortgage business matters remains.

Foreclosure Practices

FHN retains exposure for potential deficiencies in servicing related to its pre-2009 mortgage servicing business and subservicing arrangements. Further details regarding these matters are provided in

"Obligations from Pre-2009 Mortgage Businesses - Servicing Obligations" under "Repurchase Obligations, Off-Balance Sheet Arrangements, and Other Contractual Obligations."

FHN response to the COVID-19 pandemic

As previously mentioned, the COVID-19 pandemic has, and will continue, to directly and indirectly impact FHN and our customers. FHN has adapted many operations to help ensure the health and safety of employees and customers during these uncertain times. Among other things, FHN has implemented remote work policies, encouraged contactless banking or in-person branch activities to be handled by appointment, as well as additional sick time and child care assistance for employees.

Loans

FHN is actively monitoring the COVID-19 pandemic and its impact on customers and FHN's credit quality. FHN continues to reach out to customers to discuss challenges and solutions, provide line draws and new extensions to existing customers, provide support for small businesses through the PPP (discussed in more detail below) and other stimulus programs, as well as provide lending and deposit assistance through deferrals and waived fees. Additionally, in certain sectors, FHN has reduced or stopped new lending.

Paycheck Protection Program

In 2020 Congress created the foundation for a paycheck protection program ("PPP"). Under the PPP, qualifying businesses may receive loans from private lenders, such as FHN, that are fully guaranteed by the Small Business Administration. These loans potentially are partly or fully forgivable, depending upon the borrower's use of the funds and maintenance of employment levels; to the extent forgiven, the borrower is relieved from payment, while the lender still is paid from the program. Congress has revised the PPP this year, and may make further revisions to PPP in the future.

Lenders making PPP loans are paid a fee by the Small Business Administration. Gross lender fees range from 1% to 5% of the loan amount. A borrower can use an agent to assist in the preparation of their PPP applications, with the costs of the agent potentially being paid from the gross lender fee. Additionally, originating banks have certain internal costs of originating PPP loans.

FHN originated 15,512 of PPP loans with an aggregate principal of $2.1 billion through June 30, 2020. For these loans, FHN anticipates recognizing net lender fees of approximately $60 million. PPP lending has continued in third quarter, but at lower volumes. FHN has decided to hold its PPP loans for investment. Therefore, the amount of SBA fees net of total direct origination costs are deferred as a discount to the recorded carrying value of the PPP loans. This discount is being amortized prospectively to interest income. SBA loan forgiveness payments are considered prepayments of the related loans. Under existing accounting principles, amortization of net origination fees can reflect expected prepayment activity if prepayments are determined to be probable and both the timing and volume can be reasonably estimated. Based on the current terms of the PPP loans, including the expected end of the payment deferral period, FHN estimates that substantially all of the prepayment-eligible portions of PPP loans will be prepaid by second quarter 2021 as these loans are forgiven. These estimated prepayments result in

a similar amount of the net fees being recognized in interest income.

Since PPP loans carry a full SBA guarantee, they do not have any credit risk and will not affect the amount of provision and ALLL recorded. FHN has assigned a risk weight of zero to PPP loans for regulatory capital purposes.

Lending Assistance for Borrowers

Other customer support initiatives include incremental lending assistance for borrowers through delayed payment programs and fee waivers. The following table provides the UPB of loans related to deferrals granted to FHN's customers that have been processed through June 30, 2020.

(Dollars in thousands)	As of June 30, 2020
Commercial:	
General C&I	**$ 1,828,501**
Loans to mortgage companies	**—**
TRUPS	**—**
Income CRE	**1,328,907**
Residential CRE	**1,977**
Total Commercial	**$ 3,159,385**
Consumer:	
HELOC	**$ 71,529**
R/E installment loans	**497,058**
Credit Card & Other	**5,808**
Total Consumer	**574,395**
Total	**$ 3,733,780**

Commercial deferrals processed are comprised primarily of general commercial (43 percent or $1.4 billion), commercial real estate (27 percent or $862.9 million - primarily within our Mid-Atlantic, Southeast Tennessee, and Middle Tennessee markets), franchise finance (11 percent or $356.4 million), business banking (8 percent or $256.7 million), and private client (5 percent or $173.7 million).

Critical Accounting Policies

Except for the changes to the following Allowance for Loan Losses section, there have been no significant changes to FHN's critical accounting policies as described in "Critical Accounting Policies" beginning on page 99 of Item 7 to FHN's Annual Report on Form 10-K for the year ended December 31, 2019.

ALLOWANCE FOR LOAN LOSSES

Management's policy is to maintain the ALLL at a level sufficient to absorb expected credit losses in the loan portfolio. Management performs periodic and systematic detailed reviews of its loan portfolio to identify trends and to assess the overall collectability of the loan portfolio. Management believes the accounting estimate related to the ALLL is a "critical accounting estimate" as: (1) changes in it can materially affect the provision for loan losses and net income, (2) it requires management to predict borrowers' likelihood or capacity to repay, including evaluation of inherently uncertain future economic conditions, (3) prepayment activity must be projected to estimate the life of loans that often are shorter than contractual terms, (4) it requires estimation of a reasonable and supportable forecast period for credit losses for loan portfolio segments before reversion to historical loss levels over the remaining life of a loan and (5) expected future recoveries of amounts previously charged off must be estimated. Accordingly, this is a highly subjective process and requires significant judgment since it is difficult to evaluate current and future economic conditions in relation to an overall credit cycle and estimate the timing and extent of loss events that are expected to occur prior to end of a loan's estimated life. The ALLL is increased by the provision for loan losses and recoveries and is decreased by charged-off loans. Principal loan amounts are charged off against the ALLL in the period in which the loan or any portion of the loan is deemed to be uncollectible. This critical accounting estimate applies to the regional banking, non-strategic, and corporate segments. A management committee comprised of representatives from Risk Management, Finance, Credit, and Treasury performs a quarterly review of the assumptions used in FHN's ALLL analytical models, makes qualitative assessments of the loan portfolio, and determines if qualitative adjustments should be recommended to the modeled results. On a quarterly basis, as a part of Enterprise Risk reporting and discussion, management addresses credit reserve adequacy and credit losses with the Executive and Risk Committee of FHN's Board of Directors.

FHN believes that the critical assumptions underlying the accounting estimates made by management include: (1) the commercial loan portfolio has been properly risk graded based on information about borrowers in specific industries and specific issues with respect to single borrowers; (2) borrower specific information made available to FHN is current and accurate; (3) the loan portfolio has been segmented properly and individual loans have similar credit risk characteristics and will behave similarly; (4) the lives for loan portfolio pools have been estimated properly, including consideration of expected prepayments; (5) the economic forecasts utilized in the modeling of expected credit losses are reflective of future economic conditions; (6) entity-specific historical loss information has been properly assessed for all loan portfolio segments as the initial basis for estimating expected credit losses; (7) the reasonable and supportable periods for loan portfolio segments have been properly determined; (8) the reversion methodologies and timeframes for migration from the reasonable and supportable period to the use of historical loss rates are reasonable; (9) expected recoveries of prior charge off amounts have been properly estimated; and (10) qualitative adjustments to modeled loss results reasonably reflect expected future credit losses as of the date of the financial statements.

While management uses the best information available to establish the ALLL, future adjustments to the ALLL and methodology may be necessary if economic or other conditions differ substantially from the assumptions used in making the estimates. Such adjustments to original estimates, as necessary, are made in the period in which these factors and other relevant considerations indicate that loss levels vary from previous estimates.

See Note 1 - Summary of Significant Accounting Policies and Note 5 - Allowance for Loan Losses for detail regarding FHN's processes, models, and methodology for determining the ALLL.

ACCOUNTING CHANGES ISSUED BUT NOT CURRENTLY EFFECTIVE

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

Non-GAAP Information

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

Table 23—Non-GAAP to GAAP Reconciliation

	Three Months Ended June 30		Six Months Ended June 30	
(Dollars in thousands)	**2020**	2019	**2020**	2019
Pre-provision Net Revenue ("PPNR")				
Net interest income (GAAP)	**$ 305,344**	$ 303,610	**$ 608,146**	$ 598,118
Plus: Noninterest income (GAAP)	**206,269**	157,993	**381,025**	299,038
Total revenues (GAAP)	**511,613**	461,603	**989,171**	897,156
Less: Noninterest expense (GAAP)	**332,168**	300,394	**643,487**	596,484
PPNR (Non-GAAP)	**179,445**	161,209	**345,684**	300,672
Provision/(provision credit) for loan losses (GAAP)	**110,000**	13,000	**255,000**	22,000
Income before income taxes (pre-tax income ("PTI")) (GAAP)	**$ 69,445**	$ 148,209	**$ 90,684**	$ 278,672
Average Tangible Common Equity (Non-GAAP)				
Average total equity (GAAP)	**$ 5,117,613**	$ 4,869,161	**$ 5,060,003**	$ 4,839,363
Less: Average noncontrolling interest (a)	**295,431**	295,431	**295,431**	295,431
Less: Average preferred stock (a)	**149,675**	95,624	**122,650**	95,624
(A) Total average common equity	**$ 4,672,507**	$ 4,478,106	**$ 4,641,922**	$ 4,448,308
Less: Average intangible assets (GAAP) (b)	**1,555,049**	1,578,505	**1,557,695**	1,581,582
(B) Average Tangible Common Equity (Non-GAAP)	**$ 3,117,458**	$ 2,899,601	**$ 3,084,227**	$ 2,866,726
Net Income Available to Common Shareholders				
(C) Net income available to common shareholders (annualized) (GAAP)	**$ 210,205**	$ 438,562	**$ 129,375**	$ 420,204
Tangible Common Equity (Non-GAAP)				
(D) Total equity (GAAP)	**$ 5,208,385**	$ 4,926,081	**$ 5,208,385**	$ 4,926,081
Less: Noncontrolling interest (a)	**295,431**	295,431	**295,431**	295,431
Less: Preferred stock (a)	**240,289**	95,624	**240,289**	95,624
(E) Total common equity	**$ 4,672,665**	$ 4,535,026	**$ 4,672,665**	$ 4,535,026
Less: Intangible assets (GAAP) (b)	**1,552,395**	1,575,399	**1,552,395**	1,575,399
(F) Tangible common equity (Non-GAAP)	**$ 3,120,270**	$ 2,959,627	**$ 3,120,270**	$ 2,959,627
Tangible Assets (Non-GAAP)				
(G) Total assets (GAAP)	**$ 48,644,659**	$ 42,171,770	**$ 48,644,659**	$ 42,171,770
Less: Intangible assets (GAAP) (b)	**1,552,395**	1,575,399	**1,552,395**	1,575,399
(H) Tangible assets (Non-GAAP)	**$ 47,092,264**	$ 40,596,371	**$ 47,092,264**	$ 40,596,371
Period-end Shares Outstanding				
(I) Period-end shares outstanding	**312,359**	312,478	**312,359**	312,478
Ratios				
(C)/(A) Return on average common equity ("ROCE") (GAAP) (c)	**4.50%**	9.79%	**2.79%**	9.45%
(C)/(B) Return on average tangible common equity ("ROTCE") (Non-GAAP) (d)	**6.74**	15.12	**4.19**	14.66
(D)/(G) Total equity to total assets (GAAP)	**10.71**	11.68	**10.71**	11.68
(F)/(H) Tangible common equity to tangible assets ("TCE/TA") (Non-GAAP)	**6.63**	7.29	**6.63**	7.29
(E)/(I) Book value per common share (GAAP)	**$ 14.96**	$ 14.51	**$ 14.96**	$ 14.51
(F)/(I) Tangible book value per common share (Non-GAAP)	**$ 9.99**	$ 9.47	**$ 9.99**	$ 9.47

(a) Included in Total equity on the Consolidated Condensed Statements of Condition.
(b) Includes Goodwill and other intangible assets, net of amortization.
(c) Ratio is annualized net income available to common shareholders to average common equity.

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The information called for by this item is contained in

(a) Management's Discussion and Analysis of Financial Condition and Results of Operations included as Item 2 of Part I of this report, including in particular the section entitled "Risk Management" beginning on page 115 of this report and the subsections entitled "Market Risk Management" beginning on page 115 and "Interest Rate Risk Management" beginning on page 117 of this report, and

(b) Note 14 to the Consolidated Condensed Financial Statements appearing on pages 57-63 of this report,

all of which materials are incorporated herein by reference. For additional information concerning market risk and our management of it, refer to: Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in Item 7 to FHN's Annual Report on Form 10-K for the year ended December 31, 2019, including in particular the section entitled "Risk Management" beginning on page 88 of that Report and the subsections entitled "Market Risk Management" beginning on page 89 and "Interest Rate Risk Management" beginning on page 90 of that Report; and Note 22 to the Consolidated Financial Statements appearing on pages 194-200 of Item 8 to FHN's Annual Report on Form 10-K for the year ended December 31, 2019.

Item 4. Controls and Procedures

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

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

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The “Contingencies” section of Note 10 to the Consolidated Condensed Financial Statements beginning on page 45 of this Report is incorporated into this Item by reference.

Item 1A. Risk Factors

Material changes from risk factor disclosures in FHN’s Annual Report on Form 10-K for the year ended December 31, 2019 and from supplemental risk factor disclosures in its Quarterly Report on Form 10-Q for the period ended March 31, 2020:

Not Applicable

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) & (b) Not Applicable

(c) The "Common Stock Purchase Programs” section including tables 10(a) and 10(b) and explanatory discussions included in Item 2 of Part I of this report under the heading “First Horizon National Corporation Management’s Discussion and Analysis of Financial Condition and Results of Operations,” beginning on page 102 of this report, is incorporated herein by reference.

Items 3, 4, and 5

Not applicable

Item 6. Exhibits

(a) Exhibits

In the Exhibit Table below: the "Filed Here" column denotes each exhibit which is filed or furnished (as applicable) with this report; the "Mngt Exh" column denotes each exhibit that represents a management contract or compensatory plan or arrangement required to be identified as such; and the "Furnished" column denotes each exhibit that is "furnished" pursuant to 18 U.S.C. Section 1350 or otherwise, and is not "filed" as part of this Report or as a separate disclosure document.

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.

Exh No	Description of Exhibit to this Report	Filed Here	Mngt Exh	Furn-ished	Incorporated by Reference to		
					Form	Exh No	Filing Date
3.1	Articles of Amendment of the Restated Charter of First Horizon National Corporation, related to Series E Preferred Stock				8-K	3.1	5/28/2020
3.2	Articles of Amendment of First Horizon National Corporation [corporate charter] - Authorized Common Stock [increase to 700 million shares]				8-K	3.1	7/2/2020
3.3	Articles of Amendment of First Horizon National Corporation [corporate charter] - Preferred Stock [Series B, C, & D]				8-K	3.2	7/2/2020
3.4	Bylaws of First Horizon National Corporation, as amended and restated effective July 1, 2020				8-K	3.3	7/2/2020
4.1	Deposit Agreement, dated as of May 28, 2020, by and among First Horizon National Corporation, Equiniti Trust Company, as depositary, and the holders from time to time of the depositary receipts described therein [Series E]				8-K	4.1	5/28/2020
4.2	Form of certificate representing Series E Preferred Stock				8-K	4.2	5/28/2020
4.3	Form of Depositary Receipt representing the Series E Depositary Shares (included in Exhibit 4.1 to this report)				8-K	4.3	5/28/2020
4.4	Deposit Agreement, dated as of July 1, 2020, by and among First Horizon National Corporation, Equiniti Trust Company, as depositary, and the holders from time to time of the depositary receipts described therein [Series B]				8-K	4.1	7/2/2020
4.5	Deposit Agreement, dated as of July 1, 2020, by and among First Horizon National Corporation, Equiniti Trust Company, as depositary, and the holders from time to time of the depositary receipts described therein [Series C]				8-K	4.2	7/2/2020
4.6	Deposit Agreement, dated as of July 1, 2020, by and among First Horizon National Corporation, Equiniti Trust Company, as depositary, and the holders from time to time of the depositary receipts described therein [Series D]				8-K	4.3	7/2/2020
4.7	Form of Depositary Receipt-Series B (included as part of Exhibit 4.4 to this report)				8-K	4.4	7/2/2020
4.8	Form of Depositary Receipt-Series C (included as part of Exhibit 4.5 to this report)				8-K	4.5	7/2/2020
4.9	Form of Depositary Receipt-Series D (included as part of Exhibit 4.6 to this report)				8-K	4.6	7/2/2020
4.10	FHN agrees to furnish to the Securities and Exchange Commission upon request a copy of each instrument defining the rights of the holders of the senior and subordinated long-term debt of FHN and its consolidated subsidiaries.						
10.1	Retention Agreement of Anthony J. Restel, dated November 3, 2019				8-K	10.1	7/2/2020
31(a)	Rule 13a-14(a) Certifications of CEO (pursuant to Section 302 of Sarbanes-Oxley Act of 2002)	X					
31(b)	Rule 13a-14(a) Certifications of CFO (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)	X					
32(a)	18 USC 1350 Certifications of CEO (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)	X		X			

Exh No	Description of Exhibit to this Report	Filed Here	Mngt Exh	Furn-ished	Incorporated by Reference to		
					Form	Exh No	Filing Date
32(b)	18 USC 1350 Certifications of CFO (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)	X		X			
	XBRL Exhibits						
101	The following financial information from First Horizon National Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline XBRL: (i) Consolidated Condensed Statements of Condition at June 30, 2020 and December 31, 2019; (ii) Consolidated Condensed Statements of Income for the Three and Six Months Ended June 30, 2020 and 2019; (iii) Consolidated Condensed Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2020 and 2019; (iv) Consolidated Condensed Statements of Equity for the Three and Six Months Ended June 30, 2020 and 2019; (v) Consolidated Condensed Statements of Cash Flows for the Three and Six Months Ended June 30, 2020 and 2019; (vi) Notes to Consolidated Condensed Financial Statements.						
101. INS	XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.						
101. SCH	Inline XBRL Taxonomy Extension Schema	X					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	X					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	X					
101. PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	X					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	X					
104	Cover Page Interactive Data File, formatted in Inline XBRL (included in Exhibit 101)	X					

SIGNATURES

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

FIRST HORIZON NATIONAL CORPORATION
(Registrant)

Date: August 5, 2020

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

Exhibit 31(a)

FIRST HORIZON NATIONAL CORPORATION
RULE 13a – 14(a) CERTIFICATIONS OF CEO
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(QUARTERLY REPORT)

CERTIFICATIONS

I, D. Bryan Jordan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Horizon National Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ D. Bryan Jordan

D. Bryan Jordan

President and Chief Executive Officer

Exhibit 31(b)

FIRST HORIZON NATIONAL CORPORATION
RULE 13a – 14(a) CERTIFICATIONS OF CFO
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(QUARTERLY REPORT)

CERTIFICATIONS

I, William C. Losch III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Horizon National Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ William C. Losch III

William C. Losch III

Senior Executive Vice President and Chief Financial Officer

Exhibit 32(a)

CERTIFICATION OF PERIODIC REPORT
18 USC 1350 CERTIFICATIONS OF CEO
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,
As Codified at 18 U.S.C. Section 1350

I, the undersigned D. Bryan Jordan, President and Chief Executive Officer of First Horizon National Corporation ("Corporation"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, as follows:

1. The Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: August 5, 2020

/s/ D. Bryan Jordan

D. Bryan Jordan
President and Chief Executive Officer

Exhibit 32(b)

CERTIFICATION OF PERIODIC REPORT
18 USC 1350 CERTIFICATIONS OF CFO
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002,
As Codified at 18 U.S.C. Section 1350

I, the undersigned William C. Losch III, Senior Executive Vice President and Chief Financial Officer of First Horizon National Corporation ("Corporation"), hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, as follows:

1. The Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: August 5, 2020

/s/ William C. Losch III

William C. Losch III

Senior Executive Vice President and Chief Financial Officer